



# **Comprehensive Annual Financial Report**

*For The Fiscal Year Ended  
June 30, 2006*

*Mayor*  
**Stephen Padilla**

*City Council*

**Steve Castaneda  
Patty Chavez  
John McCann  
Jerry Rindone**

*Interim City  
Manager*  
**Jim Thomson**

Compiled under the direction of  
Maria Kachadoorian  
*Director of Finance/Treasurer*

CITY OF CHULA VISTA  
Comprehensive Annual Financial Report  
June 30, 2006

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October 26, 2006

**To the Honorable Mayor, Members of the City Council  
And Citizens of the City of Chula Vista, California**

The Annual Financial Report (the Report) of the City of Chula Vista for the fiscal year ended June 30, 2006 is hereby submitted in accordance with City Charter section 1017 and section 25253 of the Government Code of the State of California. The accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, are the responsibility of the City. The Report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). It is believed that the data reported is accurate in all material respects, that it is presented in a manner designed to fairly represent the financial position and results of operations of the City as measured by the financial activity in its various Funds, and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs as of June 30, 2006 have been included.

The independent auditing firm of Moreland and Associates, Inc. has issued an unqualified ("clean") opinion on the City of Chula Vista's financial statements for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

The Report is organized into three major sections as follows:

- |                       |   |
|-----------------------|---|
| Introductory Section: | This section includes a table of contents, this transmittal letter, and a City organizational chart.  |
| Financial Section:    | This section includes the independent auditors' report, the management discussion & analysis report, the basic financial statements and notes to these statements, followed by supplementary information. |
| Statistical Section:  | This section contains both financial and non-financial trend data about the City and its operations.  |

Per Generally Accepted Accounting Principles, all State and Local governments required to comply with GASB 34 must prepare a Management Discussion and Analysis (MD&A) report which provides an overview and an analysis to accompany the financial statements. This transmittal letter is designed to complement the MD&A, which is located immediately following the independent auditor's report.

Also, as a recipient of federal and state financial assistance, the City is required to have a "Single Audit" performed by our independent audit firm. The Single Audit was designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require that the independent auditor report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report. The result of the City's Single Audit for the fiscal year ended June 30, 2006 noted no material weaknesses in the framework of internal controls, or significant violations of applicable laws and regulations.

## **GOVERNMENT**

Chula Vista was incorporated in 1911, and functions under a City Charter with a Council/Manager form of government. The City is governed by a four member Council and a Mayor, who serve four year overlapping terms, and are elected on a citywide basis. The City Council appoints the City Manager, City Attorney and City Clerk. Municipal services provided include police, fire, parks, recreation, libraries, planning & building, housing programs, street and drainage construction & maintenance, sewer services, etc.

### **THE REPORTING ENTITY (Activities included in the Report)**

The Report includes all activities carried out by the City as a legal entity, and also includes the activities of certain other entities for which the City Council is financially accountable as determined under the guidelines of the Governmental Accounting Standards Board. Although legally separate entities, these so called "component units" are under the City's umbrella of accountability, and therefore, their financial position and results of operations are reflected in the Report.

The component units included in the Report are:

- The Redevelopment Agency of the City of Chula Vista
- The Chula Vista Industrial Development Authority
- The Chula Vista Public Financing Authority

## **ACCOUNTING SYSTEMS AND BUDGETARY CONTROL**

The basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under

the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

In administering the City's accounting systems, primary consideration is given to the adequacy of internal accounting controls, which include an array of administrative procedures. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, as well as the reliability of financial records for accurate and fair presentation of financial reports. The concept of reasonable assurance recognizes that the cost of specific controls should not exceed the benefits likely to be derived from exercising the controls, and that this evaluation necessarily involves estimates and judgments by management. It is believed that the City's internal accounting controls adequately safeguard City assets and provide reasonable assurance of proper recording of financial transactions.

The City Charter assigns the Director of Finance with the responsibility to supervise and be responsible for the disbursement of all monies and have control over all expenditures to ensure that budget appropriations are not exceeded. The level of budgetary control, that is, the level at which expenditures are not to exceed Council approved appropriations, is established by department at the category level. An encumbrance (commitment) accounting system is utilized as a technique to enhance budgetary control during the year. Appropriations encumbered (committed) at year end automatically carry forward and are available to be used for those commitments during the subsequent year while unspent, unencumbered appropriations lapse at year end and become generally available for re-appropriation the following year.

The City Council adopts the formal budget at the beginning of each fiscal year and may amend it throughout the year as necessary. Expenditures may not exceed budgeted figures at the category level (Personnel, Supplies and Services, Other Expenses, Capital) by department. Fiscal status reports summarizing the year to date General Fund revenues and expenditures are presented to the City Council on a quarterly basis.

## **LOCAL ECONOMY AND PROSPECTS FOR THE FUTURE**



The City of Chula Vista, incorporated in 1911, is a city of great diversity, both geographically and demographically. It is a community of many choices and opportunities. The City of Chula Vista is located eight miles south of the City of San Diego and seven miles north of the Mexico border. Chula Vista's city limits cover approximately 50 square miles, which spans from the beautiful shoreline of San Diego Bay to the breathtaking mountain views in the eastern section of the city. Chula Vista

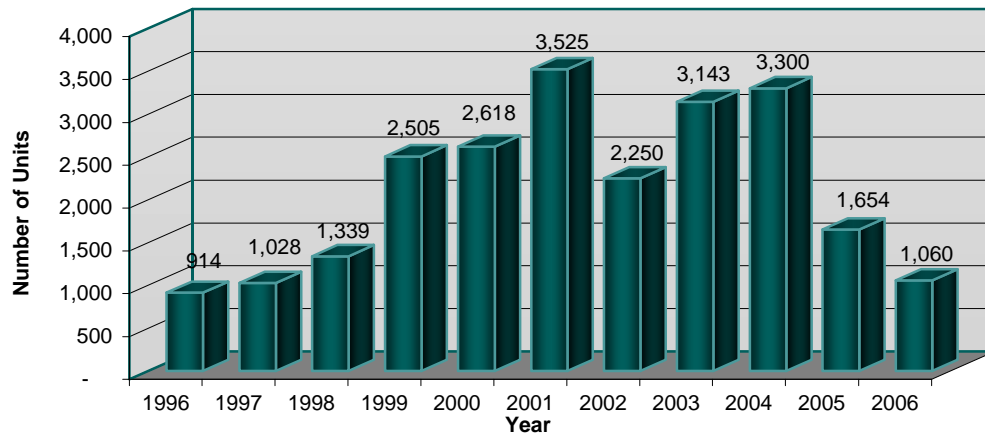
residents enjoy all the benefits of a major city along with small town friendliness, affordable housing and near perfect weather. The most recent data available indicates that the median family income in Chula Vista is \$64,140.

The City of Chula Vista, with a population of more than 223,423, is the second largest community in San Diego County. San Diego Association of Governments (SANDAG) projects that the City of Chula Vista will reach a population of approximately 280,000 by the year 2030.



In 2003, based on population estimates released by the Census Bureau, Chula Vista was identified as the 7<sup>th</sup> fastest growing city in the United States. More recent estimates released by the Census Bureau identify Chula Vista as the 28<sup>th</sup> fastest growing city with a population of 100,000 or more for the period of July 1, 2004 to July 1, 2005. SANDAG's Preliminary 2030 Growth Forecast indicates that the South County sub region will continue to host a substantial amount of the region's projected growth over the next 25 years, primarily through new development in the eastern portion. The number of residential units built hit an all time high during calendar years 1999-2004. Due to the significant slow down in the housing market, those numbers have dramatically dropped beginning in 2005. The following graph shows the actual number of housing units completed during the last 11 calendar years.

**Residential Building Units  
Calendar Years 1996-2006**



The slow down in residential permits has been somewhat offset by the increased commercial development in the past year. Commercial development has brought much needed entertainment, restaurants and shopping venues to the region generating additional sales tax revenues to help pay for City services.

The health of Chula Vista's economy is based on its diversification. Rated one of California's best cities for business by California CEO magazine, the city is home to the American corporate headquarters of DNP Electronics, which also has manufacturing on site, Hitachi Home Electronics, manufacturing facilities such as Raytheon, and Goodrich as well as research and development facilities such as the Leviton facility in eastern Chula Vista.

Sales Taxes:

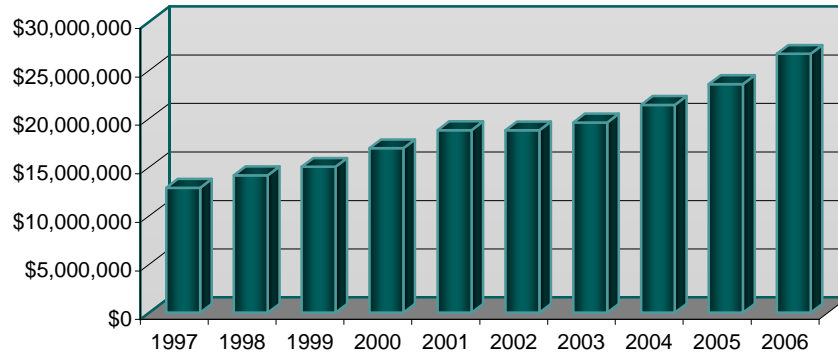
The City receives 1% in sales and use tax revenue from all taxable retail sales occurring within City limits. These funds are collected by the State along with their 6.5% component of the sales and use tax and 0.25% designated for transportation for a total sales tax rate within San Diego County of 7.75%. Sales and use tax revenue is the City's single largest general fund revenue source. In fiscal year 2006, sales taxes represented 17% of total general fund revenues.

The growth in retail operators has made significant contributions to Chula Vista's sales tax base. Over a ten-year period between 1997-2006, Chula Vista's sales tax revenues have grown approximately 107% (in current \$) with most of that growth occurring after fiscal year 1997. During fiscal year 2006, Chula Vista's sales tax revenue experienced very healthy growth over the previous fiscal year at a rate of 13.2%. Again this was primarily due to the continued growth



in the eastern sections of the City, which have led to the opening of various new commercial developments in the past two years, which have included large retail stores such as Wal-Mart, Target, Kohl's, Babies R Us and Lowe's. We anticipate sales tax revenues to continue growing at very healthy rates over the next few years due to the openings of the Otay Ranch Town Centre Mall which held its grand opening in October 2006 and the continued expansion of the Chula Vista Auto Park, which will add several new dealerships such as Toyota, Dodge, Chrysler and Jeep.

**Sales Tax Revenues  
Ten-Year Chart**

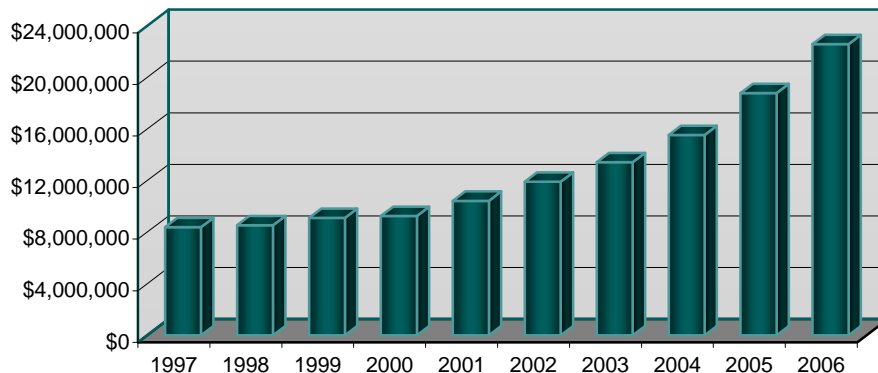


Property Taxes:

Under State law since 1979, property taxes for general government purposes are limited to 1% of the market value of the property assessed. In September 2006, the median sales price of a single family detached home was \$560,000 in western Chula Vista and \$625,000 in eastern Chula Vista, which were decreases over the median prices in 2005 of \$565,000 and \$630,000 respectively.

Due to the historical increases in the price of homes in Southern California from 1999-2006 coupled with the growth occurring in the eastern section of the City, property tax revenues have grown at historically high rates over the past five years. In fiscal year 2006, property tax revenues grew by an all-time high of 20% from the previous fiscal year. According to the most recent County of San Diego Assessor's Office Report, assessed values in Chula Vista have increased by 15.43% for fiscal year 2007. This is the 8th straight year that the City has seen double-digit growth in assessed values.

**Property Taxes  
Ten-Year Chart**

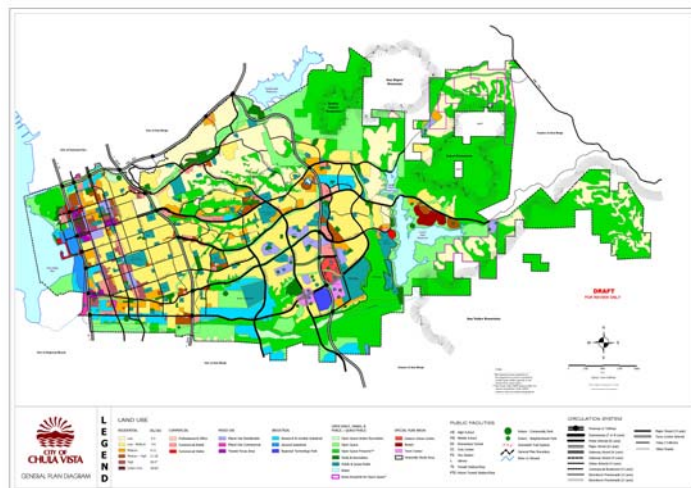


Long-Term Financial Planning:

The City is in a good financial position benefiting from a vibrant and growing San Diego area economy. The City considers it essential to fund its financial reserves at a level that can endure a limited economic recession without impacting service levels and capital maintenance programs. The Council's General Fund minimum reserve level policy of 8%, which became effective in 1996, was established to prudently protect the fiscal solvency of the City. Reserves are important in order to mitigate the negative impact on revenues from economic fluctuations, to withstand State budget grabs and to fund unforeseen expenditure requirements.

During fiscal year 2006, the Finance Department issued a General Fund Five Year Financial Forecast report to assess the General Fund's ability over the next five years to continue current service levels based on anticipated growth. The Finance Department will continue to update the five-year forecast report, as projections are refined. This forecast will serve as the foundation for the City's Long Term Financial Plan, which is in process. The Government Finance Officers Association (GFOA) recognizes the importance of combining the forecasting of revenues and expenditures into a single financial forecast. The GFOA also recommends that a government should have a financial planning process that assesses long-term financial implications of current and proposed policies, programs, and assumptions that develop appropriate strategies to achieve its goals.

The City recently completed the General Plan Update (GPU), a comprehensive update to this important document. The General Plan Update (GPU) seeks to preserve the character and natural resources of the City while providing the opportunity for development of new and affordable options in housing, providing additional jobs for residents, creating more recreational and cultural centers, and improving the connection between the unique regions of the City. The General Plan takes a long-range view (typically 15 to 20 years) and articulates the community's economic, environmental and social goals, and sets forth policies relative to distribution of future land uses, both public and private, in furtherance of those goals. The completion of this document will serve as a tool in preparing the Long-Term Financial Plan for the City.



## CASH MANAGEMENT POLICIES

In order to maximize investment leverage, it is the City's practice to "pool" available cash from all Funds for investment purposes. In accordance with the adopted investment policy, available cash is invested with the goal of safety, meaning protection of principal, as the first priority, ensuring adequate liquidity as the second priority, and maximizing yield as the third priority. The average yield on the pooled investment portfolio during the fiscal year ending June 30, 2006 was 3.262%, an increase from the prior year yield of 3.17% due to an increasing interest rate environment.

## RISK MANAGEMENT

The City is self-insured for general liability up to \$250,000 and worker's compensation up to \$500,000 per claim. As a member of the San Diego Pooled Insurance Program Authority (SANDPIPA), the City is insured for general liability claims between \$250,000 and \$2 million. In addition, for general liability claims between \$2 million and \$37 million, the City is covered by excess insurance coverage obtained through SANDPIPA. For worker's compensation claims, the City has purchased excess insurance for claims exceeding \$250,000.

The probable amounts of loss as estimated by the City's Risk Manager and Attorney, including an estimate of incurred-but-not reported losses, have been recorded as liabilities in the basic financial statements. There were no reductions in insurance coverage from the prior year and there were no insurance settlements which exceeded coverage in each of the past three years. Additional information on the City's risk management activity can be found under note disclosure 9 to the financial statements.

## MAJOR INITIATIVES

The City embarked on and completed some major capital projects during fiscal year 2006. These projects reflect Council's continued commitment to the renewal of existing facilities and infrastructure and to provide the improvements necessary to respond to growth being experienced by the City. Established neighborhoods and business areas continue to benefit from Chula Vista's commitment to maintain its infrastructure. The primary focus again this year was construction of new streets, sewers and parks, as well as significant renovation of existing roadways and park facilities.

- **Civic Center Complex (Phase 1)** - During fiscal year 2006, the first of three phases of a \$50.4 million renovation of the Civic Center Complex was completed. The first phase of the Civic Center project (\$23 million) included the renovation of City Hall. The project included an improved and enlarged Council Chambers, and offices for the City Council, City Administration, City Attorney, City Clerk, Office of Budget and Analysis, Office of Communications and the Finance Department.



- **Civic Center Complex (Phase 2)** - Construction of the second phase of the Civic Center Complex began immediately after staff moved into the new City Hall. The second phase of the Civic Center project (\$12.3 million) will house staff from Engineering and Planning & Building Departments. The renovated building will total 30,562 square feet and will be completed in January 2007.
- **Nature Center Exhibit Remodel** - A naturalistic bay habitat featuring green sea turtles greet visitors at the City of Chula Vista's Turtle Lagoon which was added as part of a comprehensive exhibit and facility remodel (\$3.4 million). Funding for this project included the general fund, donations from the F.L Wergeland Family, a grant from the California Coastal Conservancy as well as various other donors.
- **Fire Station 8 "Woods Fire Station"** - In fiscal year 2006, construction began for Fire Station 8, known as the "Woods Fire Station", (\$7.1 million) which will provide coverage to new development in the Eastlake Woods, Greens, Trails and Vistas. The relocation of Fire Station 6, coupled with continued rapid growth, created the need to accelerate construction of Fire Station 8. The fire station is scheduled to open in January 2007.



In addition to building construction, the City is in the midst of an unprecedented park and recreation center development and construction program. During the past two years, the City has opened a total of 8 new parks at a cost of approximately \$55.7 million. Here are some of the major parks that were completed and opened during fiscal year 2006.

- **Salt Creek Park - (\$15.5 million)** Salt Creek offers the city's first lighted arena soccer facility with artificial turf. The recreation center offers a gym, weight room and other facilities. It includes multi-purpose fields, two lighted tennis courts, two lighted basketball courts, children's play areas, picnic shelters, skate area and walking trails.
- **Monteville Park (\$14.8 million)** – At 29 acres, Monteville Park is the largest of the city's new facilities and the first park in Chula Vista that offers universally accessible playground equipment. The equipment allows disabled children, even those in wheelchairs, to play alongside their friends. It's also one of the few places where dogs can run without being on a leash. The roomy recreation center has a large gym and several smaller rooms that can accommodate a variety of activities. Outside, there are lighted sports fields, tennis courts and basketball courts, walking trails, picnic shelters and an area set aside for skateboarding.
- **Veterans Park (\$8.9 million)** – Located in the Sunbow development, Veterans Park is a 12-acre site that boasts an ocean view from its Walk of Honor, a dedicated brick walkway that pays tribute to service members, police and firefighters by name. The facilities include a large recreation center, softball field and multi-purpose fields, two basketball courts, a children's play area, picnic facilities and a dog park.



- **Mountain Hawk Park (\$4.3 million)** – Mountain Hawk Park, overlooking one of the most scenic areas of the city, opened this summer. The new 13-acre neighborhood park is located in Eastlake Vistas, and its spectacular views of Lower Otay Lakes and the nearby mountains make it a perfect place for weddings and special occasions.
- **Harborside Park – (\$4.3 million)** In April 2006, the first new park built in western Chula Vista in more than 25 years was dedicated. The five-acre park provides a place for family picnics, skateboarding or a game of basketball. Residents played a major role in helping city staff design the park and as a result, Harborside offers everything from picnic areas and monkey bars to an outdoor classroom for students at the nearby Harborside Elementary School.



In fiscal year 2006, there were a number of infrastructure projects that will result in significant improvements for the residents and businesses of the City. The largest of these is improvements to the highway interchange on I-805 at Orange Avenue/Olympic Parkway. This \$21 million interchange will improve accessibility and traffic flow on East Orange Avenue/Olympic Parkway and at Main Street and relieve congestion on I-805, particularly the on and off ramps during peak hours and concert events. Construction was completed in early 2006. Two other major projects, East H Street / I-805 Interchange (\$3.3 million) and Telegraph Canyon Road / I-805 Connection (\$4.0), also designed to ease traffic congestion were also completed during this period.

The Bayfront Master Plan, a plan for the City's waterfront, is nearing culmination. Working in partnership with the Port of San Diego, the master planning process has built upon maximizing environmental protection, providing access to the bayfront for residents of Chula Vista and the region and improving boating and waterfront recreation opportunities. These benefits are supported by the creation of an exciting bayfront neighborhood of residential, visitor serving commercial, and office development. The overall master plan study area takes in 566 acres.



Major strides towards seeing the realization of the Bayfront development occurred during the summer of 2006 when the City, Port of San Diego and Gaylord Entertainment signed a Letter of Intent and are in the process of negotiating the business deal. The proposed project includes a 400,000 square foot convention center, up to 2,000 hotel rooms and 60,000 feet of retail and restaurant space.



## **INDEPENDENT AUDIT**

An independent audit of the City's records is required by section 1017 of the City Charter and was performed for the year ended June 30, 2006 by the certified public accounting firm of Moreland & Associates, Inc. The auditors report on the basic financial statements and schedules is included in the Financial Section of the Report. In general, the auditors concluded that the financial statements and schedules referred to above present fairly, in all material respects, the financial position of the City of Chula Vista as of June 30, 2006, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. The professionalism and knowledge exhibited by Moreland & Associates, Inc. during their audit work is greatly appreciated.

## **AWARD**

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 Chula Vista for its comprehensive annual financial report for the fiscal year ended June 30, 2005. 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 generally accepted accounting principles 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.

Similarly, the California Society of Municipal Finance Officer (CSMFO) presented the City of Chula Vista with a Certificate of Award for Outstanding Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. The Certificate of Award is a prestigious state recognition for conformance with certain high standards for preparation of local government financial reports. The CSMFO Certificate of Award is also valid for a period of one year only. The CSMFO has discontinued this program for municipalities that apply to and receive the GFOA Award discussed above. If the CSMFO award eligibility requirements change in the future the City will resume applying for the award.

The City has also received a Distinguished Budget Award from the Government Finance Officers Association of the United States and Canada for the fiscal years 2006 and 2007 budget. In order to receive this budget award, staff had to meet nationally recognized guidelines in which a governmental unit must produce a budget document that meets program criteria as a policy document, operations guide, financial plan, and communications device. This award represents a significant achievement and reflects the City's commitment to meet the highest principles of governmental budgeting.

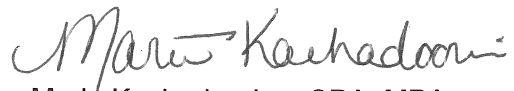
Similarly, the City received the California Society of Municipal Officers (CSMFO) Excellence Award in Budgeting for the Operating Budget for fiscal years 2006 and 2007. The budget awards program was designed to recognize agencies that prepare their budget documents to meet a high level of criteria in the quality of budget documentation.

## **ACKNOWLEDGMENTS**

Preparation of the Report and more importantly, maintaining the City's accounting records in a manner sufficient to earn the aforementioned auditors opinion is only accomplished with the

continuous concerted effort of each and every staff member in the Finance Department. As such, I express my sincere appreciation for their dedicated service. I would also like to thank the City Council for their continued support in achieving excellence in financial management.

Respectfully,

A handwritten signature in cursive script that reads "Maria Kachadoorian".

Maria Kachadoorian, CPA, MPA  
Director of Finance/Treasurer



**City of Chula Vista  
List of City Officials  
June 30, 2006**

**City Council**

---

Stephen C. Padilla	Mayor
John McCann	Deputy Mayor
Steve Castaneda	Councilmember
Patty Chavez	Councilmember
Jerry Rindone	Councilmember

**Administration**

---

Jim Thomson	Interim City Manager
Laurie Madigan	Assistant City Manager
David Palmer	Assistant City Manager
Dana Smith	Assistant City Manager
Ann Moore	City Attorney
Susan Bigelow	City Clerk

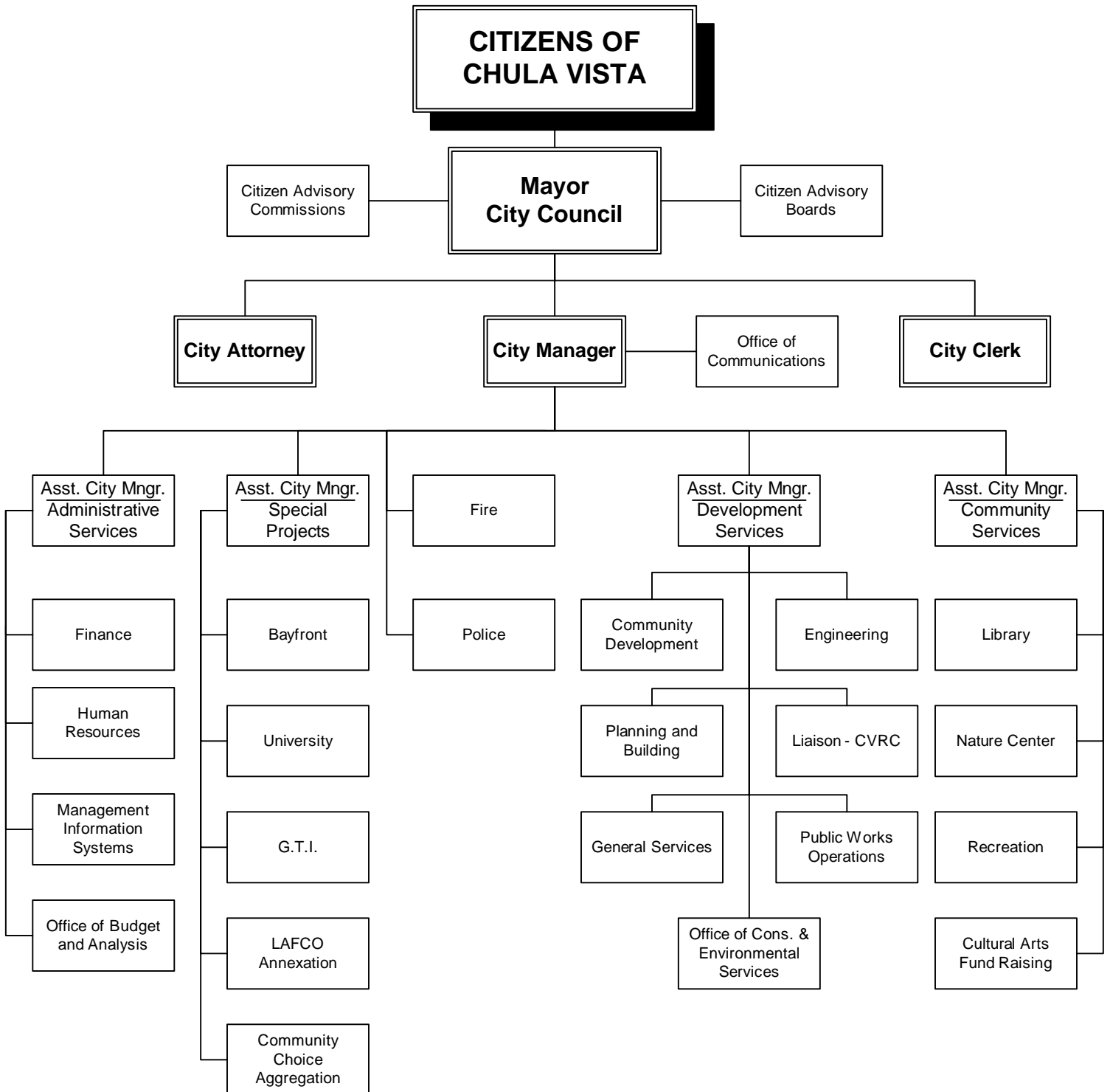
**Department Heads**

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Edward Vaneenoo	Director of Budget & Analysis
Ann Hix	Acting Director of Community Development
Maria Kachadoorian	Director of Finance/Treasurer
Douglas Perry	Fire Chief
Jack Griffin	Director of General Services
Marcia Raskin	Director of Human Resources
David Palmer	Director of Library
Louie Vignapiano	Director of Mgmt. & Information Services.
Daniel D. Beintema	Director of Nature Center
Jim Sandoval	Director of Planning & Building
Richard Emerson	Chief of Police
Dave Byers	Director of Public Works
Buck Martin	Director of Recreation



## ORGANIZATION CHART



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Chula Vista  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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.



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

*California Society of  
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting 2004-05*

Presented to the

*City of Chula Vista*

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

*February 24, 2006*

*William A. Stand*

Bill Thomas, Chair  
Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*



October 26, 2006

The Honorable City Council of  
the City of Chula Vista, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chula Vista, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Chula Vista'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 the City of Chula Vista, California, as of June 30, 2006, 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.

As discussed in Note VI to the financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board Statement 47, *Accounting for Termination Benefits*, for the year ended June 30, 2006.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2006 on our consideration of the City of Chula Vista's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Moulton & Associates, Inc.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Chula Vista (the "City") provides this Management Discussion and Analysis of the City's Comprehensive Annual Financial Report (CAFR) for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City's financial statements, which follow.

### Financial Highlights – Primary Government

#### **Government-Wide Highlights:**

*Net Assets* - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2006 by \$841.0 million. Of this amount, \$96.3 million was reported as "unrestricted net assets" and may be used to meet the government's ongoing obligations to citizens and creditors.

*Changes in Net Assets* – The City's total net assets increased by \$63.8 million in fiscal year 2006. Net assets of governmental activities increased by \$64.8 million, while net assets of the business type activities decreased by \$1.0 million.

#### **Fund Highlights:**

*Governmental Funds – Fund Balances*- As of the close of fiscal year 2006, the City's governmental funds reported a combined ending fund balance of \$233.4 million, a decrease of \$6.4 million from the prior year. Of this amount, \$146.8 million represents "unreserved fund balances" available for appropriation.

*General Fund* - The unreserved fund balance of the general fund on June 30, 2006 was \$18.1 million, a decrease of \$1.2 million from the prior year. Included in these figures is \$2.3 million unreserved fund balance accounted for in funds, such as the Public Liability Reserve Fund, which are considered general fund type funds for financial reporting purposes.

#### **Long-Term Debt:**

The City's total debt obligations increased by \$16.1 million or 8.5% during fiscal year 2006. For the 2006 fiscal year, the City issued Certificates of Participation for construction of phase two of the Civic Center totaling \$20.3 million and borrowed \$930,000 to pay its Educational Revenue Augmentation Fund obligation of the Agency. The increase of \$16.1 million is attributable to a combination of the new debt issuances as discussed, the payment of bond principal (\$10.1 million), and change in compensated absences (\$5.0 million) and accreted interest for the pension obligation bonds (\$8,038).

### City Highlights

The City embarked on and completed some major capital projects during fiscal year 2006. These projects reflect Council's continued commitment to the renewal of existing facilities and infrastructure and to provide the improvements necessary to respond to growth being experienced by the City. Established neighborhoods and business areas continue to benefit from Chula Vista's commitment to maintain its infrastructure. The primary focus again this year



was construction of new streets, sewers and parks, as well as significant renovation of existing roadways and park facilities.

- Civic Center Complex (Phase 1) - During fiscal year 2006, the first of three phases of a \$50.4 million renovation of the Civic Center Complex was completed. The first phase of the Civic Center project (\$23 million) included the renovation of City Hall. The project included an improved and enlarged Council Chamber, and offices for the City Council, City Administration, City Attorney, City Clerk, Office of Budget and Analysis, Office of Communications and the Finance Department.
- Civic Center Complex (Phase 2) - Construction of the second phase of the Civic Center Complex began immediately after staff moved into the new City Hall. The second phase of the Civic Center project (\$12.3 million) will house staff from Engineering and Planning & Building Departments. The renovated building will total 30,562 square feet and will be completed in January 2007.
- Nature Center Exhibit Remodel - A naturalistic bay habitat featuring green sea turtles greet visitors at the City of Chula Vista's Turtle Lagoon which was added as part of a comprehensive exhibit and facility remodel (\$3.4 million). Funding for this project included the general fund, donations from the F.L Wergeland Family, a grant from the California Coastal Conservancy as well as various other donors.
- Fire Station 8 "Woods Fire Station" - In fiscal year 2006, construction of Fire Station 8 known, as the "Woods Fire Station" (\$7.1 million) will provide coverage to new developments in the Woods, Eastlake Greens, Trails and Vistas. The relocation of Fire Station 6, coupled with continued rapid growth, created the need to accelerate construction of Fire Station 8. The fire station is scheduled to open in January 2007.

In addition to building construction, the City is in the midst of an unprecedented park and recreation center development and construction program. During the past two years, the City has opened a total of 8 new parks at a cost of approximately \$55.7 million. Here are some of the major parks which were completed and opened during fiscal year 2006.

- Salt Creek Park - (\$15.5 million) - Salt Creek offers the city's first lighted arena soccer facility with artificial turf. The recreation center offers a gym, weight room and other facilities. It includes multi-purpose fields, two lighted tennis courts, two lighted basketball courts, children's play areas, picnic shelters, skate area and walking trails.
- Monteville Park - (\$14.8 million) – At 29 acres, Monteville Park is the largest of the city's new facilities and the first park in Chula Vista that offers universally accessible playground equipment. The equipment allows disabled children, even those in wheelchairs, to play alongside their friends. It's also one of the few places where dogs can run without being on a leash. The roomy recreation center has a large gym and several smaller rooms that can accommodate a variety of activities. Outside, there are lighted sports fields, tennis courts and basketball courts, waling trails, picnic shelters and an area set aside for skateboarding.
- Veterans Park - (\$8.9 million) – Located in the Sunbow development, Veterans Park is a 12-acre site that boasts an ocean view from its Walk of Honor, a dedicated brick walkway that pays tribute to service members, police and firefighters by name. The

facilities include a large recreation center, softball field and multi-purpose fields, two basketball courts, a children's play area, picnic facilities and a dog park.

- Mountain Hawk Park - (\$4.3 million) – Mountain Hawk Park, overlooking one of the most scenic areas of the city, opened this summer. The new 13-acre neighborhood park is located in Eastlake Vistas, and its spectacular views of Lower Otay Lakes and the nearby mountains make it a perfect place for weddings and special occasions.
- Harborside Park – (\$4.3 million) - In April 2006, the first new park built in western Chula Vista in more than 25 years was dedicated. The five-acre park provides a place for family picnics, skateboarding or a game of basketball. Residents played a major role in helping city staff design the park and as a result, Harborside offers everything from picnic areas and monkey bars to an outdoor classroom for students at the nearby Harborside Elementary School.

In fiscal year 2006, there were a number of infrastructure projects that will result in significant improvements for the residents and businesses of the City. The largest of these is improvements to the highway interchange on I-805 at Orange Avenue/Olympic Parkway. This \$21 million interchange will improve accessibility and traffic flow on East Orange Avenue/Olympic Parkway and at Main Street and relieve congestion on I-805, particularly the on and off ramps during peak hours and concert events. Construction was completed in early 2006. Two other major projects, East H Street / I-805 Interchange (\$3.3 million) and Telegraph Canyon Road / I-805 Connection (\$4.0), also were designed to ease traffic congestion and were completed during this period.

## OVERVIEW OF 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. They are comprised of the *Statement of Net Assets and Statement of Activities and Changes in Net Assets*.

The *Statement of Net Assets* presents information on all of the City's 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. This statement, for the first time, combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations.

The *Statement of Activities and Changes in Net Assets* presents information showing how the government's net assets changed during the 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 the related cash flows. Thus revenues and expenses are reported in this statement for some items

that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the above financial statements have separate sections for three different types of programs or activities. These three types of activities are:

*Governmental Activities* - The activities in this section are mostly supported by taxes and charges for services. The governmental activities of the City include General Government, Public Safety, Public Works, Parks and Recreation and Library.

*Business-Type Activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the City include only Transit Operations.

*Discretely Presented Component Units* - The City of Chula Vista has no discretely presented component units to report upon.

The government-wide financial statements can be found on pages 17 through 19 of this report.

## **Fund Financial Statements and Major Component Unit Financial Statements**

A fund is a grouping of related accounts that is 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 compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented in a single column. Further detail on the Non-major funds is presented on pages 87 through 115 of this report.

**Governmental 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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial capacity.

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 government 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City has thirty-six governmental funds, of which six are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's remaining governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20 through 32 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 90 through 101 of this report.

***Proprietary Funds*** – The City maintains two different types of proprietary funds - enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Transit activities. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, stores inventory, its information systems and equipment replacement program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 28 through 32 of this report.

***Fiduciary Funds*** – 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.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 73 of this report.

## **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information providing a budgetary comparison statement for the general fund and sewer fund. Required supplementary information can be found on pages 75 through 81 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Assets

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 of Chula Vista, combined net assets (government and business type activities) totaled \$841.0 million at the close of the fiscal year ending June 30, 2006. This is an increase of \$64.8 million or 8.4% from the previous fiscal year.

**City of Chula Vista Net Assets  
Fiscal Year Ending June 30**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current Assets	\$ 278,414,886	\$ 240,910,434	\$ 2,843,522	\$ 2,031,848	\$ 281,258,408	\$ 242,942,282
Non-Current Assets	2,260,925	36,180,634	-	-	2,260,925	36,180,634
Capital Assets	808,604,369	730,178,897	6,540,514	7,423,479	815,144,883	737,602,376
Total Assets	1,089,280,180	1,007,269,965	9,384,036	9,455,327	1,098,664,216	1,016,725,292
Current Liabilities	49,208,461	37,718,080	2,343,223	1,451,113	51,551,684	39,169,193
Long-Term Liabilities	206,141,786	185,316,913	-	-	206,141,786	185,316,913
Total Liabilities	255,350,247	223,034,993	2,343,223	1,451,113	257,693,470	224,486,106
Investments in Capital						
Net of Related Debt	662,230,041	600,317,974	6,540,514	7,423,479	668,770,555	607,741,453
Restricted	75,916,972	72,468,247	-	-	75,916,972	72,468,247
Unrestricted	95,782,921	111,448,751	500,299	580,735	96,283,220	112,029,486
Total Net Assets	\$ 833,929,934	\$ 784,234,972	\$ 7,040,813	\$ 8,004,214	\$ 840,970,747	\$ 792,239,186

By far the largest portion of the City's net assets (79.5%) reflects its investment in capital assets (e.g. land, streets, sewers, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City 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.

An additional portion of the City's net assets (9.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$96.3 million, may be used to meet the government's ongoing obligations to citizens and creditors.

### Changes in Net Assets

The City's net assets have increased by \$63.8 million or 8.0%, from the prior fiscal year. In fiscal year 2006, City expenses, which include both governmental and business-type activities, exceeded program revenues by \$54.9 million resulting in the use of that amount of general revenues from the \$119.5 million of total general revenues. Program revenues are those revenues that are derived directly from the program itself and reduce the net cost of the function to be financed from the government's general revenues. The City's expenses cover a range of services. The largest expense categories were Public Works, Public Safety and General Government. Further analysis is provided within the governmental and business-type activity sections below.

**City of Chula Vista's Changes in Net Assets  
Fiscal Year Ending June 30**

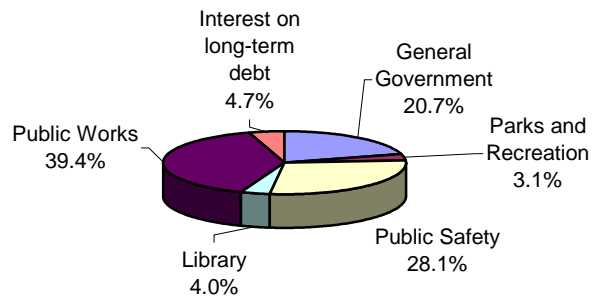
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	127,932,860	91,022,303	2,526,487	2,425,531	130,459,347	93,447,834
Operating Grants & Contributions	19,464,389	22,226,690		4,231,445	19,464,389	26,458,135
Capital Grants & Contributions	57,074,381	79,419,189		1,971,311	57,074,381	81,390,500
General Revenues:						
Property Taxes	32,597,672	27,074,211			32,597,672	27,074,211
Sales Taxes	30,915,515	23,600,000			30,915,515	23,600,000
Franchise Taxes	9,492,759	9,837,800			9,492,759	9,837,800
Utility User Taxes	6,363,446	6,579,578			6,363,446	6,579,578
Business License Taxes	1,234,912	1,185,187			1,234,912	1,185,187
Transient Occupancy Taxes	2,336,204	2,268,944			2,336,204	2,268,944
Property Transfer Taxes	2,122,860	2,439,190			2,122,860	2,439,190
Construction Taxes	668,761	1,063,050			668,761	1,063,050
Intergovernmental	19,359,882	14,191,810	4,190,049		23,549,931	14,191,810
Investment Earnings	10,195,710	11,678,930	78,605	56,485	10,274,315	11,735,415
Miscellaneous	4,189,465	4,636,883	(101,966)	329,381	4,087,499	4,966,264
Gain on Sale of Fixed Assets	66,920				66,920	-
<b>Total Revenues</b>	<b>324,015,737</b>	<b>297,223,765</b>	<b>6,693,175</b>	<b>9,014,153</b>	<b>330,708,912</b>	<b>306,237,918</b>
<b>Expenses</b>						
General Government	\$ 53,566,425	42,591,851			53,566,425	42,591,851
Public Safety	72,887,220	63,368,815			72,887,220	63,368,815
Public Works	102,122,564	79,723,824			102,122,564	79,723,824
Parks and Recreation	8,085,160	7,757,251			8,085,160	7,757,251
Library	10,412,973	8,890,126			10,412,973	8,890,126
Interest on Long-Term Debt	12,263,808	12,656,986			12,263,808	12,656,986
Transit Operations			7,533,988	7,574,084	7,533,988	7,574,084
<b>Total Expenses</b>	<b>\$ 259,338,150</b>	<b>214,988,853</b>	<b>7,533,988</b>	<b>\$ 7,574,084</b>	<b>266,872,138</b>	<b>222,562,937</b>
Increase/(Decrease) in Net Assets Before Transfers	64,677,587	82,234,912	(840,813)	\$ 1,440,069	\$ 63,836,774	83,674,981
Transfers	122,588	34,900	(122,588)	(34,900)	\$ -	-
<b>Change in Assets Net Assets,</b>	<b>64,800,175</b>	<b>82,269,812</b>	<b>\$ (963,401)</b>	<b>\$ 1,405,169</b>	<b>\$ 63,836,774</b>	<b>83,674,981</b>
Beginning of Year, as restated	769,129,760	701,965,160	8,004,214	6,599,045	\$ 777,133,974	708,564,205
<b>Net Assets, End of Year</b>	<b>\$ 833,929,935</b>	<b>\$ 784,234,972</b>	<b>\$ 7,040,813</b>	<b>\$ 8,004,214</b>	<b>\$ 840,970,748</b>	<b>\$ 792,239,186</b>

**Governmental Activities**

Governmental activities increased the City's net assets by \$64.8 million thereby accounting for all of the City's total growth in net assets. A comparison of the cost of services by function for the City's governmental activities is shown above, along with the revenues used to cover the net expenses of the governmental activities.

Total governmental activity type expenses were \$259.3 million in fiscal

**Governmental Expenditures by Activity**



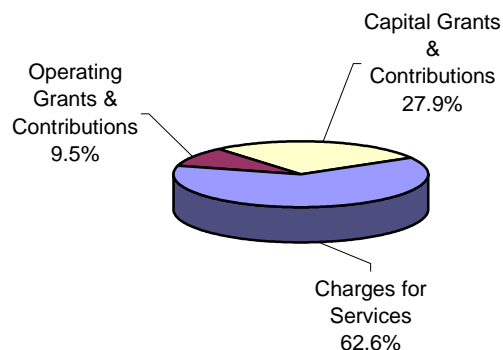
year 2006. The largest expenses were incurred for Public Works, Public Safety and General Government. These three activities combined account for 88.2% of all general activity expenses. These expenses do not include capital outlays, which are reflected in the City's capital assets.

**Governmental Activities  
Fiscal Year Ending June 30**

	2006	2005	Increase/ (Decrease) From 2005
<b>Expenses Net of Program Revenue</b>			
General Government	\$ (15,985,696)	\$ (17,351,313)	\$ 1,365,617
Public Safety	\$ (55,858,193)	(48,807,524)	\$ (7,050,669)
Public Works	\$ 15,134,412	39,460,932	\$ (24,326,520)
Parks and Recreation	\$ 19,947,180	21,983,035	\$ (2,035,855)
Library	\$ (5,840,415)	(4,948,815)	\$ (891,600)
Interest on Long-Term Debt	\$ (12,263,808)	(12,656,986)	\$ 393,178
<b>Total Governmental Activities</b>	<b>(54,866,520)</b>	<b>(22,320,671)</b>	<b>\$ (32,545,849)</b>
<b>General Revenues</b>			
Property Taxes	32,597,672	27,074,211	\$ 5,523,461
Sales Taxes	30,915,515	23,600,000	\$ 7,315,515
Franchise Taxes	9,492,759	9,837,800	\$ (345,041)
Utility User Taxes	6,363,446	6,579,578	\$ (216,132)
Business License Taxes	1,234,912	1,185,187	\$ 49,725
Transient Occupancy Taxes	2,336,204	2,268,944	\$ 67,260
Property Transfer Taxes	2,122,860	2,439,190	\$ (316,330)
Construction Taxes	668,761	1,063,050	\$ (394,289)
Grants & Contributions (not restricted)	19,359,882	14,191,810	\$ 5,168,072
Investment Earnings	10,195,710	11,678,930	\$ (1,483,220)
Miscellaneous	4,189,465	4,636,883	\$ (447,418)
Gain on Sale of Fixed Assets	66,920		\$ 66,920
<b>Total General Revenues</b>	<b>119,544,106</b>	<b>104,555,583</b>	<b>\$ 14,988,523</b>
<b>Increase in Governmental Activities Net Assets</b>	<b>\$ 64,677,586</b>	<b>\$ 82,234,912</b>	<b>\$ (17,557,326)</b>

Total program revenues from governmental activities were \$204.5 million in fiscal year 2006. Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. As reflected in the pie chart, 62.6% of the governmental program revenues came from Charges for Services, which includes licenses and permits, plan checking fees, developer fees, special assessments and several other revenues. Program revenues under the Operating Grants and Contributions category totaled \$19.5

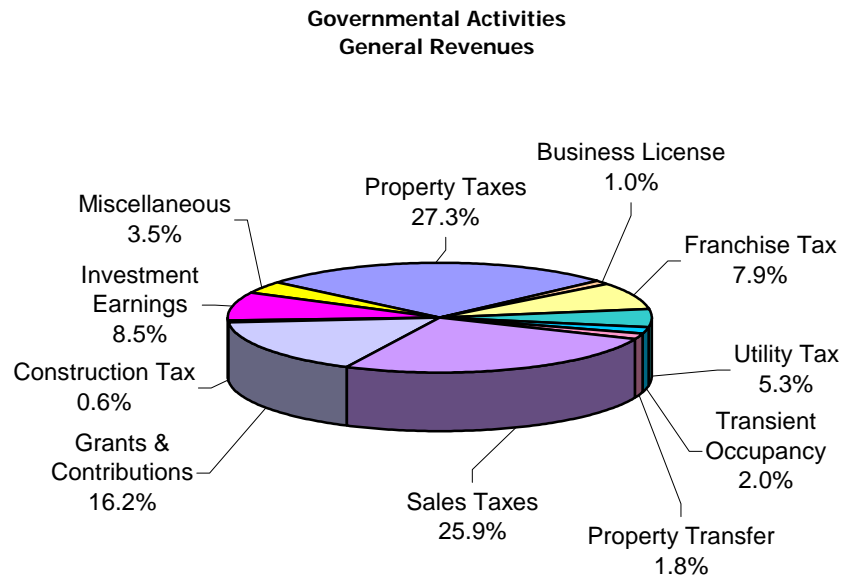
**Program Revenues for Governmental Activities**





million and include restricted revenues such as Gas Tax, Transportation Sales Tax, Asset Seizure Funds and Federal/State Grants. Capital Grants and Contributions are primarily derived from contributed capital from developers for infrastructure. Capital Grants and Contributions totaled \$57.1 million of which \$56.0 million or 98% is related to roadways funded by developers and received by the City after completion.

General revenues are all other revenues not categorized as program revenues such as property taxes, sales taxes and investment earnings. Total general revenues from governmental activities were \$119.5 million in fiscal year 2006. The largest percentage of general revenues received during fiscal year 2006 for governmental activities were taxes of \$85.7 million, which included Property Taxes of \$32.6 million and Sales Taxes of \$30.9 million. A breakdown of all general revenues is shown in the table above.



### **Business Type Activities**

Net assets for business-type activities were \$7.0 million, a decrease of \$1.0 million from the prior fiscal year. Total program revenues for business-type activities were \$2.5 million, which were for bus fares. Total expenses for the business-type activities were \$7.5 million during fiscal year 2006, which were related to Transit Operations.

## FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial capacity. 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.

As of the end of fiscal year 2006, the City's governmental funds reported combined ending fund balances of \$233.4 million. Approximately, \$28.8 million of this amount constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been legally committed.

**General Fund** – Included as part of the general fund category for financial reporting purposes is the General Fund, which includes the primary operating fund of the city, the Workers Compensation Fund, Flexible Spending Account Fund and the Public Liability Reserve Fund, which are considered general fund type funds for financial reporting purposes.

At the end of the current fiscal year, unreserved fund balance of the general fund was \$18.1 million, while total fund balance reached \$39.9 million. 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 11.0% of total general fund expenditures including transfers out, while total fund balance represents 24.3% of that same amount.

During the current year, unreserved fund balance of the general fund, excluding the other general fund type funds, decreased from \$16.9 to \$15.8 million. It should be noted that \$0.9 million in designations for capital improvement projects are included in the total unreserved fund balance of \$15.8 million, bringing the net total available fund balance to \$14.9 million. The available fund balance represents 8.8% of the general fund operating budget for fiscal year 2007. This is within the City Council's targeted minimum reserve level of 8% of the operating budget for the general fund.

There is no discussion of any significant budgetary variations between original and final budget amounts and between final budget amounts and actual results because there were no significant variances that were not already discussed in this document. Management considers a variance of 10% or greater as significant.

**Sewer Fund**– The Sewer Fund is used to account for a variety of sewer service related revenues and expenditures. The Sewer Fund revenues decreased by an overall \$0.3 million. Sewer Service Fees increased by \$0.8 million from the previous year and Sewer Connection Fees decreased by \$1.0 million. Building permits issued declined significantly from the prior year, which directly affected the Sewer Connection Fees. Expenditures decreased \$1.7 million from the prior year due to reduced contractual payments for sewage treatment and a reduction in capital project expenditures in the fiscal year. At the end of fiscal year 2006, the unreserved

fund balance for the sewer fund was \$20.9 million, which is a decrease of \$0.1 million from the prior fiscal year.

**Development Impact Fee Funds** – This fund was established as a depository for various development impact fees. The fees are levied against all new development in the City in order to pay for the construction or improvement of public facilities as a result of City growth. At the end of fiscal year 2006, the unreserved fund balance was \$51.7 million, which is an increase of \$1.5 million from the previous fiscal year and related to the continued growth of the City. Since these funds are collected for construction or improvements of public facilities, they have been fully designated for specific projects.

**Redevelopment Agency Debt Service Fund** – This fund was established to account for tax levies, rentals, other revenues and payments of principal and interest on Redevelopment Agency loans and outstanding bonds. In May 2006, the Redevelopment Agency participated in a \$930,000 Loan agreement with the California Statewide Communities Development Authority to finance their 2006 share of ERAF payments to the County Auditor.

**City Debt Service Fund** – This fund was established to account for the principal and interest payments on the City 's long-term debt. In March 2006, the 2006 Certificates of Participation, Civic Center Phase 2 were issued totaling \$20.3 million for the reconstruction, renovation and equipping of the City's new Civic Center Complex.

### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As discussed previously in Business-Type Activities, the City's net assets decreased by \$0.9 million as a result of operations in the proprietary funds. This decrease in net assets is a result of depreciation expense of \$0.7 million; increase in transfers-out by \$0.1 million and a loss on sale of assets that totaled \$0.1 million.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final amended general fund budget, for all general fund types, totaled \$169 million, including \$9.0 million in budget amendments to the originally adopted budget and encumbrances of \$3.7 million, which will fund contractual obligations and outstanding purchase orders. The more significant budget amendments are briefly summarized as follows:

- \$2.2 for the MOU salary increase for city staff.
- \$1.7 million for phase one of the Police strategic plan.
- \$1.2 million for additional police related services
- \$0.7 million for fire related services
- \$0.5 million for grants related to Homeland Security
- \$0.8 million for the Nature Center exhibits remodel
- \$0.5 million for reimbursement to Housing and Urban Development
- \$0.1 million related to energy conservation

Of the \$9.0 million in mid-year appropriations, \$9.9 million were covered by specific funding sources. Revenues exceeded the mid-year appropriations due to a one-time \$3.4 million transfer from the Equipment Replacement Fund (\$2.4 million) and the Technology Replacement Fund (\$1.0 million). As discussed previously, the available fund balance of the general fund, excluding the other general fund type funds, decreased to \$14.9 million or by \$0.3 million from the prior year. The decrease is attributed to the various mid-year appropriations discussed above net of offsetting revenues.

## **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, 2006, amounts to \$815.1 million, net of accumulated depreciation of \$263.9 million. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total additions to the City's investment in capital assets for the current fiscal year was \$171.5 million, net of accumulated depreciation.

Major capital asset additions during the current fiscal are discussed in the City Highlights section of this document.

Additional information on the City's capital assets can be found in Note D of the notes to the financial statements.

### **Debt Administration**

*Long Term Debt* - At the end of the 2006 fiscal year, the City had \$206.1 million in debt outstanding compared to the \$190.0 million last year, an 8.5% net increase. During the 2006 fiscal year the City issued one new bond and the Redevelopment Agency participated in a Statewide Loan program. In March 2006, the 2006 Certificates of Participation, Civic Center Phase 2 were issued totaling \$20.3 million for the reconstruction, renovation and equipping of the City's new Civic Center Complex. In May 2006, the Redevelopment Agency participated in a \$930,000 Loan agreement with the California Statewide Communities Development Authority to finance their 2006 share of ERAF payments to the County Auditor.

The City has no outstanding general obligation debt. The City maintains an "A" rating from Standard & Poors for Certificates of Participation, which represents a "stable outlook". The Redevelopment Agency maintains an "A-" rating for Tax Allocation Bonds from Standard & Poors. Additional information on the City's long-term debt obligations can be found in Note 6 of the notes to the financial statements.

## **ECONOMIC CLIMATE**

Chula Vista, the second largest City in San Diego County, is a town in transition. Once known as a bedroom community with a strong collection of small businesses, Chula Vista is now attracting multi-national corporations. High tech companies like Hitachi, DNP America and

Leviton have opened new facilities in Chula Vista during the past few years. These companies find the area a good location from which to manage their manufacturing and distribution operations both in the United States and in Mexico.

The San Diego regional economy has undergone a remarkable transformation over the past decade. The severe recession in the first half of the 1990s was the longest and deepest of the past 60 years. The downturn, subsequent recovery and expansion were not mere business or cyclical adjustments, but an extensive overhauling and restructuring of the region's basic economic drivers.

From an economy largely dominated by defense and military expenditures, San Diego industries transformed into a diversified mix of high-technology commercial endeavors. Some of these sectors were by-products of defense-based efforts, as well as capitalization of highly educated and skilled workers. Emerging growth areas include telecommunications, electronics, computers, software, and biotechnology.

International trade also contributed to the local economic recovery and dynamic performance in recent years. Cross border trade and interactions with Mexico provide tremendous economic advantages and opportunities, becoming an increasingly important facet of the local region's economic fortunes.

Mexico and Canada, U.S. partners under the North American Free Trade Agreement (NAFTA), dominate San Diego's export markets by far, accounting for more than one-half (55 percent) of all export production. San Diego clearly benefits from NAFTA, not only because the agreement further opened up the markets of our two largest customers, but also because Tijuana and Baja California, our border and economic partner, was greatly benefited and stimulated by heightened trade and dollars flowing to the region.

As discussed in the transmittal letter, Chula Vista's property tax base remains very healthy and growing, with assessed values increasing from \$6.6 billion in 1998 to \$21.8 billion in fiscal year 2007. This portion of the region continues to attract a historically large percentage of homebuyers due in large part to the median prices for existing homes in Chula Vista being slightly less than the regional average. During the 2006 fiscal year, generally regarded as a slow growth period, Chula Vista's sales tax revenue experienced steady growth over the previous fiscal year at a rate of 13.2%. We anticipate sales tax revenues to continue growing at very healthy rates over the next few years due to the grand openings of the Otay Ranch Town Centre Mall which held its opening in October 2006 and the continued expansion of the Chula Vista Auto Park, which will add several new dealerships such as Toyota, Dodge, Chrysler and Jeep.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Chula Vista, Finance Department, 276 Fourth Avenue, Chula Vista, CA 91910.

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CITY OF CHULA VISTA  
Statement of Net Assets  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and investments	\$ 184,394,957	\$ 2,635,676	\$ 187,030,633
Receivables:			
Taxes	12,921,936		12,921,936
Accounts	3,556,773	192,583	3,749,356
Interest	1,137,125	15,263	1,152,388
Loans	20,297,550		20,297,550
Other	4,966,263		4,966,263
Due from other governments	8,999,529		8,999,529
Inventory and prepaid items	63,912		63,912
Land held for resale	2,260,925		2,260,925
Restricted cash and investments:			
Held by City	4,760,854		4,760,854
Held by fiscal agents	37,315,987		37,315,987
Capital assets			
Nondepreciable assets	115,575,513		115,575,513
Depreciable capital assets, net of accumulated depreciation	693,028,857	6,540,514	699,569,371
Total assets	<u>1,089,280,181</u>	<u>9,384,036</u>	<u>1,098,664,217</u>
<u>Liabilities</u>			
Account payable and accrued liabilities	10,671,000	446,131	11,117,131
Interest payable	3,366,526		3,366,526
Due to other governments	887,218		887,218
Unearned revenue	7,612,749	1,897,092	9,509,841
Deposits	14,052,920		14,052,920
Claims payable	12,618,048		12,618,048
Noncurrent liabilities:			
Due within one year	11,108,982		11,108,982
Due in more than one year	195,032,804		195,032,804
Total liabilities	<u>255,350,247</u>	<u>2,343,223</u>	<u>257,693,470</u>
<u>Net Assets</u>			
Investments in capital assets, net of related debt	662,230,041	6,540,514	668,770,555
Restricted for:			
Capital projects	39,838,639		39,838,639
Debt service	13,639,749		13,639,749
Community development	22,438,584		22,438,584
Unrestricted	95,782,921	500,299	96,283,220
Total Net Assets	<u>\$ 833,929,934</u>	<u>\$ 7,040,813</u>	<u>\$ 840,970,747</u>

See Accompanying Notes to Financial Statements.



CITY OF CHULA VISTA  
Statement of Activities  
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
General government	\$ 53,566,425	\$ 33,955,790	\$ 3,624,939	
Public safety	72,887,220	11,598,587	5,430,440	
Public works	102,122,564	52,749,415	8,510,300	\$ 55,997,261
Parks and recreation	8,085,160	26,935,981	19,239	1,077,120
Library	10,412,973	2,693,087	1,879,471	
Interest on long-term debt	12,263,808			
<b>Total governmental activities</b>	<b>259,338,150</b>	<b>127,932,860</b>	<b>19,464,389</b>	<b>57,074,381</b>
<b>Business-type activities</b>				
Transit	7,447,393	2,526,487		
Bayfront Trolley-Station	86,595			
<b>Total business-type activities</b>	<b>7,533,988</b>	<b>2,526,487</b>		
<b>Total</b>	<b>\$ 266,872,138</b>	<b>\$ 130,459,347</b>	<b>\$ 19,464,389</b>	<b>\$ 57,074,381</b>

General revenues

Taxes:

- Property taxes
- Sales taxes
- Property transfer taxes
- Franchise taxes
- Utility user taxes
- Business license taxes
- Transient occupancy taxes
- Construction taxes

Intergovernmental

Investment income

Miscellaneous

Gain (loss) on sale of assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year, as restated

Net assets, end of year

See Accompanying Notes to Financial Statements.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (15,985,696)		\$ (15,985,696)
(55,858,193)		(55,858,193)
15,134,412		15,134,412
19,947,180		19,947,180
(5,840,415)		(5,840,415)
(12,263,808)		(12,263,808)
(54,866,520)		(54,866,520)
	\$ (4,920,906)	(4,920,906)
	(86,595)	(86,595)
	(5,007,501)	(5,007,501)
(54,866,520)	(5,007,501)	(59,874,021)
32,597,672		32,597,672
30,915,515		30,915,515
2,122,860		2,122,860
9,492,759		9,492,759
6,363,446		6,363,446
1,234,912		1,234,912
2,336,204		2,336,204
668,761		668,761
19,359,882	4,190,049	23,549,931
10,195,710	78,605	10,274,315
4,189,465		4,189,465
66,920	(101,966)	(35,046)
122,588	(122,588)	
119,666,694	4,044,100	123,710,794
64,800,174	(963,401)	63,836,773
769,129,760	8,004,214	777,133,974
\$ 833,929,934	\$ 7,040,813	\$ 840,970,747

CITY OF CHULA VISTA  
Balance Sheet  
Governmental Funds  
June 30, 2006

<u>Assets</u>	<u>General Fund</u>	<u>Special Revenue</u>	
		<u>Sewer Fund</u>	<u>Developer Deposits</u>
Cash and investments	\$ 6,267,747	\$ 18,362,614	\$ 14,052,920
Receivables:			
Accounts	455,507	2,892,469	
Taxes	12,130,159	17,610	
Interest	36,879	107,326	
Loans	156,250		
Other			
Due from other funds	1,623,716		
Due from other governments	5,553,133		
Advances to other funds	28,227,313	16,300,816	
Inventory and prepaid items	33,537		
Restricted cash and investments			
Held by City			
Held by fiscal agent			
Land held for resale			
Total Assets	<u>\$ 54,484,241</u>	<u>\$ 37,680,835</u>	<u>\$ 14,052,920</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 6,427,936	\$ 9,194	
Due to other funds			
Due to other governments			
Advances from other funds			
Developer deposits			\$ 14,052,920
Deferred revenue	8,170,352	3,273,289	
Total Liabilities	<u>14,598,288</u>	<u>3,282,483</u>	<u>14,052,920</u>
Fund Balances:			
Reserved:			
Encumbrances	911,813	437,198	
Loans receivables and advances	20,859,197	13,027,527	
Land held for resale			
Debt service			
Total reserved	<u>21,771,010</u>	<u>13,464,725</u>	
Unreserved:			
Designated for:			
Contingency	2,196,499	346,022	
Capital projects	1,696,295		
Undesignated for:			
General fund	14,222,149		
Special revenue		20,587,605	
Debt service			
Capital projects			
Total unreserved	<u>18,114,943</u>	<u>20,933,627</u>	
Total fund balances	<u>39,885,953</u>	<u>34,398,352</u>	
Total Liabilities and Fund Balances	<u>\$ 54,484,241</u>	<u>\$ 37,680,835</u>	<u>\$ 14,052,920</u>

See Accompanying Notes to Financial Statements.

Debt Service		Capital Projects		
RDA Debt Service Fund	City Debt Service Fund	Development Impact Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,199,724		\$ 60,514,309	\$ 79,624,148	\$ 181,021,462
			208,797	3,556,773
			774,167	12,921,936
9,023		469,529	473,168	1,095,925
			20,141,300	20,297,550
		4,956,194		4,956,194
			1,405,003	3,028,719
			3,429,214	8,982,347
		958,867	5,868,648	51,355,644
			749	34,286
			4,760,854	4,760,854
2,560,382			34,755,605	37,315,987
			2,260,925	2,260,925
<u>\$ 4,769,129</u>	<u>\$ -</u>	<u>\$ 66,898,899</u>	<u>\$ 153,702,578</u>	<u>\$ 331,588,602</u>
		\$ 877,207	\$ 2,832,540	\$ 10,146,877
			3,028,719	3,028,719
			887,218	887,218
\$ 33,434,272	\$ 14,196,565	3,724,807		51,355,644
				14,052,920
		1,873,535	5,363,434	18,680,610
<u>33,434,272</u>	<u>14,196,565</u>	<u>6,475,549</u>	<u>12,111,911</u>	<u>98,151,988</u>
		7,744,094	4,469,151	13,562,256
		958,867	22,321,600	57,167,191
			2,260,925	2,260,925
			13,639,749	13,639,749
		<u>8,702,961</u>	<u>42,691,425</u>	<u>86,630,121</u>
			166,394	2,708,915
		51,720,389	61,916,607	115,333,291
				14,222,149
(28,665,143)	(14,196,565)		36,136,285	56,723,890
				(42,861,708)
			679,956	679,956
<u>(28,665,143)</u>	<u>(14,196,565)</u>	<u>51,720,389</u>	<u>98,899,242</u>	<u>146,806,493</u>
<u>(28,665,143)</u>	<u>(14,196,565)</u>	<u>60,423,350</u>	<u>141,590,667</u>	<u>233,436,614</u>
<u>\$ 4,769,129</u>	<u>\$ -</u>	<u>\$ 66,898,899</u>	<u>\$ 153,702,578</u>	<u>\$ 331,588,602</u>

CITY OF CHULA VISTA  
 Reconciliation of Governmental Funds Balance Sheet  
 to the Statement of Net Assets  
 June 30, 2006

Fund balances for governmental funds \$ 233,436,614

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets of the internal service funds are included in the adjustment below.

Nondepreciable capital assets	\$ 115,575,513	
Depreciable capital assets	<u>690,140,446</u>	805,715,959

Deferred revenues which are deferred because they are not available currently are taken into revenue in the Statement of Activities and, accordingly, increase the net assets on the Statement of Net Assets. 11,067,861

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. (3,366,526)

Long-term liabilities are not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities, excluding the internal service funds which are included below, were adjusted as follows:

Claims payable	\$ (12,618,048)	
Long-term liabilities - due within one year	(11,108,982)	
Long-term liabilities - due in more than one year	<u>(194,962,686)</u>	(218,689,716)

Internal service funds are used by management to charge the costs of certain activities, fleet management and technology services to individual funds. The assets and liabilities of the internal service funds are included in the Statement of Net Assets. 5,765,742

Net assets of governmental activities \$ 833,929,934

See Accompanying Notes to Financial Statements.

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CITY OF CHULA VISTA  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2006

	<u>Special Revenue</u>		
	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Developer Deposits</u>
Revenues:			
Taxes	\$ 71,236,036		
Intergovernmental	24,638,703		
Licenses and permits	3,216,540	\$ 190,990	
Developer fees			\$ 12,667,902
Charge for services	15,234,970	25,405,052	
Fines and forfeitures	1,144,189	3,501	
Use of money and property	1,497,921	449,162	
Other	22,316,686	445,650	
Total Revenues	<u>139,285,045</u>	<u>26,494,355</u>	<u>12,667,902</u>
Expenditures:			
Current:			
General government	37,480,118		
Public safety	66,645,773		
Public works	37,040,900	15,730,549	12,667,902
Parks and recreation	6,210,040		
Library	9,680,381		
Capital outlay	1,466,149	1,538,528	
Debt service:			
Principal			
Interest and fiscal charges			
Total Expenditures	<u>158,523,361</u>	<u>17,269,077</u>	<u>12,667,902</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(19,238,316)</u>	<u>9,225,278</u>	
Other Financing Sources (Uses):			
Issuance of debt			
Transfers in	21,274,417	4,691,596	
Transfers out	(5,238,426)	(14,441,311)	
Total Other Financing Sources (Uses)	<u>16,035,991</u>	<u>(9,749,715)</u>	
Net Change in Fund Balances	<u>(3,202,325)</u>	<u>(524,437)</u>	
Fund Balance, Beginning of Year, as Restated	<u>43,088,278</u>	<u>34,922,789</u>	
Fund Balance, End of Year	<u>\$ 39,885,953</u>	<u>\$ 34,398,352</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements.

Debt Service		Capital Projects		
RDA Debt Service Fund	City Debt Service Fund	Development Impact Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,584,859			\$ 11,688,783	\$ 86,509,678
		\$ 3,138,140	14,071,095	41,847,938
			34,083	3,441,613
		24,427,685	13,455,941	50,551,528
			3,183,864	43,823,886
			577,172	1,724,862
209,871		1,773,431	4,016,493	7,946,878
		110,179	7,139,610	30,012,125
<u>3,794,730</u>		<u>29,449,435</u>	<u>54,167,041</u>	<u>265,858,508</u>
17,781		1,070,831	11,059,753	49,628,483
		350,842	916,969	67,913,584
		1,213,563	5,643,289	72,296,203
				6,210,040
		12,817	41,246	9,734,444
		23,505,178	46,478,998	72,988,853
1,000,000			5,054,618	6,054,618
<u>4,219,003</u>	\$ 597,161	<u>47,968</u>	<u>7,396,112</u>	<u>12,260,244</u>
<u>5,236,784</u>	<u>597,161</u>	<u>26,201,199</u>	<u>76,590,985</u>	<u>297,086,469</u>
<u>(1,442,054)</u>	<u>(597,161)</u>	<u>3,248,236</u>	<u>(22,423,944)</u>	<u>(31,227,961)</u>
			21,255,000	21,255,000
1,081,009	302,788	16,379	28,331,923	55,698,112
<u>(1,389,252)</u>		<u>(6,157,990)</u>	<u>(24,905,267)</u>	<u>(52,132,246)</u>
<u>(308,243)</u>	<u>302,788</u>	<u>(6,141,611)</u>	<u>24,681,656</u>	<u>24,820,866</u>
<u>(1,750,297)</u>	<u>(294,373)</u>	<u>(2,893,375)</u>	<u>2,257,712</u>	<u>(6,407,095)</u>
<u>(26,914,846)</u>	<u>(13,902,192)</u>	<u>63,316,725</u>	<u>139,332,955</u>	<u>239,843,709</u>
<u>\$ (28,665,143)</u>	<u>\$ (14,196,565)</u>	<u>\$ 60,423,350</u>	<u>\$ 141,590,667</u>	<u>\$ 233,436,614</u>



CITY OF CHULA VISTA  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
 Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds: \$ (6,407,095)

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

Deferred revenue does not provide for current financial resources and therefore is not reported as revenues in the governmental funds. 3,688,703

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities the costs of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount the capital outlay exceeded depreciation, excluding internal service fund activity reported below.

Capital outlay	\$ 114,952,136	
Depreciation	<u>(22,716,557)</u>	92,235,579

Long-term debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

Change in claims payable	\$ (3,670,034)	
Proceeds from long-term debt	(26,257,974)	
Long-term debt repayments	<u>10,149,684</u>	(19,778,324)

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in governmental funds. The following amount represents the change in accrued interest from prior year. 3,294

Internal service funds are used by management to charge the costs of certain activities, including insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with Governmental Activities. (4,941,983)

Change in net assets of governmental activities \$ 64,800,174

See Accompanying Notes to Financial Statements.

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CITY OF CHULA VISTA  
Statement of Net Assets  
Proprietary Funds  
June 30, 2006

	<u>Enterprise Funds</u>		<u>Total</u>	Governmental
	<u>Transit Fund</u>	<u>Bayfront Trolley Station</u>		<u>Internal Service Funds</u>
<u>Assets</u>				
Current Assets:				
Cash and investments	\$ 2,501,292	\$ 134,384	\$ 2,635,676	\$ 3,373,495
Receivables:				
Accounts	192,583		192,583	
Interest	14,808	455	15,263	41,200
Other				10,069
Due from other governments				17,182
Inventory and prepaid items				29,626
	<u>2,708,683</u>	<u>134,839</u>	<u>2,843,522</u>	<u>3,471,572</u>
Total Current Assets				
Noncurrent Assets:				
Capital assets, net	<u>6,540,514</u>		<u>6,540,514</u>	<u>2,888,411</u>
	<u>9,249,197</u>	<u>134,839</u>	<u>9,384,036</u>	<u>6,359,983</u>
Total Assets				
<u>Liabilities and Net Assets</u>				
Current Liabilities:				
Accounts payable and accrued liabilities	444,906	1,225	446,131	524,123
Deferred revenue	1,765,546	131,546	1,897,092	
Compensated absences				70,118
	<u>2,210,452</u>	<u>132,771</u>	<u>2,343,223</u>	<u>594,241</u>
Total Current Liabilities				
Net Assets:				
Invested in capital assets	6,540,514		6,540,514	2,888,411
Unrestricted	498,231	2,068	500,299	2,877,331
	<u>\$ 7,038,745</u>	<u>\$ 2,068</u>	<u>\$ 7,040,813</u>	<u>\$ 5,765,742</u>
Total Net Assets				

See Accompanying Notes to Financial Statements.

CITY OF CHULA VISTA  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2006

	<u>Enterprise Funds</u>		<u>Total</u>	Governmental
	<u>Transit Fund</u>	<u>Bayfront Trolley Station</u>		Activities Internal Service Funds
Operating Revenues:				
Charges for services	\$ 2,526,487		\$ 2,526,487	\$ 5,200,215
Other				48,805
<b>Total Operating Revenues</b>	<u>2,526,487</u>		<u>2,526,487</u>	<u>5,249,020</u>
Operating Expenses:				
Operations and administration	6,672,369	\$ 86,595	6,758,964	5,586,279
Depreciation	775,024		775,024	1,435,436
<b>Total Operating Expenses</b>	<u>7,447,393</u>	<u>86,595</u>	<u>7,533,988</u>	<u>7,021,715</u>
<b>Operating Income (Loss)</b>	<u>(4,920,906)</u>	<u>(86,595)</u>	<u>(5,007,501)</u>	<u>(1,772,695)</u>
Nonoperating Revenues (Expenses):				
Gain (loss) on sale of capital assets	(101,966)		(101,966)	68,532
Intergovernmental	4,105,706	84,343	4,190,049	
Interest income	76,352	2,253	78,605	205,458
<b>Total Nonoperating Revenues</b>	<u>4,080,092</u>	<u>86,596</u>	<u>4,166,688</u>	<u>273,990</u>
<b>Income (Loss) Before Transfers</b>	<u>(840,814)</u>		<u>(840,813)</u>	<u>(1,498,705)</u>
Transfers in	23,523		23,523	
Transfers out	(146,111)		(146,111)	(3,443,278)
<b>Changes in Net Assets</b>	<u>(963,402)</u>	<u>1</u>	<u>(963,401)</u>	<u>(4,941,983)</u>
<b>Net Assets, Beginning of Year</b>	<u>8,002,147</u>	<u>2,067</u>	<u>8,004,214</u>	<u>10,707,725</u>
<b>Net Assets, End of Year</b>	<u>\$ 7,038,745</u>	<u>\$ 2,068</u>	<u>\$ 7,040,813</u>	<u>\$ 5,765,742</u>

See Accompanying Notes to Financial Statements.

CITY OF CHULA VISTA  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2006

	<u>Enterprise Funds</u>			<u>Governmental Activities Internal Service Funds</u>
	<u>Transit Fund</u>	<u>Bayfront Trolley Station</u>	<u>Total</u>	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 3,405,792	\$ 29,294	\$ 3,435,086	
Cash received from other funds				\$ 5,199,771
Cash payments to suppliers for goods and services	(6,704,930)	(88,281)	(6,793,211)	(4,418,588)
Cash payments to employee for services				(1,190,296)
Other				48,805
Net Cash Provided (Used) by Operating Activities	<u>(3,299,138)</u>	<u>(58,987)</u>	<u>(3,358,125)</u>	<u>(360,308)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of capital assets				(226,935)
Proceeds from sale of capital assets	5,975		5,975	92,740
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>5,975</u>		<u>5,975</u>	<u>(134,195)</u>
Cash Flows from Noncapital Financing Activities:				
Intergovernmental	4,105,706	84,343	4,190,049	(6,343)
Interfund transfers, net	(122,588)		(122,588)	(3,443,278)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,983,118</u>	<u>84,343</u>	<u>4,067,461</u>	<u>(3,449,621)</u>
Cash Flows from Investing Activities:				
Interest revenue	77,442	2,379	79,821	215,546
Net Cash Provided (Used) by Investing Activities	<u>77,442</u>	<u>2,379</u>	<u>79,821</u>	<u>215,546</u>
Net Increase in Cash and Cash Equivalents	767,397	27,735	795,132	(3,728,578)
Cash and Cash Equivalents, Beginning of Year	1,733,895	106,649	1,840,544	7,102,073
Cash and Cash Equivalents, End of Year	<u>\$ 2,501,292</u>	<u>\$ 134,384</u>	<u>\$ 2,635,676</u>	<u>\$ 3,373,495</u>

(Continued)

CITY OF CHULA VISTA  
Statement of Cash Flows  
Proprietary Funds (Continued)  
For the Year Ended June 30, 2006

	Major Funds		Total	Governmental
	Transit Fund	Bayfront Trolley Station		Activities Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating gain (loss)	\$ (4,920,906)	\$ (86,595)	\$ (5,007,501)	\$ (1,772,695)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	775,024		775,024	1,435,436
(Increase) decrease in accounts receivables	(17,757)		(17,757)	
(Increase) decrease in other receivables				(444)
(Increase) decrease in inventories				8,398
Increase (decrease) in accounts payable	(32,562)	(1,686)	(34,248)	(43,821)
Increase (decrease) in accrued liabilities				4,020
Increase (decrease) in deferred revenue	897,063	29,294	926,357	
Increase (decrease) in compensated absences				8,798
Total adjustments	<u>1,621,768</u>	<u>27,608</u>	<u>1,649,376</u>	<u>1,412,387</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (3,299,138)</u>	<u>\$ (58,987)</u>	<u>\$ (3,358,125)</u>	<u>\$ (360,308)</u>

See Accompanying Notes to Financial Statements.

CITY OF CHULA VISTA  
Statement of Net Assets  
Fiduciary Funds  
June 30, 2006

Assets

Cash and investments	\$ 5,956,224
Restricted cash and investments held by fiscal agents	<u>193,784,251</u>
Total Assets	<u>\$ 199,740,475</u>

Liabilities

Due to bondholders	<u>\$ 199,740,475</u>
Total Liabilities	<u>\$ 199,740,475</u>

See Accompanying Notes to Financial Statements.

CITY OF CHULA VISTA  
Notes to Financial Statements  
June 30, 2006

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Chula Vista (City) was incorporated in 1911 under the general laws of the State of California and enjoys all the rights and privileges pertaining to such “General Law” cities. The City operates under a Council-Manager form of government and the City Council is composed of five members. Among the services provided by the City are the following: public safety, community services, engineering services, planning services, public works, general administrative services and capital improvements.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization’s governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if that organization is fiscally dependent (i.e. it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City’s financial statements to be misleading or incomplete.

1. Blended Component Units

The Redevelopment Agency of the City of Chula Vista (Agency), the Chula Vista Industrial Development Authority (Development Authority), and the Chula Vista Public Facilities Financing Authority (Authority) component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and so data from these units are reported with the interfund data of the City.

Redevelopment Agency of the City of Chula Vista – The City of Chula Vista Redevelopment was established pursuant to the State of California Health and Safety Code, Section 33000 entitled “Community Redevelopment Law.” Its purpose is to prepare and carry out plans for improvement, rehabilitation, and redevelopment of blighted areas within the territorial limits of the City of Chula Vista. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Agency. Separate financial statements of the Agency can be obtained at City Hall.



CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

Chula Vista Industrial Development Authority – The Chula Vista Industrial Development Authority was established in February 1982 for the purpose of promoting and developing commercial, industrial and manufacturing enterprises and encouraging employment. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Agency. Chula Vista does not produce separate financial statements for the Development Authority.

Chula Vista Public Facilities Financing Authority – The Chula Vista Public Facilities Financing Authority was established by ordinance, pursuant to the City Charter and Constitution of the State of California, as a public body, acting to facilitate serving the public purposes of the City. The ordinance was adopted on April 4, 1995. The governing body of the Authority is comprised of the members of City Council. The Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to the City and/or to refinance outstanding obligations of the City.

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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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, privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the 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. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year (7 months for sales tax accrual). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are not recognized until paid.

Property taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major funds:

General Fund – This is the general operating fund of the City. It is used to account for financial resources except those required to be accounted for in another funds.

Sewer Special Revenue Fund – This fund consists of several funds that are used to account for sewer activities:

The Sewer Income Fund is a depository for all monies collected to cover the cost of connecting properties to the City's public sewer system. All monies received may be used only for the acquisition, construction, reconstruction, maintenance and operation of sanitation or sewerage facilities.

The Special Sewer Fund is used to account for the sale of the city's excess Metropolitan Sewerage System capacity. Use of all monies in this fund is determined by the City Council.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

The Trunk Sewer Reserve Fund is used to account for sewerage facility participation fees received from owner or person making application for a permit to develop or modify use of any residential, commercial, industrial or other property, which increases the volume of flow into the City sewer system. All monies received shall be used for the enlargement of sewer facilities of the City so as to enhance efficiency of utilization and/or adequacy of capacity and for planning and/or evaluating any future proposals for area wide sewage treatment and/or water reclamation systems or facilities.

The Sewer Service Revenue Fund is a depository for all monies collected from the monthly sewer service charge. Monies in this fund may be used for any and all sewer related activities.

Storm Drain Revenue Fund is a depository for all monies collected from the monthly storm drain service charge. Monies in this fund may be used for storm drain purposes.

Developer Deposits Special Revenue Fund – This fund is used to account for revenues received from various developers for development projects and is used to fund city staff costs, and other costs related to specific projects. During the fiscal year ended June 30, 2006 the City began reporting this fund as a special revenue fund instead of a fiduciary fund.

Redevelopment Agency (RDA) Debt Service Fund – This fund was established to account for principal and interest payments on redevelopment loans and outstanding bonds.

City Debt Service Fund – This fund was established to account for principal and interest payments on the City's long-term loans.

Development Impact Capital Projects Fund – This fund was established as a depository of various development impact fees. The fees are levied against all new development in the City in order to pay for the construction or improvement of public facilities as a result of City growth.

Additionally the City reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or administrative regulation to be accounted for in a separate fund.

Debt Service Funds – Debt Service Funds are used to account for tax increment revenues, bond proceeds required to be set aside for future debt service, and related interest income. The funds are used to repay principal and interest on long-term indebtedness of the City, Redevelopment Agency, and Public Financing Authority.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the development and redevelopment projects within the City. Such projects include street improvements, parks, and Redevelopment Agency activity.

The City reports the following major proprietary funds and internal service funds:

Transit Fund – This fund is used to account for the operations, maintenance and development of the transit related projects.

Bayfront Trolley Station – This fund is used to account for the maintenance and development of the Bayfront Trolley Station.

Internal Service Funds – Internal Service Funds are used to finance and account for the purchase of motor vehicles and the related maintenance and insurance expense, including liability insurance. Such costs are accumulated in these funds and charged to the user departments on an estimated cost-reimbursement basis or through transfers.

Fiduciary Funds

Agency Funds – These funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of 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 Governmental Accounting Standards Board. 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 government 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 payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to members, customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

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 funds and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal services fund include costs 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 use unrestricted resources as needed.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

Investments are stated at fair value (quoted market price or best available estimate thereof). Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income, earned by the pooled investments, is allocated to the various funds based on each fund's average cash and investment balance.

For purposes of the statement of cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

3. Inventories

Inventories are valued on an average-cost basis which are adjusted to annual physical counts or estimates under the consumption method of accounting and are recorded in the internal service funds.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, traffic signals, drainage systems, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000; and infrastructure with an initial cost of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	50 years
Machinery and equipment	5 to 12 years
Infrastructure assets - Roadway network	30 to 75 years

5. Land Held for Resale

Land held for resale is recorded at the lower of cost or estimated net realizable value. The available fund balance is reserved in an amount equal to the carrying value of land and buildings held for resale because such assets are not available to finance current operations. The amount recorded as assets held for resale and the corresponding fund balance reserved as of June 30, 2006 was \$2,260,925.

6. Long-Term Obligations

In the government-wide statements long-term obligations are recorded as liabilities in the statement of net assets.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

7. Compensated Absences

It is the City's policy to accumulate earned but unused vacation, sick and compensatory time. The balance of unpaid vacation and compensatory time at June 30, 2006 is recorded as a liability. Unpaid compensated absences in proprietary fund types are recorded as a liability in those funds as vested benefits accrued for the employees.

8. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas prescribed by state statutes. Accordingly, the City of Chula Vista accrues only those taxes which are received within 60 days after year end.

Lien Date:	January 1
Levy Date:	July 1
Due Date:	November 1 – 1 <sup>st</sup> Installment March 1 – 2 <sup>nd</sup> Installment
Delinquent Date:	December 10 – 1 <sup>st</sup> Installment April 10 – 2 <sup>nd</sup> Installment

Taxes are collected by San Diego County and are remitted to the City periodically. Dates and percentages are as follows:

December	30% Advance
January	Collection No. 1
April	10% Advance
May	Collection No. 2
July	Collection No. 3

The City accrues only those taxes which are received within 60 days after the year end. The City is a participant in the Teeter plan under the California Revenue and Taxation Code. The County of San Diego has responsibility for the collection of delinquent taxes and the City receives 100% of the levy.

9. Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. Claims incurred but not reported are recorded as a liability

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

when the liability has been incurred or an asset has been impaired and the amounts can be reasonably determined.

10. Fund Equity

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

11. Estimates

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.

II. Stewardship, Compliance and Accountability

A. Budgetary Accounting

An annual budget is adopted by the City Council prior to the first day of the fiscal year. The budget process includes submittal of each department's budget request for the next fiscal year, a detailed review of each department's proposed budget by the City Manager and a final City Manager recommended budget that is transmitted to the City Council for its review before the required date of adoption. A public hearing is held to give the public the opportunity to comment upon the proposed budget. Notice of such public hearing is given in a newspaper of general circulation.

The adoption of the budget is accomplished by the approval of a Budget Resolution. The legal level of budgetary control is at the department level. Any budget modification, which would result in an appropriation increase, requires City Council approval. The City Manager and Finance Director are jointly authorized to transfer appropriations within a departmental budget. Any appropriation transfers between departments require City Council approval.

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause these reported budget amounts to be significantly different than the originally adopted budget amounts. All appropriations which are not obligated, encumbered or expended at the end of the fiscal year lapse and become part of the unreserved fund balance which may be appropriated for the next fiscal year.



CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

An annual budget for the year ended June 30, 2006 was adopted and approved by the City Council for the general, most special revenue and debt service funds. These budgets are prepared on the modified accrual basis of accounting except that encumbrances outstanding at year-end are considered as expenditures. The budget of the capital projects funds are primarily long-term budgets, which emphasize major programs and capital outlay plans extending over a number of years. Because of the long-term nature of these projects, annual budget comparisons are not considered meaningful, and accordingly, no budgetary information for capital projects funds is presented. In addition, no budgetary information is presented for the Developer Deposits Special Revenue Fund.

B. Deficit Fund Balances/Net Assets

These deficit balances will be eliminated through future revenues.

The RDA Debt Service Fund has a deficit fund balance of \$28,665,143. The City Debt Service Fund has a deficit fund balance of \$14,196,565. The Traffic Safety Special Revenue Fund has a deficit fund balance of \$7,605. The Transportation Equity Act Capital Projects Fund has a deficit fund balance of \$52,739.

III. Detailed Notes on All Funds

A. Cash and Investments

At June 30, 2006, cash and investments are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments:	\$ 187,030,633
Restricted cash and investments	
Held by City	4,760,854
Held by fiscal agents	37,315,987
Fiduciary funds:	
Cash and investments	5,956,224
Cash and investments held by fiscal agents	<u>193,784,251</u>
Total Cash and Investments	<u><u>\$ 428,847,949</u></u>

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

Cash and investments as of June 30, 2006 consist of the following:

Petty cash	\$ 4,750
Deposits with financial institutions	238,453,922
Investments	<u>190,389,277</u>
Total Cash and Investments	<u>\$ 428,847,949</u>

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or 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>
Banker's Acceptances	180 days	40%	30%
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	25%	10%
State and Local Agency Bond Issues	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Repurchase Agreement	90 Days	None	None
Reverse-Repurchase Agreements	90 Days	20%	None
Medium-Term Corporate Notes	5 years	30%	None
Time Certificates of Deposit	3 years	None	None
Money Market Funds	5 years	15%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$ 40 Million

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The following table identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	None	None	None
Federal Home Loan Mortgage Corporation	None	None	None
Farm Credit Banks	None	None	None
Federal Home Loan Banks	None	None	None
Federal National Mortgage Association	None	None	None
Student Loan Marketing Association	None	None	None
Financing Corporation	None	None	None
Resolution Funding Corporation	None	None	None
Certificates of Deposit, Time Deposits and Bankers' Acceptances	30 Days	None	None
Commercial Paper	270 Days	None	None
Money Market Funds	N/A	None	None
State Obligations	None	None	None
Municipal Obligations	None	None	None
Repurchase Agreements	None	None	None
Investment Agreements	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)		
	12 Months or Less	13 to 24 Months	25 to 60 Months
LAIF	\$ 37,612,713	\$ 37,612,713	
Medium Term Corporate Notes	7,301,811	7,301,811	
Federal Home Loan Bank	67,786,875	54,138,125	\$ 13,648,750
Federal National Mortgage Association	34,385,313	27,668,750	6,716,563
Federal Home Loan Mortgage Corporation	23,608,190	17,796,610	5,811,580
Federal Farm Credit Bank	19,694,375	15,836,250	3,858,125
<b>Total</b>	<b>\$ 190,389,277</b>	<b>\$ 160,354,259</b>	<b>\$ 30,035,018</b>
			<b>\$ -</b>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following presentation is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

Investment Type	Minimum Rating	Not Rated	Rating as of Year End				
			AAA/AAA	AA+/A-1	AA3/A	AA2/AA	AA1/AA
Federal agency securities	\$ 145,474,753	N/A	\$ 145,474,753				
Medium corporate term notes	7,301,811	A	5,833,920		1,467,891		
Local agency investment fund	37,612,713	N/A	37,612,713				
Held by Bond trustee (fiduciary funds):							
USG (US Treasury notes)	86,392,925		86,392,925				
Local agency investment fund	17,715,940		17,715,940				
Investment agreements	26,312,301		4,466,845	21,845,456			
Mutual funds	63,362,281		63,362,281				
Cash with fiscal agent	804	N/A	804				
	<b>\$ 384,173,528</b>		<b>\$ 55,329,457</b>	<b>\$ 305,530,724</b>	<b>\$ 21,845,456</b>	<b>\$ 1,467,891</b>	<b>\$ -</b>

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	Federal agency securities	\$ 34,385,313
Federal Home Loan Bank	Federal agency securities	67,786,875
Federal Home Loan Mortgage Corp	Federal agency securities	23,608,190
Federal Farm Credit Bank	Federal agency securities	19,694,375

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). 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. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2006 \$6,076,213 of the City's deposits with financial institutions in excess of Federal Depository Insurance limits were held in collateralized accounts.

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 Treasurer of the State of California. 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

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

B. Loans Receivable

At June 30, 2006, the City had the following loans receivable, including principal and accrued interest:

South Bay Community Services	\$ 4,810,163
South Bay Community Villas, L.P.	5,001,709
Girls and Boys Club Construction Loan	156,250
Rancho Vista Housing (Chelsea Investment)	1,583,220
St. Regis Park	1,888,421
Chula Vista Rehabilitation CHIP Loans	2,536,089
Civic Center Barrio Housing Corporation Loan	242,844
Mobile Home Assistance Programs	55,952
Chelsea Investment Corporation/Sunbow Services	392,058
Alpha III Development Inc. (Main Plaza, L.P.)	1,567,479
Seniors on Broadway	2,023,365
Other loans receivable	<u>40,000</u>
Total	<u><u>\$ 20,297,550</u></u>

South Bay Community Services

The City and Agency entered into several loan agreements with South Bay Community Services, a California non-profit public benefit corporation. The loans were made to enable South Bay Community Services to provide affordable housing to low income families. Deeds of trust and assignment of rents secure the notes. Principal and interest are payable annually out of any and all residual receipts derived from the property and/or operation of the property. Interest accrues annually on the unpaid balance from rates ranging from 3% to 6%. Interest of \$1,300,078 has been deferred at June 30, 2006. The outstanding balance at June 30, 2006 is \$4,810,163.

South Bay Community Villas, L.P.

The City entered into a loan agreement with South Bay Community Villas, L.P. for the development of the Heritage Town Center multi-family rental housing project. Agency assistance is in the form of residual receipt loan secured by a promissory note and deed of trust. The outstanding principal and interest on the loan will be repaid over fifty five years and shall accrue interest at 3% per annum. Payment of principal and interest on the Agency loan shall be made on an annual basis out of a fund equal to fifty percent of

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

the net cash flow of the project (residual receipts) after debt service on bonds, payment of deferred developers fee, and reasonable operating expense have been paid. Interest of \$601,709 has been deferred at June 30, 2006. The outstanding balance of the loan as of June 30, 2006 was \$5,001,709.

Girls and Boys Club Construction Loan

The City has made a loan of \$250,000 for construction of a new facility for the Boys and Girls Club. The loan is interest free and will be repaid with equal annual payments over 20 years, starting in February 1999. The outstanding balance of the loan as of June 30, 2006 was \$156,250.

Rancho Vista Housing

The City and Agency have loaned \$1,500,000 to CIC Eastlake, L.P. for the development and operation of Rancho Vista Housing project, a multifamily affordable housing project. The loan will be secured by promissory notes and deeds of trust. The outstanding principal and interest amount of the loan shall be repaid over fifty-five (55) years and shall accrue at the simple interest rate of 3% per annum. Payment of principal and interest, or portions thereof, on the loan shall be made on an annual basis, out of a fund equal to 50% of the net cash flow of the project. Interest of \$83,220 has been deferred at June 30, 2006. The outstanding balance of the loan as of June 30, 2006 was \$1,583,220.

St. Regis Park

The Agency entered into a loan agreement with the Chelsea Investment Corporation for the acquisition and rehabilitation of the 119-unit Pear Tree Apartments at 1025 Broadway. All units will be affordable to low-income households. The loan is secured by a deed of trust and will accrue 6% interest for 52 years. Payment of principal and interest shall be made on an annual basis out of a fund equal to 90% of the residual receipts. Interest of \$501,269 has been deferred at June 30, 2006. The outstanding balance of the loan as of June 30, 2006 was \$1,888,421.

Chula Vista Rehabilitation CHIP Loans

The Chula Vista Rehabilitation Community Housing Improvement Program (CHIP) is under the direct control of the Agency. CHIP offers deferred and low interest rate home improvement loans to qualified borrowers residing within a target area. Loan repayments are re-deposited into the program cash accounts and are redistributed as future loans. The program was originally funded entirely with Community Development Block Grant Federal funds. In recent years, the Agency began supplementing the program due to decreased availability of Federal grants. Interest of \$196,402 was deferred as of June 30, 2006. The outstanding balance of the CHIP loans as of June 30, 2006 was \$2,536,089.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

Civic Center Barrio Housing Corporation Loan

In 1991, the Agency entered into a loan agreement with the Civic Center Barrio Housing Corporation, a California non-profit public benefit corporation. The loan was made for the purchase of land and the development of a 28-unit low income housing project. During 1992, the loan was assigned to Park Village Apartments Ltd., a California limited partnership in which Civic Center Barrio Housing Corporation is the managing general partner. The loan is secured by a deed of trust on the property and assignment of rents. Principal and interest are payable monthly. Interest accrues annually at 5% of the unpaid principal balance of the note. The outstanding balance of the loan as of June 30, 2006 was \$242,844.

Mobile Home Assistance Programs

The Agency entered into agreements with eligible residents of the Orange Tree Mobile Home Park, whereby the Agency loaned \$250,030 as permanent financing assistance to residents for the purpose of purchasing certain mobile home property. The loans are secured by deeds of trust on the property and mature in 2017 or when the property is sold. Contingent interest will be charged based on calculations specified in the agreement. The outstanding balance of the loan as of June 30, 2006 was \$55,952.

Chelsea Investment Corporation/Sunbow Services Co., LLC

The Agency entered into a residual receipts loan agreement with Chelsea Investment Corporation/Sunbow Services Company, LLC for the development of the proposed 132 unit Villa Serena senior affordable housing project. The loan amount of \$275,000 was funded by the Agency's Low & Moderate Income Housing Fund. Terms of the loan will be for 52 years at 6% per annum. Principal and interest payments will be made on an annual basis out of a fund equal to 90% of the "Residual Receipts." Interest of \$117,058 has been deferred at June 30, 2006. The outstanding balance of the loan as of June 30, 2006 was \$392,058.

Alpha III Development Inc (Main Plaza, L.P.)

The Agency entered into a loan agreement with Main Plaza, LP (Borrower) to assist the borrower in acquiring and improving certain real property for occupancy by very low, lower and low and moderate income households. The loan bears an interest rate of 3% per annum. The loan shall be due and payable on the date that is 55 years from the date of the Agency's issuance of the Certificate of Completion. Interest of \$67,479 was deferred as of June 30, 2006. The outstanding balance of the loan as of June 30, 2006 was \$1,567,479.



CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

Seniors on Broadway

The Agency entered into a loan agreement with Seniors on Broadway Limited Partnership to assist the borrower in acquiring and improving certain real property for occupancy by very low, lower and low and moderate income households. The loan bears an interest rate of 3% per annum. The loan shall be due and payable on the date that is 55 years from the date of the Agency's issuance of the Certificate of Completion. Interest of \$39,328 was deferred as of June 30, 2006. The outstanding balance of the loan as of June 30, 2006 was \$2,023,365.

Other Loans Receivable

Other loans receivable amount to \$40,000 and are loans to residents for the First Time Home Buyers Program.

C. Interfund receivables, payables, and transfers

The purpose of the interfund transactions is to make short-term and long-term interfund loans from one fund to another. Due to/from amounts are short term financing, the advances are for longer financing.

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	\$ 1,623,716
Nonmajor governmental funds	Nonmajor governmental funds	1,405,003
Total		\$ 3,028,719

These interfund loans are to provide for negative cash balances at year-end and operating cash flow.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

Long-term Advances:

As of June 30, 2006, balances were as follows:

Advances from	Advances to				Total
	General Fund	Sewer Fund	Development Impact Fund	Nonmajor Governmental Funds	
Development Impact Fund		\$ 3,724,807			\$ 3,724,807
RDA Debt Service Fund	\$ 28,227,313			\$ 5,206,959	33,434,272
City Debt Service Fund		12,576,009	\$ 958,867	661,689	14,196,565
Total	<u>\$ 28,227,313</u>	<u>\$ 16,300,816</u>	<u>\$ 958,867</u>	<u>\$ 5,868,648</u>	<u>\$ 51,355,644</u>

The Agency has entered into reimbursement agreements with the City to reimburse the City for certain lease payments made by the City under various lease agreements. The balance as of June 30, 2006, is \$23,406,411.

The City Council authorized various loans to the Agency for operating purposes. The terms of the loans are indefinite. The balance as of June 30, 2006, is \$4,820,902.

The Bayfront Town Centre I Capital Projects Fund advanced \$15,828,397 to other capital projects funds for operating purposes. The terms of the advances are indefinite. The balance was \$5,206,959 at June 30, 2006.

The City Council authorized loans with indefinite terms to Storm Drain Fund for \$1,500,411; Special Assessment District Improvement Funds for \$84,555; Salt Creek for \$15,377,539 and General Fund \$958,867. The Assessment District Loans are due and payable in 10 years, with the first payment due upon completion of the project.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

Interfund Transfers

Transfers for the year ended June 30, 2006 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>							Total
	General Fund	Sewer Special Revenue Funds	RDA Debt Service Funds	Development Impact Capital Projects Funds	Nonmajor Governmental Funds	Transit Fund	Internal Service Funds	
General Fund		\$ 9,939,020		\$ 2,154,748	\$ 5,629,694	\$ 119,767	\$ 3,431,188	\$ 21,274,417
Sewer Special Revenue Fund		4,300,000		356,492	35,104			4,691,596
RDA Debt Service Fund					1,081,009			1,081,009
City Debt Service Fund	\$ 103,518	158,270			41,000			302,788
Development Impact Capital Projects Fund					16,379			16,379
Nonmajor Governmental Funds	5,134,908	44,021	\$ 1,389,252	3,646,750	18,078,558	26,344	12,090	28,331,923
Transit Fund					23,523			23,523
<b>Total</b>	<u>\$ 5,238,426</u>	<u>\$ 14,441,311</u>	<u>\$ 1,389,252</u>	<u>\$ 6,157,990</u>	<u>\$ 24,905,267</u>	<u>\$ 146,111</u>	<u>\$ 3,443,278</u>	<u>\$ 55,721,635</u>

General Fund – Operating support to reimburse the general fund for City Staff services and equipment. Total amount of reimbursement was \$21,274,417.

Sewer Special Revenue Fund – Operating support from the Trunk Sewer Capital Projects Fund for sewer operation in the amount of \$4,300,000, \$356,492 from Development Impact Capital Projects Funds and \$35,104 Capital Project Fund.

RDA Debt Service Fund – Funding the debt service funds for repayment of various long-term obligations amounted to \$1,081,009.

City Debt Service Fund –Funding debt service funds for repayment of various long-term obligations amounted to \$302,788.

Development Impact Capital Projects – Interest Savings transferred from Trustee accounts to the various Development Impact Funds in the amount of \$16,379.

Non-major Governmental Funds – Funding debt service funds for repayment of various long-term obligations and funding the Redevelopment Agency Housing Rehabilitation Program amounted to \$11,136,785; funding the construction and equipment of the new City Hall amounted to \$17,195,138.

Transit Fund – Interest Savings transferred from Trustee accounts to the Transit Fund in the amount of \$23,523.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

D. Capital Assets

A summary of changes in Governmental Activities capital assets at June 30, 2006 is as follows:

	Beginning <sup>(1)</sup> Balance Restated	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 61,447,304	\$ 2,532,442		\$ 63,979,746
Construction in progress	90,330,273	42,517,868	\$ (81,252,374)	51,595,767
Total capital assets, not being depreciated	<u>151,777,577</u>	<u>45,050,310</u>	<u>(81,252,374)</u>	<u>115,575,513</u>
Capital assets being depreciated:				
Buildings	83,129,237	77,246,507		160,375,744
Improvements other than buildings	72,318,949	4,005,867		76,324,816
Machinery and Equipment	34,187,396	3,001,729	(1,067,023)	36,122,102
Infrastructure	611,885,934	67,128,644		679,014,578
Total capital assets, being depreciated	<u>801,521,516</u>	<u>151,382,747</u>	<u>(1,067,023)</u>	<u>951,837,240</u>
Less accumulated depreciation:				
Buildings	(19,221,960)	(1,666,277)		(20,888,237)
Improvements other than buildings	(23,610,930)	(1,526,550)		(25,137,480)
Machinery and Equipment	(24,649,192)	(3,698,720)	1,041,203	(27,306,709)
Infrastructure	(168,215,511)	(17,260,446)		(185,475,957)
Total accumulated depreciation	<u>(235,697,593)</u>	<u>(24,151,993)</u>	<u>1,041,203</u>	<u>(258,808,383)</u>
Total capital assets, being depreciated	<u>565,823,923</u>	<u>127,230,754</u>	<u>(25,820)</u>	<u>693,028,857</u>
Governmental activities capital assets, net	<u>\$ 717,601,500</u>	<u>\$ 172,281,064</u>	<u>\$ (81,278,194)</u>	<u>\$ 808,604,370</u>

<sup>(1)</sup> The beginning balance for capital assets has been restated (See Note V).

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 549,411
Public safety	855,718
Public works	2,064,019
Parks and recreation	19,331,414
Library	<u>1,351,431</u>
Total	<u><u>\$ 24,151,993</u></u>

A summary of changes in Business-Type Activities capital assets at June 30, 2006 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and Equipment	\$ 12,694,099		(1,089,070)	\$ 11,605,029
Less accumulated depreciation:				
Machinery and Equipment	<u>(5,270,620)</u>	<u>\$ (775,024)</u>	<u>981,129</u>	<u>(5,064,515)</u>
Business-type activities capital assets, net	<u><u>\$ 7,423,479</u></u>	<u><u>\$ (775,024)</u></u>	<u><u>\$ (107,941)</u></u>	<u><u>\$ 6,540,514</u></u>

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

E. Long-Term Debt

Changes in long-term debt for the year ended June 30, 2006 are as follows:

	Beginning Balance	Additions	Repayments	Ending Balance	Due Within One Year
Governmental activities:					
Tax allocation bonds	\$ 41,240,000		\$ 945,000	\$ 40,295,000	\$ 995,000
Pension obligation bonds	12,991,962	\$ 8,038	1,205,000	11,795,000	1,380,000
Certificates of participation	127,565,000	20,325,000	3,650,000	144,240,000	4,395,000
Bond premium	34,255		1,181	33,074	1,181
ERAF loans	765,000	930,000	55,000	1,640,000	125,000
Notes payable	291,460		19,285	272,175	22,279
Capital leases	2,042,487		180,333	1,862,154	190,522
Compensated absences	5,094,534	5,003,734	4,093,885	6,004,383	4,000,000
Total	<u>\$ 190,024,698</u>	<u>\$ 26,266,772</u>	<u>\$ 10,149,684</u>	<u>\$ 206,141,786</u>	<u>\$ 11,108,982</u>

Tax Allocation Bonds

	Balance July 1, 2005	Debt Retired	Balance June 30, 2006
1994 Senior Tax Allocation Refunding Bonds, Series A	\$ 12,885,000	\$ (295,000)	\$ 12,590,000
1994 Senior Tax Allocation Refunding Bonds, Series D	5,050,000	(105,000)	4,945,000
1994 Subordinate Tax Allocation Refunding Bonds, Series C	7,025,000	(170,000)	6,855,000
2000 Tax Allocation Bonds	<u>16,280,000</u>	<u>(375,000)</u>	<u>15,905,000</u>
Total	<u>\$ 41,240,000</u>	<u>\$ (945,000)</u>	<u>\$ 40,295,000</u>

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

1994 Senior Tax Allocation Refunding Bonds, Series A

In November 1994, the Agency issued \$14,810,000 1994 Senior Tax Allocation Refunding \$14,810,000 1994 Senior Tax Allocation Refunding Bonds, Series A, to refund the 1986 Tax Allocation Bonds. The bonds consist of \$1,585,000 serial bonds which mature from 1998 to 2004 in amounts ranging from \$185,000 to \$275,000 and \$12,885,000 term bonds with mature in 2024. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 5.85% to 7.625%. Bonds maturing on or after September 1, 2006, are subject to optional redemption on any interest payment date on or after September 1, 2005, at various redemption prices. The annual debt service is paid from property taxes increment in the project area. The balance outstanding as of June 30, 2006 was \$12,590,000.

The annual debt service requirements for the 1994 Senior Tax Allocation Refunding Bonds, Series A outstanding at June 30, 2006 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 315,000	\$ 947,978	\$ 1,262,978
2008	340,000	923,006	1,263,006
2009	365,000	896,128	1,261,128
2010	395,000	867,153	1,262,153
2011	425,000	835,891	1,260,891
2012-2016	2,655,000	3,622,065	6,277,065
2017-2021	3,835,000	2,397,872	6,232,872
2022-2025	<u>4,260,000</u>	<u>679,387</u>	<u>4,939,387</u>
Total	<u>\$ 12,590,000</u>	<u>\$ 11,169,480</u>	<u>\$ 23,759,480</u>

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

1994 Senior Tax Allocation Refunding Bonds, Series D

In February 1996, the Agency issued \$5,680,000 1994 Senior Tax Allocation Refunding Bonds, Series D, to refund the Agency's Bayfront/Town Centre Redevelopment Project 1994 Senior Tax Allocation Refunding Bonds, Series B. The 1994 Bonds, Series B, were paid off with the bond proceeds. The bonds are term bonds, which mature in 2024. Interest is payable semi-annually on March 1 and September 1 at 8.625%. The bonds are subject to redemption prior to maturity on any interest payment date, on or after September 1, 2006, at various redemption prices. The bonds are subject to mandatory sinking fund redemption prior to maturity, in part, by lot on September 1, 1997, and on each September 1 thereafter, without premium, from 1988 to 2024 in amounts ranging from \$60,000 to \$495,000. The annual debt service is paid from property tax increment generated in the project area. The balance outstanding at June 30, 2006 was \$4,945,000.

The annual debt service requirements for the 1994 Senior Tax Allocation Refunding Bonds, Series D outstanding at June 30, 2006 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 110,000	\$ 421,762	\$ 531,762
2008	120,000	411,844	531,844
2009	130,000	401,062	531,062
2010	145,000	389,203	534,203
2011	155,000	376,266	531,266
2012-2016	1,005,000	1,645,004	2,650,004
2017-2021	1,520,000	1,108,312	2,628,312
2022-2025	1,760,000	318,694	2,078,694
Total	<u>\$ 4,945,000</u>	<u>\$ 5,072,147</u>	<u>\$ 10,017,147</u>



CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

1994 Subordinate Tax Allocation Refunding Bonds, Series C

In November 1994, the Agency issued \$8,195,000 1994 Subordinate Tax Allocation Refunding Bonds, Series C to refund the 1986 Tax Allocation Bonds. The bonds consist of \$930,000 serial bonds which mature from 1998 to 2004 in amounts ranging from \$100,000 to \$145,000 and term bonds of \$2,255,000 and \$4,925,000 which mature in 2014 and 2024, respectively. Interest is payable semiannually on May 1 and November 1 at interest rates ranging from 5.95% to 8.25%. The bonds are subject to optional redemption on any interest payment date on or after May 1, 2005, at various redemption prices. The annual debt service is paid from property tax increment generated in the project area. The balance outstanding at June 30, 2006 was \$6,855,000.

The annual debt service requirements for the 1994 Subordinate Tax Allocation Refunding Bonds, Series C outstanding at June 30, 2006 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 180,000	\$ 560,712	\$ 740,712
2008	195,000	546,313	741,313
2009	210,000	530,713	740,713
2010	230,000	513,913	743,913
2011	250,000	495,513	745,513
2012-2016	1,565,000	2,145,927	3,710,927
2017-2021	2,320,000	1,390,127	3,710,127
2022-2025	1,905,000	322,576	2,227,576
Total	<u>\$ 6,855,000</u>	<u>\$ 6,505,794</u>	<u>\$ 13,360,794</u>

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

2000 Tax Allocation Bonds

In October 2000, the Agency issued \$17,000,000 2000 Tax Allocation Bonds, to provide funds to fund a reserve account to pay expense of the Agency in connection with the issuance of the bonds and to finance or refinance certain redevelopment activities. The bonds consist of \$9,535,000 serial bonds which mature from 2001 to 2030 in amounts ranging from \$100,000 to \$715,000 and term bonds of \$1,440,000 and \$6,025,000 which mature in 2022 and 2029, respectively. Interest is payable semiannually on March 1 and September 1 at interest rates ranging from 4.30% to 5.375%. The bonds are subject to optional redemption on any interest payment date on or after September 1, 2004, at various redemption prices. The bonds are payable solely from certain tax increment revenues of the Agency and other funds held under the indenture. The balance outstanding at June 30, 2006 was \$15,905,000.

The annual debt service requirements for the 2000 Tax Allocation Bonds outstanding at June 30, 2006 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 390,000	\$ 804,698	\$ 1,194,698
2008	405,000	787,605	1,192,605
2009	425,000	769,760	1,194,760
2010	440,000	750,943	1,190,943
2011	460,000	730,913	1,190,913
2012-2016	2,590,000	3,302,989	5,892,989
2017-2021	3,015,000	2,605,368	5,620,368
2022-2026	3,905,000	1,694,584	5,599,584
2027-2031	<u>4,275,000</u>	<u>538,441</u>	<u>4,813,441</u>
Total	<u>\$ 15,905,000</u>	<u>\$ 11,985,301</u>	<u>\$ 27,890,301</u>

Pension Obligation Bonds

The Pension Obligation Bonds Series 1994, were issued by the City to pay the obligations from the City to the California Public Employees Retirement System for the City's unfunded pension liability. The total issue is comprised of the following: (1) Current Interest Bonds with original amount due of \$7,415,000. These bonds mature in amounts ranging from \$310,000 in 1996 to \$1,820,000 in 2009. Interest is payable semi-annually on February 1 and August 1, beginning February 1, 1996, at interest rates ranging from 6.05% to 7.875% annually; (2) \$7,000,000 Term Bonds are due August 1, 2011, with a stated annual interest rate of 8.15% and are reflected in the annual debt

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

service schedule below; (3) Capital Appreciation Bonds, with original amount due of \$2,371,532. These bonds matured in 2006.

The bonds mature in the initial principal amounts ranging from \$800,000 in 2002 to \$1,095,000 in 2005 and \$480,036 in 2006. The effective annual yield on these bonds ranges from 7.690% to 8.34%. The bonds are not limited as to payment to any special source of funds of the City. The accreted value of the Pension Obligation Bonds at June 30, 2006 was \$11,795,000.

The annual debt service requirements for the Pension Obligation Bonds outstanding at June 30, 2006 are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 1,380,000	\$ 889,960	\$ 2,269,960
2008	1,595,000	774,280	2,369,280
2009	1,820,000	640,413	2,460,413
2010	2,020,000	486,688	2,506,688
2011	2,325,000	310,172	2,635,172
2012	2,655,000	107,859	2,762,859
Total	<u>\$ 11,795,000</u>	<u>\$ 3,209,372</u>	<u>\$ 15,004,372</u>

Certificates of Participation

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
2000 COP, Series A	\$ 21,280,000		\$ (1,130,000)	\$ 20,150,000
2002 COP	60,145,000		(1,125,000)	59,020,000
2003 Refunding COP	8,900,000		(1,395,000)	7,505,000
2004 COP Civic Center Phase 1	37,240,000			37,240,000
2006 COP Civic Center Phase 2		<u>\$ 20,325,000</u>		<u>20,325,000</u>
Total	<u>\$ 127,565,000</u>	<u>\$ 20,325,000</u>	<u>\$ (3,650,000)</u>	<u>\$ 144,240,000</u>

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

2000 COP, Series A

In October 2000, the Chula Vista Public Financing Authority (Authority) issued \$25,255,000 in 2000 Certificates of Participation, Series A, to provide funds to improve the City's 800 Megahertz emergency communications system, improve the City's Corporation Yard, finance a reserve account for the certificates, and pay the costs of issuance incurred in connection with the execution and delivery of the certificates. The source of the repayments of the certificates is the lease payments to be made by the City to the Authority. The certificates mature in amounts ranging from \$855,000 to 2001 to \$1,790,000 in 2020. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 4.25% to 5.25%. The certificates maturing after September 1, 2010, are subject to redemption at premiums ranging from zero to 2%. The outstanding balance at June 30, 2006 is \$20,150,000.

The annual debt service requirements for the 2000 Certificates of Participation outstanding at June 30, 2006 were as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 1,180,000	\$ 940,750	\$ 2,120,750
2008	1,235,000	887,922	2,122,922
2009	1,025,000	838,484	1,863,484
2010	1,070,000	792,523	1,862,523
2011	1,120,000	744,343	1,864,343
2012-2016	6,395,000	2,885,949	9,280,949
2017-2021	8,125,000	1,098,305	9,223,305
Total	<u>\$ 20,150,000</u>	<u>\$ 8,188,276</u>	<u>\$ 28,338,276</u>

2002 COP

In June 2002, the Chula Vista Public Financing Authority issued \$60,145,000 in 2002 Certificates of Participation to provide funds to construct the City's Police Headquarters, finance the reserve account of the certificates, to capitalize interest during construction and to pay the cost of issuance of the certificates. The source of repayment of the certificates is the lease payments to be made by the City to the Authority. Interest is payable semiannually on February 1 and August 1 of each year commencing August 1, 2005. As of June 30, 2006, the outstanding balance is \$59,020,000.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

The annual debt service requirements for the 2002 Certificates of Participation outstanding at June 30, 2006 were as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 1,160,000	\$ 2,749,546	\$ 3,909,546
2008	1,200,000	2,714,146	3,914,146
2009	1,240,000	2,671,346	3,911,346
2010	1,290,000	2,620,746	3,910,746
2011	1,340,000	2,568,146	3,908,146
2012-2016	7,625,000	11,960,767	19,585,767
2017-2021	9,550,000	10,077,921	19,627,921
2022-2026	12,245,000	7,435,625	19,680,625
2027-2031	15,820,000	3,945,500	19,765,500
2032-2033	7,550,000	382,250	7,932,250
Total	<u>\$ 59,020,000</u>	<u>\$ 47,125,993</u>	<u>\$ 106,145,993</u>

2003 Refunding COP

In May 2003, the Chula Vista Public Financing Authority (Authority) issued \$11,320,000 in 2003 Refunding Certificates of Participation to defease the 1993 Certificates, reimburse the City for amounts it has advanced to prepay the equipment lease, finance a reserve account, and pay for the cost of issuance of the Certificates. The Certificates are to be repaid from lease payments made by the City to the Authority for leasing certain property. Interest is payable semiannually on March 1 and September 1 of each year commencing September 1, 2003. The certificates mature in 2013 and principal is payable on September 1 each year commencing September 1, 2003. As of June 30, 2006, the outstanding balance is \$7,505,000.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

The annual debt service requirements for the 2003 Refunding Certificates of Participation outstanding at June 30, 2006 were as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 1,280,000	\$ 186,480	\$ 1,466,480
2008	1,140,000	154,455	1,294,455
2009	940,000	131,525	1,071,525
2010	940,000	109,905	1,049,905
2011	965,000	84,880	1,049,880
2012-2014	2,240,000	84,561	2,324,561
Total	<u>\$ 7,505,000</u>	<u>\$ 751,806</u>	<u>\$ 8,256,806</u>

2004 COP Civic Center Phase I

In September 2004, the Chula Vista Public Financing Authority (Authority) issued \$37,240,000 in 2004 Certificates of Participation to provide funding the first phase of the reconstruction, renovation, and equipping of the City's Civic Center Complex. Proceeds will also be used to finance the reserve account of the certificates, to capitalize interest during construction, and to pay the cost of issuance of the certificates. The source of repayment of the certificates is the lease payments to be made by the City to the Authority. Interest is payable semiannually on March 1 and September 1 of each year commencing March 1, 2006. The certificates mature in 2034 and principal is payable on September 1 each year commencing September 1, 2006. As of June 30, 2006, the outstanding balance is \$37,240,000.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

The annual debt service requirements for the 2004, Certificates of Participation Civic Center Project Phase I outstanding at June 30, 2006 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 775,000	\$ 1,617,655	\$ 2,392,655
2008	790,000	1,602,155	2,392,155
2009	810,000	1,583,393	2,393,393
2010	830,000	1,561,118	2,391,118
2011	855,000	1,536,218	2,391,218
2012-2016	4,760,000	7,201,781	11,961,781
2017-2021	5,785,000	6,186,774	11,971,774
2022-2026	7,145,000	4,817,420	11,962,420
2027-2031	8,975,000	2,991,200	11,966,200
2032-2034	6,515,000	662,250	7,177,250
Total	<u>\$ 37,240,000</u>	<u>\$ 29,759,964</u>	<u>\$ 66,999,964</u>

2006 COP Civic Center Phase 2

In March 2006, the Chula Vista Public Financing Authority (Authority) issued \$20,325,000 in 2006 Certificates of Participation to provide funds for the construction and equipping of certain improvements to the Civic Center Complex of the City of Chula Vista and other existing City facilities, fund capitalized interest, fund a reserve fund, and pay the costs incurred in connection with the execution and delivery of the Certificates. The source of repayment of the certificates is the lease payments to be made by the City to the Authority. Interest is payable semiannually on March 1 and September 1 of each year commencing September 1, 2006. The certificates mature in 2036 and principal is payable on March 1 each year commencing March 1, 2008. As of June 30, 2006 the outstanding balance is \$20,325,000.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

The annual debt service requirements for the 2006 Certificates of Participation Civic Center Project Phase 2 outstanding at June 30, 2006 were as follows:

Year Ending June 30,	Principal	Interest	Total
2007		\$ 804,728	\$ 804,728
2008	\$ 435,000	837,289	1,272,289
2009	450,000	822,499	1,272,499
2010	465,000	807,199	1,272,199
2011	480,000	791,389	1,271,389
2012-2016	2,655,000	3,695,964	6,350,964
2017-2021	3,190,000	3,160,725	6,350,725
2022-2026	3,895,000	2,454,255	6,349,255
2027-2031	3,905,000	1,618,656	5,523,656
2032-2036	4,850,000	674,325	5,524,325
Total	<u>\$ 20,325,000</u>	<u>\$ 15,667,029</u>	<u>\$ 35,992,029</u>

ERAF Loans

In May 2005, the Agency participated in a \$765,000 Loan Agreement with the California Statewide Communities Development Authority to finance their 2005 share of ERAF Payments to the County Auditor. The annual debt service payments are:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 65,000	\$ 34,438	\$ 99,438
2008	70,000	31,752	101,752
2009	70,000	28,704	98,704
2010	75,000	25,570	100,570
2011	80,000	22,118	102,118
2012-2015	350,000	49,116	399,116
Total	<u>\$ 710,000</u>	<u>\$ 191,698</u>	<u>\$ 901,698</u>



CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

In May 2006, the Agency participated in a \$930,000 Loan Agreement with the California Statewide Communities Development Authority to finance their 2006 share of ERAF Payments to the County Auditor. The annual debt services payments are:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 60,000	\$ 64,938	\$ 124,938
2008	80,000	49,256	129,256
2009	80,000	44,972	124,972
2010	85,000	40,632	125,632
2011	90,000	35,996	125,996
2012-2015	<u>535,000</u>	<u>99,098</u>	<u>634,098</u>
Total	<u>\$ 930,000</u>	<u>\$ 334,892</u>	<u>\$ 1,264,892</u>

Notes Payable

In January 1994, the City entered into a note payable with a private party in order to purchase certain land and improvements for the ultimate purpose of constructing a three-level parking structure. The note calls for 240 monthly payments of principal and interest, commencing in April 1994 in the initial amount of \$2,548 and increasing 3% percent annually. The annual interest rate is 8.29%. As of June 30, 2006, the outstanding balance is \$272,175.

Capital Leases

The City has agreed to participate in the San Diego County Regional Communication System (RCS). The City will finance its share of the RCS network infrastructure over 14 years and its total contribution will be \$2,809,405. The agreement with the County will provide the City with full partnership in the RCS. As of June 30, 2006, the outstanding balance is \$1,862,154.

Compensated Absences

The City's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$6,004,383 at June 30, 2006. In business-type funds, the liabilities are reported in the fund as the benefits vest and are earned.

Defeased Debt

On May 29, 1986, the Agency advance refunded the \$7,150,000 1979 Tax Allocation Bonds by placing in an irrevocable trust amount sufficient to meet all future debt

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

service payments of the refunded debt. As a result the 1979 bonds were considered defeased and the liability was removed from the City's books. The outstanding balance at June 30, 2006, was \$584,878.

F. Special Assessment Debt – Non-City Obligation

Bonds issued to finance public improvement projects in certain assessment districts are liabilities of the property owners and are secured by liens against the assessed property. The City acts as an agent for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders.

The City has no obligation or duty to pay any delinquency out of any available funds of the City. Neither the faith, credit, nor the taxing power of the City is pledged to the payment of the bonds. Thereafter, none of the following obligations are included in the accompanying basic financial statements.

As of June 30, 2006, the total special assessment debt outstanding was as follows:

	Original Amount	Outstanding June 30, 2006
CFD 06-I A Eastlake Woods, Vista, Land Swap	\$ 39,000,000	\$ 37,825,000
CFD 06-I B Eastlake Woods, Vista, Land Swap	7,880,000	7,760,000
CFD 01-2 McMillin Otay Valley Ranch Village 6	10,250,000	9,975,000
CFD 08-I Otay Ranch Village	21,655,000	21,295,000
CFD 07-I Otay Ranch Village 11	28,050,000	28,050,000
CFD 12-I McMillin Otay Ranch Village 7	22,565,000	22,565,000
CFD 2001-1 B San Miguel Ranch 2005 Improvement	12,230,000	12,230,000
CFD 13-I McMillin Otay Ranch Village 7	16,620,000	16,620,000
CFD 07-I McMillin Otay Ranch Village 1	16,950,000	16,950,000
2005 Revenue Refunding Bonds	93,930,000	93,930,000
AD 94-1 Eastlake Greens Phase II	7,464,474	4,000,000
RAD2001-1 Refunding Revenue Bonds Residential	20,445,000	19,650,000
RAD2001-2 Refunding Revenue Bonds Commercial	9,705,000	3,230,000
Industrial Development Revenue Bonds, 1992 Series A-D	250,000,000	150,000,000
Industrial Development Revenue Bonds, 1996 Series A-B	98,900,000	98,900,000
Industrial Development Revenue Bonds, 1997 Series A	25,000,000	25,000,000
Industrial Development Revenue Bonds, 2004 Series A-F	251,265,000	251,265,000
Total	<u>\$ 931,909,474</u>	<u>\$ 819,245,000</u>

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

G. Debt Compliance

At June 30, 2006, City management believes that the City has complied with all requirements of its various debt agreements.

H. Self Insurance

The City is self-insured for the first \$250,000 per occurrence for its general liability losses including personal injury, property damage, errors and omission, automobile liability and employment practices liability. For those losses between \$250,000 and \$2,000,000 per occupied the City pools its liabilities through its membership in the San Diego Pooled insurance Program Authority (SANDPIPA). Insurance for losses in excess of the \$2,000,000 up to \$37,000,000 is purchased on a group basis by the member cities.

SANDPIPA is a joint powers authority comprised of twelve San Diego County cities. The Board of Directors consists of one staff representative (and an alternative) from each of the member cities as designated by the city's governing body. Each member City has equal representation on the Board of Directors. The Board of Directors is liable for all actions of SANDPIPA.

The SANDPIPA Board of Directors establishes an Executive Committee that is responsible for the administration and operation of the risk management programs of the Authority, subject to the control of the Board. The Executive Committee consists of the Board President, Vice-President, Treasurer and a member at-large nominated by the Board President and approved by a vote of the Board. The Executive Committee is responsible for the oversight of all SANDPIPA operations, including preparation and submittal of the Pool's annual budget to the Board for its review and approval.

Annual pool premiums and assessments are approved by the Board of Directors and are adjusted annually based on the member city's incurred losses; the member's share of such losses and other expenses as a proportion of all member's losses; historical contributions to reserves (including reserves for IBNR losses); the cost to purchase excess liability insurance and other coverage and a proportionate share of administrative expenses.

The City is self-insured for the first \$500,000 per occurrence for worker's compensation liabilities. Excess workers' compensation coverage is obtained through participation in the CSAC Excess Insurance Authority's Excess Workers' Compensation Program. As of June 30, 2006, there are 147 member entities participating in the program that offers per occurrence coverage up to \$5,000,000 through pooled resources and from \$5,000,000 to \$150,000,000 via a group purchased excess insurance policy.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

Only the probable amounts of loss as estimated by the City's Risk Manager and Attorney, including an estimate of incurred-but-not reported losses, have been recorded as liabilities in the accompanying basic financial statements. There were no reductions in insurance from the prior year and there were no insurance settlements that exceeded coverage in each of the past three years.

The following change in the balance of claims payable as recorded in the Governmental Activities were as follows:

	2006	2005
Unpaid claims, beginning of the year	\$ 8,948,014	\$ 8,164,554
Incurred claims and changes in estimates	7,204,186	4,682,743
Claim payments	(3,534,152)	(3,899,283)
Unpaid claims end of the year	\$ 12,618,048	\$ 8,948,014
Due within one year	\$ 3,500,000	\$ 4,000,000

The liabilities for claims and judgments typically will be liquidated from the General Fund.

IV. Other Information

A. California Public Employees' Retirement Plan

Plan Description:

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and personal disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS 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 the State statute and the City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy:

Active plan members are required by State statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer makes

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

the contribution required of City employees on their behalf and for their account, which amounted to \$7,329,096 for the year ended June 30, 2006. The City is required to contribute at an actuarially determined rate, which is 28.149% for miscellaneous employees and 32.25% for safety employees.

Annual Pension Cost:

For 2005-2006, the City's annual pension cost of \$17,893,117 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.25% to 14.45% for miscellaneous employees and 3.25% to 13.15% for safety employees depending on age, service and type of employment and (c) 3.25% per year cost of living adjustments. Both (a) and (b) included an inflation component of 3%. The actual value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actual accrued liability (or surplus) for both miscellaneous and safety employees are being amortized as a level percentage payrolls over a closed 20-year period for prior and current service unfunded liability.

Three-year trend information for the Miscellaneous and Safety Plans:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2004	\$ 8,340,066	100%	\$ -
6/30/2005	13,614,272	100%	-
6/30/2006	17,893,117	100%	-

B. Defined Contribution Pension Plan

The City provides pension plan benefits for all of its part-time employees through a defined contribution plan (Public Agency Retirement Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered by Phase II Systems. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and City Council resolved to match the employees' contributions of 3.75%. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

For the year ended June 30, 2006, the City's total payroll and covered payroll was \$3,604,605. The City made employer contributions of \$135,173 (3.75% of current covered payroll), and employees contributed \$135,173 (3.75% of current covered payroll).

C. Commitments and Contingent Liabilities

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

The City participates in a number of federally assisted grant programs, including those from the U.S. Department of Housing and Urban Development, the U.S. Department of Justice, the U.S. Department of Treasury, and the U.S. Department of Education. Receipts from these grant programs are subject to audit to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. The City believes no significant liabilities will result.

The General Fund has loaned approximately \$537,913 to the Agency for unreimbursed services rendered by City staff. It is anticipated that the Agency will repay this loan from tax increment revenues. Currently, tax increment revenues are used to pay for related debt service expenditures and possible future debt issuance. As a result, the Agency is uncertain if the amount will be repaid to the City's General Fund. Accordingly, this contingent payable has not been reported in accompanying basic financial statements. The Agency will record the contingent payable when payment is assured.

V. Restatement of Net Assets/Fund Balance

During the fiscal year 2006, the City recorded the following prior period adjustments to Net Assets and Fund Balance:

- a) Eliminate infrastructure previously reported in error by the City.
- b) Eliminate Land Held for Resale previously reported but not owned by the City.
- c) Properly reflect Sales Tax Receivable and Loans Receivable in the appropriate fiscal year.

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

Net Assets Restatement:

Governmental Activities

Net assets as of June 30, 2005 as previously reported	\$ 792,239,186
Infrastructure restatement	(12,577,397)
Land held for resale restatement	(5,105,729)
Sales tax and loans receivable restatement	<u>2,577,914</u>
Total	<u><u>\$ 777,133,974</u></u>

Fund Balance Restatements:

General Fund

Fund balance as of June 30, 2005 as previously reported	\$ 41,502,178
Sales tax receivable restatement	<u>1,586,100</u>
Fund Balance as of June 30, 2005 as restated	<u><u>\$ 43,088,278</u></u>

Redevelopment Capital Projects Fund

Fund Balance as of June 30, 2005 as previously reported	\$ 19,625,747
Land held for resale restatement	<u>(5,105,729)</u>
Fund Balance as of June 30, 2005 as restated	<u><u>\$ 14,520,018</u></u>

Nonmajor Governmental Fund- Sundry  
Grants Special Revenue Fund

Fund balance as of June 30, 2005 as previously reported	\$ 4,021,452
Loan receivable restatement	<u>991,814</u>
Fund Balance as of June 30, 2005 as restated	<u><u>\$ 5,013,266</u></u>

CITY OF CHULA VISTA  
Notes to Financial Statements (Continued)  
June 30, 2006

VI. Change in Accounting Policy

The City implemented GASB Statement No. 47, *Accounting for Termination Benefits* during the fiscal year ended June 30, 2006. The City entered into a separation agreement with the former City Manager totaling \$428,647 (which includes salary, retirement and health benefits) to be paid out during fiscal year 2006-07. The liability has been reflected in the financial statements as of June 30, 2006.

VII. Subsequent Event

On July 1, 2006, senior tax allocation refunding bonds, series A in the amount of \$13,435,000 were issued to refinance the Agency's outstanding 1994 Senior Tax Allocation Refunding Bonds, series A, to satisfy the reserve requirement and to provide for the costs of issuing the bonds. Interest on the bonds accrues at 4.50% to 4.60% and is payable semiannually on September 1 and March 1. Principal is payable each year on September 1.

On July 1, 2006, senior tax allocation refunding bonds, series B in the amount of \$12,325,000 were issued to refinance the Agency's outstanding 1994 Senior Tax Allocation Refunding Bonds, series C and D, to satisfy the reserve requirement and to provide for the costs of issuing the bonds. Interest on the bonds accrues at 5.125% to 6.0% and is payable semiannually on October 1 and April 1. Principal is payable each year on October 1.

The bonds are secured by a pledge of certain tax increment revenues.



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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CHULA VISTA  
 Required Supplementary Information  
 PERS Schedule of Funding Progress  
 June 30, 2006

Miscellaneous Employees

Actuarial Valuation Date	Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded Liability/ (Excess Assests) [(a)-(b)]	Funded Status [(b)/(a)]	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
6/30/2003	\$ 180,869,270	\$ 140,186,660	\$ 40,682,610	77.5%	\$ 44,609,980	91.2%
6/30/2004	206,730,274	154,849,579	51,880,695	74.9%	47,920,530	108.3%
6/30/2005	232,282,399	174,477,224	57,805,175	75.1%	52,893,195	109.3%

Safety Employees

Actuarial Valuation Date	Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded Liability/ (Excess Assests) [(a)-(b)]	Funded Status [(b)/(a)]	Annual Covered Payroll (c)	UL As a % of Payroll [(a)-(b)]/(c)
6/30/2003	\$ 163,155,982	\$ 151,049,925	\$ 12,106,057	92.6%	\$ 20,689,018	58.5%
6/30/2004	175,892,648	160,902,527	14,990,121	91.5%	22,412,640	66.9%
6/30/2005	196,045,435	174,416,640	21,628,795	89.0%	26,119,100	82.8%

CITY OF CHULA VISTA  
 General Fund  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 70,555,056	\$ 72,526,772	\$ 71,236,036	\$ (1,290,736)
Intergovernmental revenue	24,903,834	27,112,986	24,638,703	(2,474,283)
Licenses and permits	4,282,338	4,282,338	3,216,540	(1,065,798)
Charges for services	18,942,595	19,033,785	15,234,970	(3,798,815)
Fines, forfeitures, and penalties	1,265,393	1,265,393	1,144,189	(121,204)
Use of money and property	2,285,146	2,285,146	1,497,921	(787,225)
Other revenues	19,619,244	21,714,119	22,316,686	602,567
<b>Total Revenues</b>	<b>141,853,606</b>	<b>148,220,539</b>	<b>139,285,045</b>	<b>(8,935,494)</b>
<b>Expenditures:</b>				
<b>General government</b>				
City council	1,454,173	1,636,669	1,513,723	122,946
Boards and commissions	10,163	10,163	5,995	4,168
City clerk	1,121,756	1,171,485	1,155,365	16,120
City attorney	2,559,945	2,660,464	2,505,763	154,701
Administration	3,553,276	3,978,981	3,929,454	49,527
Management and information	3,984,059	4,564,357	4,024,531	539,826
Human resources	5,075,866	11,983,584	8,050,512	3,933,072
Finance	2,810,372	3,002,493	2,974,595	27,898
Community development	3,836,616	4,274,521	4,099,911	174,610
Planning and building	10,736,740	11,287,186	10,735,872	551,314
<b>Public safety:</b>				
Police	42,738,167	46,191,558	45,340,394	851,164
Fire	19,699,404	21,436,523	21,435,874	649
<b>Public works:</b>				
Engineering	7,632,521	7,673,348	7,188,545	484,803
Services	30,145,861	31,112,439	30,210,045	902,394
Parks and recreation	7,021,567	7,298,814	6,213,640	1,085,174
Library	9,646,674	9,852,021	9,707,174	144,847
<b>Non-departmental:</b>				
Furlough and pension obligation bonds	(2,445,526)	(1,663,793)	(1,232,467)	(431,326)
Capital outlay	65,000	2,488,119	1,576,248	911,871
<b>Debt service:</b>				
Principal		40,407		40,407
Interest		63,111		63,111
<b>Total Expenditures</b>	<b>149,646,634</b>	<b>169,062,450</b>	<b>159,435,174</b>	<b>9,627,276</b>

(Continued)

CITY OF CHULA VISTA  
General Fund  
Budgetary Comparison Schedule (Continued)  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,793,028)	(20,841,911)	(20,150,129)	691,782
Other Financing Sources (Uses):				
Transfers in	17,362,017	20,919,518	21,274,417	354,899
Transfers out	(6,334,347)	(6,334,347)	(5,238,426)	1,095,921
Total Other Financing Sources (Uses)	11,027,670	14,585,171	16,035,991	1,450,820
Net Change in Fund Balances	3,234,642	(6,256,740)	(4,114,138)	2,142,602
Fund Balance, Beginning of year, as restated	43,088,278	43,088,278	43,088,278	
Fund Balance, End of year (budgetary basis)	<u>\$ 46,322,920</u>	<u>\$ 36,831,538</u>	38,974,140	<u>\$ 2,142,602</u>
Encumbrances outstanding at year end			911,813	
Fund Balance, End of Year (GAAP basis)			<u>\$ 39,885,953</u>	

See Accompanying Note to Required Supplementary Information

CITY OF CHULA VISTA  
Sewer Special Revenue Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
License and permits	\$ 400,000	\$ 400,000	\$ 190,990	\$ (209,010)
Charges for services	28,689,123	28,689,123	25,405,052	(3,284,071)
Fine and forfeitures			3,501	3,501
Use of money and property	833,742	833,742	449,162	(384,580)
Other revenues	595,716	595,716	445,650	(150,066)
<b>Total Revenues</b>	<b>30,518,581</b>	<b>30,518,581</b>	<b>26,494,355</b>	<b>(4,024,226)</b>
<b>Expenditures:</b>				
Public works	18,736,957	18,809,890	15,820,381	2,989,509
Capital outlay	843,006	4,766,582	1,885,894	2,880,688
<b>Total Expenditures</b>	<b>19,579,963</b>	<b>23,576,472</b>	<b>17,706,275</b>	<b>5,870,197</b>
Excess of Revenues Over (Under) Expenditures	10,938,618	6,942,109	8,788,080	1,845,971
<b>Other Financing Sources (Uses):</b>				
Transfers in	4,341,000	4,697,492	4,691,596	(5,896)
Transfers out	(14,672,500)	(14,672,500)	(14,441,311)	231,189
<b>Total Other Financing Sources (Uses)</b>	<b>(10,331,500)</b>	<b>(9,975,008)</b>	<b>(9,749,715)</b>	<b>225,293</b>
<b>Net Change in Fund Balance</b>	<b>607,118</b>	<b>(3,032,899)</b>	<b>(961,635)</b>	<b>2,071,264</b>
<b>Fund Balance, Beginning of Year</b>	<b>34,922,789</b>	<b>34,922,789</b>	<b>34,922,789</b>	
<b>Fund Balance, End of Year (budgetary basis)</b>	<b>\$ 35,529,907</b>	<b>\$ 31,889,890</b>	<b>33,961,154</b>	<b>\$ 2,071,264</b>
Encumbrances outstanding at year end			437,198	
<b>Fund Balance, End of Year (GAAP basis)</b>			<b>\$ 34,398,352</b>	

See Accompanying Note to Required Supplementary Information.

CITY OF CHULA VISTA  
Required Supplementary Information  
June 30, 2006

I. BUDGET AND BUDGETARY ACCOUNTING

An annual budget is adopted by the City Council prior to the first day of the fiscal year. The budget process includes submittal of each department's budget request for the next fiscal year, a detailed review of each department's proposed budget by the City Manager and a final City Manager recommended budget that is transmitted to the City Council for its review before the required date of adoption. A public hearing is held to give the public the opportunity to comment upon the proposed budget. Notice of such public hearing is given in a newspaper of general circulation.

The adoption of the budget is accomplished by the approval of a Budget Resolution. The legal level of budgetary control is at the department level. Any budget modification, which would result in an appropriation increase, requires City Council approval. The City Manager and Finance Director are jointly authorized to transfer appropriations within a departmental budget. Any appropriation transfers between departments require City Council approval.

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations. All appropriations which are not obligated, encumbered, or expended at the end of the fiscal year lapse and become part of the unreserved fund balance which may be appropriated for the next fiscal year.

An annual budget for the year ended June 30, 2006 was adopted and approved by the City Council for the general, special revenue, and debt service funds. These budgets are prepared on the modified accrual basis of accounting except that encumbrances outstanding at year-end are considered as expenditures. The budget of the capital projects funds are primarily long-term budgets, which emphasize major programs and capital outlay plans extending over a number of years. Because of the long-term nature of these projects, annual budget comparisons are not considered meaningful, and accordingly, no budgetary information for capital projects funds is included in the accompanying basic financial statements.



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SUPPLEMENTARY INFORMATION

CITY OF CHULA VISTA  
Redevelopment Agency Debt Service Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 3,742,725	\$ 3,584,859	\$ (157,866)
Use of money and property	231,000	209,871	(21,129)
Total Revenues	3,973,725	3,794,730	(178,995)
Expenditures:			
Current:			
General government	21,163	17,781	3,382
Debt service:			
Principal	956,197	1,000,000	(43,803)
Interest and fiscal charges	4,510,165	4,219,003	291,162
Total Expenditures	5,487,525	5,236,784	250,741
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,513,800)	(1,442,054)	71,746
Other Financing Sources (Uses):			
Transfers in	6,342,573	1,081,009	(5,261,564)
Transfers out	(3,722,369)	(1,389,252)	2,333,117
Total Other Financing Sources (Uses)	2,620,204	(308,243)	(2,928,447)
Net Change in Fund Balances	1,106,404	(1,750,297)	(2,856,701)
Fund Balances, Beginning of Year	(26,914,846)	(26,914,846)	
Fund Balances, End of Year	\$ (25,808,442)	\$ (28,665,143)	\$ (2,856,701)

CITY OF CHULA VISTA  
City Debt Service Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Debt service:			
Interest and fiscal charges	\$ 646,915	\$ 597,161	\$ 49,754
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(646,915)</u>	<u>(597,161)</u>	<u>49,754</u>
Other Financing Sources (Uses):			
Transfers in	323,795	302,788	(21,007)
Transfers out	<u>(220,277)</u>	<u>                    </u>	<u>220,277</u>
Total Other Financing Sources (Uses)	<u>103,518</u>	<u>302,788</u>	<u>199,270</u>
Net Change in Fund Balances	(543,397)	(294,373)	249,024
Fund Balances, Beginning of Year	<u>(13,902,192)</u>	<u>(13,902,192)</u>	<u>                    </u>
Fund Balances, End of Year	<u><u>\$ (14,445,589)</u></u>	<u><u>\$ (14,196,565)</u></u>	<u><u>\$ 249,024</u></u>

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## NONMAJOR SPECIAL REVENUE FUNDS

Transportation Grants - This fund is used to account for revenues and expenditures received from the State under Street and Highway Code Sections 2106, 2107 and 2107.5. The allocations must be spent for street maintenance or construction and a limited amount for engineering.

Parking Meter – This fund accounts for revenues from on/off street parking and issued parking citations within the parking district. The funds derived must be expended for a purpose substantially connected with the problem of traffic regulation and control in the parking district

Traffic Safety – This fund is a depository for all monies derived from vehicle code fines (excluding parking violations). The fines are collected through the County court system and remitted to the City monthly. These monies may be expended only for traffic control devices and equipment and maintenance thereof or for the maintenance, improvement or construction of public streets.

Town Centre I – This fund is used to account for revenues from an in lieu parking fee. The in lieu parking fee applies to any developer of a new commercial building or addition to an existing commercial building within the Downtown Parking district. Use of monies in this fund is restricted for the purchase or development of parking sites.

Open Space Districts – This fund is a depository for all monies received for all flat rate property tax assessments levied against benefiting property owners for the maintenance of open space areas.

Housing Programs – This fund is for federal housing rehabilitation monies held in trust by Bank of America for issuance of housing rehab loans to qualified low and moderate income recipients.

Sundry Grants - This fund consists of miscellaneous grants/revenues such as: supplemental law enforcement services, California Library Services Act, Public Library Act, asset seizure, local law enforcement block grants, federal library grants, waste management and recycling, energy conservation, parks and recreation social service grants, G. McCandliss memorial cultural arts, federal assistance, CDBG Section 108 loan, CDBG program income project, HOME project, and Community Development Block grants.

Traffic Signals – This fund accounts for fees from developers for all new traffic signal construction.

Redevelopment Agency – This fund accounts for revenue received from tax increment within the redevelopment project areas and is used to fund operating expenditures, debt service and Agency capital projects.

Transportation Sales Tax – This fund was established for the receipt and disbursement of all transportation sales tax revenues for the City.

### **NONMAJOR DEBT SERVICE FUNDS**

Public Financing Authority - This fund is used to account for financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to the City and / or to refinance outstanding obligations of the City.

1994 POB - This fund receives payments from the City for payment of principal and interest due on 1994 taxable pension obligation bonds.

Notes Payable - This fund is used for the payment of principal and interest on various notes payable.

SD Regional Comm System – This fund is used to account for the City’s portion of the infrastructure and financing costs of the San Diego County regional communications systems (RCS).

### **NONMAJOR CAPITAL PROJECTS FUNDS**

Park Acquisition Development - This fund is a depository for fees collected from subdividers for the purpose of providing park and recreational facilities directly benefiting and serving the residents of the regulated subdivision.

Residential Construction Tax - This fund is a depository for fees levied for the construction, replacement or conversion of all dwelling units within the City including hotels and motels.

Bicycle Facility - This fund was established as a depository for local Transportation Development Act funds (Article 3.0) received from the County for the purpose of bicycle related programs.

Industrial Develop Authority - This fund was established to account for staff costs in assisting in the issuance of industrial development bonds. A fee of 1/8 of 1% is charged to reimburse costs incurred.

Redevelopment Capital Project – This fund was established to account for capital improvement projects related to various redevelopment areas.

Assessment District Improvement - This fund was established as a depository for monies received from issuance of bonds for various assessment districts. The monies are used to finance the construction of public works improvements in the related districts.

Sewer Facility Replacement – This fund is a depository for a portion of the revenue derived from the monthly sewer service charge. Monies in this fund shall be used solely for the purpose of refurbishment and/or replacement of sewerage facilities including related evaluation, engineering and utility modification costs.

Capital Improvement Program – This fund was established to set aside monies for capital improvement projects. This fund does not generate revenues from any source except by transfer from other funds and interest earned on monies in the fund. Monies transferred to the fund are expended for budgeted capital improvement projects and monies remaining after completion of a project are transferred back to the fund from which the project was originally financed.

Transportation Partnership – This fund is a depository for the revenues received from the State and Local Transportation Partnership Program. Funds must be spent for street purposes.

Other Transportation Program – This fund is a depository for the revenues received from the Federal Safety Program. Funds must be spent for street, public highway bridges and other regional surface transportation programs.

Transportation Equity Act – This fund was established to account for reimbursable capital improvement program such as highway safety, transit, and other surface transportation programs from FY98 through FY 2003 as required by PL 105-178.

Traffic Congestion Relief – This fund is a depository for the revenues received from the Traffic Congestion Relief Fund as required by AB2928. The monies must be spent for street or road maintenance or reconstruction.



CITY OF CHULA VISTA  
Combining Balance Sheet  
Nonmajor Government Funds  
June 30, 2006

	Special Revenue			
	Transportation Grants	Parking Meter	Traffic Safety	Town Centre I
<u>Assets</u>				
Cash and investments	\$ 910,782	\$ 140,236		\$ 26,808
Receivables:				
Accounts				
Taxes	368,017			
Interest	10,192	825	\$ 357	148
Loans				
Due from other funds				
Due from other governments				
Advances to other funds				
Prepaid items				
Restricted cash and investments:				
Held by City				
Held by fiscal agent				
Land held for resale				
Total Assets	\$ 1,288,991	\$ 141,061	\$ 357	\$ 26,956
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable	\$ 60,863	\$ 8,982		
Accrued liabilities				
Due to other funds			\$ 7,962	
Due to other governments				
Deferred revenue				
Total Liabilities	60,863	8,982	7,962	
Fund Balances:				
Reserved for:				
Encumbrances	34,197			
Loans receivables and advances				
Land held for resale				
Debt service				
Total Reserved	34,197			
Unreserved:				
Designated for:				
Contingency	31,994	106,029		
Capital projects				
Undesignated:				
Special revenue	1,161,937	26,050	(7,605)	\$ 26,956
Capital projects				
Total Fund Balances	1,228,128	132,079	(7,605)	26,956
Total Liabilities and Fund Balances	\$ 1,288,991	\$ 141,061	\$ 357	\$ 26,956

Special Revenue

Open Space Districts	Housing Programs	Sundry Grants	Traffic Signals	Redevelopment Agency	Transportation Sales Tax
\$ 10,065,929		\$ 735,529	\$ 4,064,027	\$ 3,920,044	\$ 13,581,888
161,410				25	
50,354		8,555	22,501	47,289	
	\$ 271,754	6,355,308		18,648	73,536
		2,617,561		13,514,238	
				1,302	
		749			
	293,042			4,467,812	
<u>\$ 10,277,693</u>	<u>\$ 564,796</u>	<u>\$ 9,717,702</u>	<u>\$ 4,086,528</u>	<u>\$ 21,969,358</u>	<u>\$ 13,655,424</u>
\$ 689,828		\$ 278,090	\$ 73,177	\$ 57,999	\$ 6,089
		862			
		642,276		98,169	
		787,218			
		1,356,120		1,697,388	
<u>689,828</u>		<u>3,064,566</u>	<u>73,177</u>	<u>1,853,556</u>	<u>6,089</u>
132,484		937,481	318,559	13,455	333,215
	\$ 271,754	5,146,127		11,816,876	
<u>132,484</u>	<u>271,754</u>	<u>6,083,608</u>	<u>318,559</u>	<u>11,830,331</u>	<u>333,215</u>
		28,371			
657,016					
8,798,365	293,042	541,157	3,694,792	8,285,471	13,316,120
<u>9,587,865</u>	<u>564,796</u>	<u>6,653,136</u>	<u>4,013,351</u>	<u>20,115,802</u>	<u>13,649,335</u>
<u>\$ 10,277,693</u>	<u>\$ 564,796</u>	<u>\$ 9,717,702</u>	<u>\$ 4,086,528</u>	<u>\$ 21,969,358</u>	<u>\$ 13,655,424</u>

(Continued)

CITY OF CHULA VISTA  
Combining Balance Sheet  
Nonmajor Government Funds (Continued)  
June 30, 2006

	Debt Service			
	Public Financing Authority	1994 POB	Notes Payable	SD Regional Comm System
<u>Assets</u>				
Cash and investments	\$ 1,312,394	\$ 2,967	\$ 2	\$ 161
Receivables:				
Accounts				
Taxes				
Interest	1,772			
Loans				
Due from other funds				
Due from other governments				
Advances to other funds				
Prepaid items				
Restricted cash and investments:				
Held by City				
Held by fiscal agent	12,322,402	51		
Land held for resale				
Total Assets	\$ 13,636,568	\$ 3,018	\$ 2	\$ 161
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable				
Accrued liabilities				
Due to other funds				
Due to other governments				
Deferred revenue				
Total Liabilities				
Fund Balances:				
Reserved for:				
Encumbrances				
Long-term receivables and advances				
Land held for resale				
Debt service	\$ 13,636,568	\$ 3,018	\$ 2	\$ 161
Total Reserved	13,636,568	3,018	2	161
Unreserved:				
Designated for:				
Contingency				
Capital projects				
Undesignated:				
Special revenue				
Capital projects				
Total Fund Balances	13,636,568	3,018	2	161
Total Liabilities and Fund Balances	\$ 13,636,568	\$ 3,018	\$ 2	\$ 161

Capital Projects

Park Acquisition Development	Residential Construction Tax	Bicycle Facility	Industrial Develop Authority	Redevelopment Capital Projects	Assessment District Improvement
\$ 29,796,568	\$ 4,204,685	\$ 245,499	\$ 8,998	\$ 716,627	\$ 2,121,202
196,925	25,751	2,130	49	196,274 13,294	10,267
				1,317,221 505,926 5,206,959	
				5,502,057 2,260,925	
<u>\$ 29,993,493</u>	<u>\$ 4,230,436</u>	<u>\$ 247,629</u>	<u>\$ 9,047</u>	<u>\$ 15,719,283</u>	<u>\$ 2,131,469</u>
\$ 783,695	\$ 24,655			\$ 837,060	
				2,192,530	
<u>783,695</u>	<u>24,655</u>	<u>\$ 26,700</u> <u>26,700</u>		<u>1,132,451</u> <u>4,162,041</u>	
1,643,594	197,303			265,259 4,574,843 2,260,925	
<u>1,643,594</u>	<u>197,303</u>			<u>7,101,027</u>	
27,566,204	4,008,478	220,929	\$ 9,047	4,456,215	\$ 2,131,469
<u>29,209,798</u>	<u>4,205,781</u>	<u>220,929</u>	<u>9,047</u>	<u>11,557,242</u>	<u>2,131,469</u>
<u>\$ 29,993,493</u>	<u>\$ 4,230,436</u>	<u>\$ 247,629</u>	<u>\$ 9,047</u>	<u>\$ 15,719,283</u>	<u>\$ 2,131,469</u>

(Continued)

CITY OF CHULA VISTA  
Combining Balance Sheet  
Nonmajor Government Funds (Continued)  
June 30, 2006

	Capital Projects			
	Sewer Facility Replacement	Capital Improvement Program	Transportation Partnership	Other Transportation Program
<u>Assets</u>				
Cash and investments	\$ 5,596,161		\$ 353,182	\$ 1,113,316
Receivables:				
Accounts	208,772			
Taxes	1,177			
Interest	30,503	\$ 2,930	2,006	579
Loans				
Due from other funds				87,782
Due from other governments				
Advances to other funds	661,689			
Prepaid items				
Restricted cash and investments:				
Held by City				
Held by fiscal agent		16,931,095		
Land held for resale				
Total Assets	\$ 6,498,302	\$ 16,934,025	\$ 355,188	\$ 1,201,677
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts payable	8,712	\$ 2,528		
Accrued liabilities				
Due to other funds				\$ 10,371
Due to other governments		100,000		
Deferred revenue	149,689			23,837
Total Liabilities	158,401	102,528		34,208
Fund Balances:				
Reserved for:				
Encumbrances	147,337			446,267
Long-term receivables and advances	512,000			
Land held for resale				
Debt service				
Total Reserved	659,337			446,267
Unreserved:				
Designated for:				
Contingency				
Capital projects	5,680,564	16,831,497	\$ 355,188	
Undesignated:				
Special revenue				
Capital projects				721,202
Total Fund Balances	6,339,901	16,831,497	355,188	1,167,469
Total Liabilities and Fund Balances	\$ 6,498,302	\$ 16,934,025	\$ 355,188	\$ 1,201,677

<u>Capital Projects</u>		
<u>Transportation Equity Act</u>	<u>Traffic Congestion Relief</u>	<u>Total Other Governmental Funds</u>
	\$ 707,143	\$ 79,624,148
		208,797
		774,167
	1,846	473,168
		20,141,300
		1,405,003
\$ 24,672	279,753	3,429,214
		5,868,648
		749
		4,760,854
		34,755,605
		2,260,925
<u>\$ 24,672</u>	<u>\$ 988,742</u>	<u>\$ 153,702,578</u>
		\$ 2,831,678
		862
\$ 77,411		3,028,719
		887,218
	\$ 977,249	5,363,434
<u>77,411</u>	<u>977,249</u>	<u>12,111,911</u>
		4,469,151
		22,321,600
		2,260,925
		13,639,749
		<u>42,691,425</u>
		166,394
		61,916,607
		36,136,285
(52,739)	11,493	679,956
<u>(52,739)</u>	<u>11,493</u>	<u>141,590,667</u>
<u>\$ 24,672</u>	<u>\$ 988,742</u>	<u>\$ 153,702,578</u>

CITY OF CHULA VISTA  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Government Funds  
For the Year Ended June 30, 2006

	Special Revenue			
	Transportation Grants	Parking Meter	Traffic Safety	Town Centre I
Revenues:				
Taxes				
Intergovernmental	\$ 3,984,264			
Licenses and permits		\$ 34,083		
Developer fees				
Charges for services				
Fines and forfeitures		59,668	\$ 517,504	
Use of money and property	48,063	264,476	1,255	\$ 733
Other				
Total Revenues	4,032,327	358,227	518,759	733
Expenditures:				
Current:				
General government				
Public safety		325,452		
Public works				
Library				
Capital outlay	1,051,070			
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures	1,051,070	325,452		
Excess (Deficiency) Revenues Over (Under) Expenditures	2,981,257	32,775	518,759	733
Other Financing Sources (Uses):				
Issuance of debt				
Transfers in	14,578	1,908		
Transfer out	(3,859,675)	(2,630)	(527,984)	
Total Other Financing Sources (Uses)	(3,845,097)	(722)	(527,984)	
Net Change in Fund Balances	(863,840)	32,053	(9,225)	733
Fund Balances, Beginning of Year, as Restated	2,091,968	100,026	1,620	26,223
Fund Balances, End of Year	\$ 1,228,128	\$ 132,079	\$ (7,605)	\$ 26,956

Special Revenue

Open Space Districts	Housing Programs	Sundry Grants	Traffic Signals	Redevelopment Agency	Transportation Sales Tax
				\$ 1,968,228	\$ 4,200,000
		\$ 8,120,228			
			\$ 1,882,521		
\$ 244,174	\$ 1,388	40,723	117,308	187,675	360,636
6,235,841	25	682,725		52,067	
<u>6,480,015</u>	<u>1,413</u>	<u>8,843,676</u>	<u>1,999,829</u>	<u>2,207,970</u>	<u>4,560,636</u>
		2,305,096		971,847	
5,361,872		591,517			
		275,587	5,830		
		41,246			
		3,535,474	971,494	104,533	3,800,507
<u>5,361,872</u>		<u>6,748,920</u>	<u>977,324</u>	<u>1,076,380</u>	<u>3,800,507</u>
1,118,143	1,413	2,094,756	1,022,505	1,131,590	760,129
(74,595)	(999)	143,468	7,116	4,038	
		(598,354)	(10,073)	(150,404)	
<u>(74,595)</u>	<u>(999)</u>	<u>(454,886)</u>	<u>(2,957)</u>	<u>(146,366)</u>	
1,043,548	414	1,639,870	1,019,548	985,224	760,129
<u>8,544,317</u>	<u>564,382</u>	<u>5,013,266</u>	<u>2,993,803</u>	<u>19,130,578</u>	<u>12,889,206</u>
<u>\$ 9,587,865</u>	<u>\$ 564,796</u>	<u>\$ 6,653,136</u>	<u>\$ 4,013,351</u>	<u>\$ 20,115,802</u>	<u>\$ 13,649,335</u>

(Continued)



CITY OF CHULA VISTA  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Government Funds (Continued)  
For the Year Ended June 30, 2006

	Debt Service			
	Public Financing Authority	1994 POB	Notes Payable	SD Regional Comm System
Revenues:				
Taxes				
Intergovernmental				
Licenses and permits				
Developer fees				
Charges for services				
Fines and forfeitures				
Use of money and property	\$ 479,243	\$ 52		\$ 5
Other				
Total Revenues	479,243	52		5
Expenditures:				
Current:				
General government	3,000			
Public safety				
Public works				
Library				
Capital outlay				
Debt service:				
Principal	3,650,000	1,205,000	\$ 19,285	180,333
Interest and fiscal charges	6,284,180	943,435	23,462	115,401
Total Expenditures	9,937,180	2,148,435	42,747	295,734
Excess (Deficiency) Revenues Over (Under) Expenditures	(9,457,937)	(2,148,383)	(42,747)	(295,729)
Other Financing Sources (Uses):				
Issuance of debt	20,325,000			
Transfers in	8,180,421	2,150,935	42,748	295,734
Transfer out	(17,195,138)			
Total Other Financing Sources (Uses)	11,310,283	2,150,935	42,748	295,734
Net Change in Fund Balances	1,852,346	2,552	1	5
Fund Balances, Beginning of Year, as Restated	11,784,222	466	1	156
Fund Balances, End of Year	\$ 13,636,568	\$ 3,018	\$ 2	\$ 161

Capital Projects

<u>Park Acquisition Development</u>	<u>Residential Construction Tax</u>	<u>Bicycle Facility</u>	<u>Industrial Develop Authority</u>	<u>Redevelopment Capital Projects</u>	<u>Assessment District Improvement</u>
	\$ 668,762			\$ 4,851,793	
		\$ 88,301			
\$ 13,330,770					\$ 125,171
959,686	124,675	8,414	\$ 245	731,175	54,157
	12,977			83,798	72,177
<u>14,290,456</u>	<u>806,414</u>	<u>96,715</u>	<u>245</u>	<u>5,666,766</u>	<u>251,505</u>
				7,779,810	
15,888,389	1,034,306	267,257		904,520	
				29,634	
<u>15,888,389</u>	<u>1,034,306</u>	<u>267,257</u>		<u>8,713,964</u>	
<u>(1,597,933)</u>	<u>(227,892)</u>	<u>(170,542)</u>	<u>245</u>	<u>(3,047,198)</u>	<u>251,505</u>
				930,000	
	28,746			263,709	
	<u>(152,812)</u>	<u>(31,734)</u>		<u>(1,109,287)</u>	<u>(41,000)</u>
	<u>(124,066)</u>	<u>(31,734)</u>		<u>84,422</u>	<u>(41,000)</u>
<u>(1,597,933)</u>	<u>(351,958)</u>	<u>(202,276)</u>	<u>245</u>	<u>(2,962,776)</u>	<u>210,505</u>
<u>30,807,731</u>	<u>4,557,739</u>	<u>423,205</u>	<u>8,802</u>	<u>14,520,018</u>	<u>1,920,964</u>
<u>\$ 29,209,798</u>	<u>\$ 4,205,781</u>	<u>\$ 220,929</u>	<u>\$ 9,047</u>	<u>\$ 11,557,242</u>	<u>\$ 2,131,469</u>

(Continued)

CITY OF CHULA VISTA  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Government Funds (Continued)  
For the Year Ended June 30, 2006

	Capital Projects			
	Sewer Facility Replacement	Capital Improvement Program	Transportation Partnership	Other Transportation Program
Revenues:				
Taxes				
Intergovernmental				\$ 1,853,630
Licenses and permits				
Developer fees				
Charges for services	\$ 1,301,343			
Fines and forfeitures				
Use of money and property	175,170	\$ 271,576	\$ 9,697	(863)
Other				
Total Revenues	<u>1,476,513</u>	<u>271,576</u>	<u>9,697</u>	<u>1,852,767</u>
Expenditures:				
Current:				
General government				
Public safety				
Public works				
Library				
Capital outlay	816,045	16,299,528	1,991	1,779,212
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures	<u>816,045</u>	<u>16,299,528</u>	<u>1,991</u>	<u>1,779,212</u>
Excess (Deficiency) Revenues Over (Under) Expenditures	<u>660,468</u>	<u>(16,027,952)</u>	<u>7,706</u>	<u>73,555</u>
Other Financing Sources (Uses):				
Issuance of debt				
Transfers in		17,195,138	1,801	
Transfer out	(281,079)	(867,387)	(2,116)	
Total Other Financing Sources (Uses)	<u>(281,079)</u>	<u>16,327,751</u>	<u>(315)</u>	
Net Change in Fund Balances	379,389	299,799	7,391	73,555
Fund Balances, Beginning of Year, as Restated	<u>5,960,512</u>	<u>16,531,698</u>	<u>347,797</u>	<u>1,093,914</u>
Fund Balances, End of Year	<u>\$ 6,339,901</u>	<u>\$ 16,831,497</u>	<u>\$ 355,188</u>	<u>\$ 1,167,469</u>

<u>Capital Projects</u>		
<u>Transportation Equity Act</u>	<u>Traffic Congestion Relief</u>	<u>Total Other Governmental Funds</u>
		\$ 11,688,783
\$ 24,672		14,071,095
		34,083
		13,455,941
		3,183,864
		577,172
(74,663)	\$ 11,493	4,016,493
		7,139,610
<u>(49,991)</u>	<u>11,493</u>	<u>54,167,041</u>
		11,059,753
		916,969
		5,643,289
		41,246
24,672		46,478,998
		5,054,618
		7,396,112
<u>24,672</u>		<u>76,590,985</u>
<u>(74,663)</u>	<u>11,493</u>	<u>(22,423,944)</u>
		21,255,000
1,583		28,331,923
		(24,905,267)
<u>1,583</u>		<u>24,681,656</u>
(73,080)	11,493	2,257,712
<u>20,341</u>		<u>139,332,955</u>
<u>\$ (52,739)</u>	<u>\$ 11,493</u>	<u>\$ 141,590,667</u>

CITY OF CHULA VISTA  
Transportation Grants Special Revenue Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 4,129,450	\$ 3,984,264	\$ (145,186)
Use of money and property	<u>37,787</u>	<u>48,063</u>	<u>10,276</u>
Total Revenues	4,167,237	4,032,327	(134,910)
Expenditures:			
Capital outlay	<u>1,851,003</u>	<u>1,085,267</u>	<u>765,736</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,316,234</u>	<u>2,947,060</u>	<u>630,826</u>
Other Financing Sources (Uses):			
Transfers in		14,578	14,578
Transfers out	<u>(3,858,091)</u>	<u>(3,859,675)</u>	<u>(1,584)</u>
Total Other Financing Sources (Uses)	<u>(3,858,091)</u>	<u>(3,845,097)</u>	<u>12,994</u>
Net Change in Fund Balance	(1,541,857)	(898,037)	643,820
Fund Balances, Beginning of Year	<u>2,091,968</u>	<u>2,091,968</u>	
Fund Balances, End of Year (budgetary basis)	<u>\$ 550,111</u>	1,193,931	<u>\$ 643,820</u>
Encumbrances outstanding at year end		<u>34,197</u>	
Fund Balances, End of Year (GAAP basis)		<u>\$ 1,228,128</u>	

CITY OF CHULA VISTA  
 Parking Meter Special Revenue Fund  
 Budgetary Comparison Schedule  
 For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Licenses and permits	\$ 24,500	\$ 34,083	\$ 9,583
Fines and forfeitures	79,218	59,668	(19,550)
Use of money and property	<u>241,941</u>	<u>264,476</u>	<u>22,535</u>
Total Revenues	345,659	358,227	12,568
Expenditures:			
Current:			
Public safety	<u>326,184</u>	<u>325,452</u>	<u>732</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>19,475</u>	<u>32,775</u>	<u>13,300</u>
Other Financing Sources (Uses):			
Transfers in		1,908	1,908
Transfers out	<u>(2,630)</u>	<u>(2,630)</u>	<u></u>
Total Other Financing Sources (Uses)	<u>(2,630)</u>	<u>(722)</u>	<u>1,908</u>
Net Change in Fund Balance	16,845	32,053	15,208
Fund Balances, Beginning of Year	<u>100,026</u>	<u>100,026</u>	<u></u>
Fund Balances, End of Year	<u><u>\$ 116,871</u></u>	<u><u>\$ 132,079</u></u>	<u><u>\$ 15,208</u></u>

CITY OF CHULA VISTA  
Traffic Safety Special Revenue Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Fines and forfeitures	\$ 517,734	\$ 517,504	\$ (230)
Use of money and property	<u>10,250</u>	<u>1,255</u>	<u>(8,995)</u>
Total Revenues	527,984	518,759	(9,225)
Other Financing Sources (Uses):			
Transfers out	<u>(527,984)</u>	<u>(527,984)</u>	<u>          </u>
Net Change in Fund Balance		(9,225)	(9,225)
Fund Balances, Beginning of Year	<u>1,620</u>	<u>1,620</u>	<u>          </u>
Fund Balances, End of Year	<u><u>\$ 1,620</u></u>	<u><u>\$ (7,605)</u></u>	<u><u>\$ (9,225)</u></u>

CITY OF CHULA VISTA  
Town Centre I Special Revenue Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 806	\$ 733	\$ (73)
Expenditures:			
Capital outlay	10,288		10,288
Net Change in Fund Balance	(9,482)	733	10,215
Fund Balances, Beginning of Year	26,223	26,223	
Fund Balances, End of Year	\$ 16,741	\$ 26,956	\$ 10,215



CITY OF CHULA VISTA  
Open Space Districts Special Revenue Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property	\$	\$ 244,174	\$ 244,174
Other	<u>7,850,079</u>	<u>6,235,841</u>	<u>(1,614,238)</u>
Total Revenues	7,850,079	6,480,015	(1,370,064)
Expenditures:			
Current:			
Public works	<u>9,267,073</u>	<u>5,494,356</u>	<u>3,772,717</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,416,994)</u>	<u>985,659</u>	<u>2,402,653</u>
Other Financing Sources (Uses):			
Transfers out	<u>(74,595)</u>	<u>(74,595)</u>	
Net Change in Fund Balance	(1,491,589)	911,064	2,402,653
Fund Balances, Beginning of Year	<u>8,544,317</u>	<u>8,544,317</u>	
Fund Balances, End of Year (budgetary basis)	<u>\$ 7,052,728</u>	9,455,381	<u>\$ 2,402,653</u>
Encumbrances outstanding at year end		<u>132,484</u>	
Fund Balances, End of Year (GAAP basis)		<u>\$ 9,587,865</u>	

CITY OF CHULA VISTA  
Housing Programs Special Revenue Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 11,000	\$ 1,388	\$ (9,612)
Other		25	25
	11,000	1,413	(9,587)
Other Financing Sources (Uses):			
Transfers out	(10,000)	(999)	9,001
Net Change in Fund Balance	1,000	414	(586)
Fund Balances, Beginning of Year	564,382	564,382	
Fund Balances, End of Year	\$ 565,382	\$ 564,796	\$ (586)

CITY OF CHULA VISTA  
Sundry Grants Special Revenue Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 5,670,277	\$ 8,120,228	\$ 2,449,951
Use of money and property	70,787	40,723	(30,064)
Other	900	682,725	681,825
	<u>5,741,964</u>	<u>8,843,676</u>	<u>3,101,712</u>
Total Revenues			
Expenditures:			
Current:			
General government	5,906,829	3,242,577	2,664,252
Public safety	371,194	591,517	(220,323)
Public works	894,371	275,587	618,784
Library	38,732	41,246	(2,514)
Capital outlay	7,090,346	3,535,474	3,554,872
	<u>14,301,472</u>	<u>7,686,401</u>	<u>6,615,071</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,559,508)</u>	<u>1,157,275</u>	<u>9,716,783</u>
Other Financing Sources (Uses):			
Transfers in	163,260	143,468	(19,792)
Transfers out	(598,354)	(598,354)	
	<u>(435,094)</u>	<u>(454,886)</u>	<u>(19,792)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	(8,994,602)	702,389	9,696,991
Fund Balances, Beginning of Year, as Restated	<u>5,013,266</u>	<u>5,013,266</u>	
Fund Balances, End of Year (budgetary basis)	<u>\$ (3,981,336)</u>	5,715,655	<u>\$ 9,696,991</u>
Encumbrances outstanding at year end		<u>937,481</u>	
Fund Balances, End of Year (GAAP basis)		<u>\$ 6,653,136</u>	

CITY OF CHULA VISTA  
Traffic Signals Special Revenue Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 238,500		\$ (238,500)
Charges for services	766,989	\$ 1,882,521	1,115,532
Use of money and property	<u>72,425</u>	<u>117,308</u>	<u>44,883</u>
Total Revenues	<u>1,077,914</u>	<u>1,999,829</u>	<u>921,915</u>
Expenditures:			
Current:			
Public works	14,146	324,389	(310,243)
Capital outlay	<u>3,072,716</u>	<u>971,494</u>	<u>2,101,222</u>
Total Expenditures	<u>3,086,862</u>	<u>1,295,883</u>	<u>1,790,979</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,008,948)</u>	<u>703,946</u>	<u>2,712,894</u>
Other Financing Sources (Uses):			
Transfers in		7,116	7,116
Transfers out	<u>(10,073)</u>	<u>(10,073)</u>	<u>                    </u>
Total Other Financing Sources (Uses)	<u>(10,073)</u>	<u>(2,957)</u>	<u>7,116</u>
Net Change in Fund Balance	(2,019,021)	700,989	2,720,010
Fund Balances, Beginning of Year	<u>2,993,803</u>	<u>2,993,803</u>	<u>                    </u>
Fund Balances, End of Year (budgetary basis)	<u>\$ 974,782</u>	3,694,792	<u>\$ 2,720,010</u>
Encumbrances outstanding at year end		<u>318,559</u>	
Fund Balances, End of Year (GAAP basis)		<u>\$ 4,013,351</u>	

CITY OF CHULA VISTA  
Redevelopment Agency Special Revenue Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ 1,677,292	\$ 1,968,228	\$ 290,936
Use of money and property	105,523	187,675	82,152
Other	<u>181,442</u>	<u>52,067</u>	<u>(129,375)</u>
Total Revenues	<u>1,964,257</u>	<u>2,207,970</u>	<u>243,713</u>
Expenditures:			
Current:			
General government	2,345,561	985,302	1,360,259
Capital outlay	<u>169,967</u>	<u>104,533</u>	<u>65,434</u>
Total Expenditures	<u>2,515,528</u>	<u>1,089,835</u>	<u>1,425,693</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(551,271)</u>	<u>1,118,135</u>	<u>1,669,406</u>
Other Financing Sources (Uses):			
Transfers in	10,000	4,038	(5,962)
Transfers out	<u>(150,404)</u>	<u>(150,404)</u>	<u></u>
Total Other Financing Sources (Uses)	<u>(140,404)</u>	<u>(146,366)</u>	<u>(5,962)</u>
Net Change in Fund Balance	(691,675)	971,769	1,663,444
Fund Balances, Beginning of Year	<u>19,130,578</u>	<u>19,130,578</u>	<u></u>
Fund Balances, End of Year (budgetary basis)	<u>\$ 18,438,903</u>	20,102,347	<u>\$ 1,663,444</u>
Encumbrances outstanding at year end		<u>13,455</u>	
Fund Balances, End of Year (GAAP basis)		<u>\$ 20,115,802</u>	

CITY OF CHULA VISTA  
Transportation Sales Tax Special Revenue Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ 8,151,006	\$ 4,200,000	\$ (3,951,006)
Use of money and property	<u>291,155</u>	<u>360,636</u>	<u>69,481</u>
Total Revenues	8,442,161	4,560,636	(3,881,525)
Expenditures:			
Capital outlay	<u>13,821,318</u>	<u>4,133,722</u>	<u>9,687,596</u>
Net Change in Fund Balance	(5,379,157)	426,914	5,806,071
Fund Balances, Beginning of Year	<u>12,889,206</u>	<u>12,889,206</u>	<u>                    </u>
Fund Balances, End of Year (budgetary basis)	<u><u>\$ 7,510,049</u></u>	13,316,120	<u><u>\$ 5,806,071</u></u>
Encumbrances outstanding at year end		<u>333,215</u>	
Fund Balances, End of Year (GAAP basis)		<u><u>\$ 13,649,335</u></u>	

CITY OF CHULA VISTA  
Public Financing Authority Debt Service Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property		\$ 479,243	\$ 479,243
Expenditures:			
Current:			
General government	\$ 18,000	3,000	15,000
Public safety	5,300		5,300
Debt service:			
Principal	3,650,000	3,650,000	
Interest	6,284,183	6,284,180	3
Total Expenditures	9,957,483	9,937,180	20,303
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,957,483)	(9,457,937)	499,546
Other Financing Sources (Uses):			
Issuance of debt	20,325,000	20,325,000	
Transfers in	7,857,252	8,180,421	323,169
Transfers out	(17,183,964)	(17,195,138)	(11,174)
Total Other Financing Sources (Uses)	10,998,288	11,310,283	311,995
Net Change in Fund Balance	1,040,805	1,852,346	811,541
Fund Balances, Beginning of Year	11,784,222	11,784,222	
Fund Balances, End of Year	\$ 12,825,027	\$ 13,636,568	\$ 811,541

CITY OF CHULA VISTA  
1994 POB Debt Service Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property		\$ 52	\$ 52
Expenditures:			
Current:			
General government	\$ 2,500		2,500
Debt service:			
Principal	1,205,000	1,205,000	
Interest	943,434	943,435	(1)
Total Expenditures	2,150,934	2,148,435	2,499
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,150,934)	(2,148,383)	2,551
Other Financing Sources (Uses):			
Transfers in	2,150,935	2,150,935	
Net Change in Fund Balance	1	2,552	2,551
Fund Balances, Beginning of Year	466	466	
Fund Balances, End of Year	\$ 467	\$ 3,018	\$ 2,551



CITY OF CHULA VISTA  
Notes Payable Debt Service Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Debt service:			
Principal	\$ 19,285	\$ 19,285	
Interest	<u>23,463</u>	<u>23,462</u>	<u>\$ 1</u>
Total Expenditures	42,748	42,747	1
Other Financing Sources (Uses):			
Transfers in	<u>42,748</u>	<u>42,748</u>	
Net Change in Fund Balance		1	1
Fund Balances, Beginning of Year	<u>1</u>	<u>1</u>	
Fund Balances, End of Year	<u><u>\$ 1</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ 1</u></u>

CITY OF CHULA VISTA  
SD County Regional Comm System Debt Service Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property		\$       5	\$       5
Expenditures:			
Debt service:			
Principal	\$ 170,690	180,333	(9,643)
Interest	125,044	115,401	9,643
Total Expenditures	295,734	295,734	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(295,734)	(295,729)	5
Other Financing Sources (Uses):			
Transfers in	376,869	295,734	(81,135)
Net Change in Fund Balance	81,135	5	(81,130)
Fund Balances, Beginning of Year	156	156	
Fund Balances, End of Year	\$ 81,291	\$ 161	\$ (81,130)

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## **INTERNAL SERVICE FUNDS**

Internal Service Funds are used to finance and account for special activities and services performed by a designated City department for other departments on a cost reimbursement basis.

Fleet Management – This fund was established to account for vehicle and equipment services provided to City departments. Revenue accruing to this fund comes from charges to City departments benefiting from services provided.

Technology Replacement – This fund was established to account for computer and other technology services provided to City departments. Revenue accruing to this fund comes from charges to city departments benefiting from services provided.

Stores Inventory – This fund accounts for the City's Warehouse and Central Stores operation. The source of revenue is a reimbursement for items purchased for other departments.

CITY OF CHULA VISTA  
Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2006

	<u>Fleet Management</u>	<u>Technology Replacement</u>	<u>Stores Inventory</u>	<u>Total</u>
<u>Assets</u>				
Cash and investments	\$ 2,604,531	\$ 716,310	\$ 52,654	\$ 3,373,495
Interest receivable	31,167	9,774	259	41,200
Other receivable	10,069			10,069
Due from other governments	17,182			17,182
Inventories			29,626	29,626
Capital Assets:				
Property, plant and equipment	12,600,143			12,600,143
Accumulated depreciation	(9,711,732)			(9,711,732)
 Total Assets	 <u>5,551,360</u>	 <u>726,084</u>	 <u>82,539</u>	 <u>6,359,983</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	430,719	83,144	10,260	524,123
Compensated absences	70,118			70,118
 Total Liabilities	 <u>500,837</u>	 <u>83,144</u>	 <u>10,260</u>	 <u>594,241</u>
<u>Net Assets</u>				
Invested in capital assets	2,888,411			2,888,411
Unrestricted	2,162,112	642,940	72,279	2,877,331
 Total Net Assets	 <u>\$ 5,050,523</u>	 <u>\$ 642,940</u>	 <u>\$ 72,279</u>	 <u>\$ 5,765,742</u>

CITY OF CHULA VISTA  
Combining Statement of Activities and Changes in Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2006

	Fleet Management	Technology Replacement	Stores Inventory	Total
Operating Revenues:				
Charges for services	\$ 4,500,531	\$ 539,700	\$ 159,984	\$ 5,200,215
Other	48,805			48,805
Total Operating Revenues	<u>4,549,336</u>	<u>539,700</u>	<u>159,984</u>	<u>5,249,020</u>
Operating Expenses:				
Operations and administration	4,876,714	556,418	153,147	5,586,279
Depreciation	1,435,436			1,435,436
Total Operating Expenses	<u>6,312,150</u>	<u>556,418</u>	<u>153,147</u>	<u>7,021,715</u>
Operating Income (Loss)	<u>(1,762,814)</u>	<u>(16,718)</u>	<u>6,837</u>	<u>(1,772,695)</u>
Nonoperating Revenues:				
Interest income	157,631	46,550	1,277	205,458
Gain on sale of capital assets	68,532			68,532
Total Nonoperating revenues	<u>226,163</u>	<u>46,550</u>	<u>1,277</u>	<u>273,990</u>
Income (Loss) Before Transfers	<u>(1,536,651)</u>	<u>29,832</u>	<u>8,114</u>	<u>(1,498,705)</u>
Transfer out	<u>(2,443,278)</u>	<u>(1,000,000)</u>		<u>(3,443,278)</u>
Total Transfers	<u>(2,443,278)</u>	<u>(1,000,000)</u>		<u>(3,443,278)</u>
Change in Net Assets	(3,979,929)	(970,168)	8,114	(4,941,983)
Net assets, Beginning of Year	<u>9,030,452</u>	<u>1,613,108</u>	<u>64,165</u>	<u>10,707,725</u>
Net assets, End of Year	<u>\$ 5,050,523</u>	<u>\$ 642,940</u>	<u>\$ 72,279</u>	<u>\$ 5,765,742</u>

CITY OF CHULA VISTA  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2006

	<u>Fleet Management</u>	<u>Technology Replacement</u>
Cash Flows from Operating Activities:		
Cash received from other funds	\$ 4,500,087	\$ 539,700
Cash payments to suppliers for goods and services	(3,613,911)	(660,556)
Cash payments to employee for services	(1,190,296)	
Other	48,805	
Net Cash Provided (Used) by Operating Activities	<u>(255,315)</u>	<u>(120,856)</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(226,935)	
Proceeds from sale of capital assets	92,740	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(134,195)</u>	
Cash Flows from Noncapital Financing Activities:		
Intergovernmental	(6,343)	
Interfund transfers	(2,443,278)	(1,000,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,449,621)</u>	<u>(1,000,000)</u>
Cash Flows from Investing Activities:		
Interest revenue	163,015	51,150
Net Cash Provided (Used) by Investing Activities	<u>163,015</u>	<u>51,150</u>
Net Increase (decrease) in Cash and Cash Equivalents	(2,676,116)	(1,069,706)
Cash and Cash Equivalents, Beginning of Year	<u>5,280,647</u>	<u>1,786,016</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,604,531</u>	<u>\$ 716,310</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (1,762,814)	\$ (16,718)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:		
Depreciation	1,435,436	
(Increase) decrease in other receivables	(444)	
(Increase) decrease in inventories		
Increase (decrease) in accounts payable	59,689	(104,138)
Increase (decrease) in accrued liabilities	4,020	
Increase (decrease) in compensated absences	8,798	
Total Adjustments	<u>1,507,499</u>	<u>(104,138)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (255,315)</u>	<u>\$ (120,856)</u>

Stores Inventory	Total
\$ 159,984	\$ 5,199,771
(144,121)	(4,418,588)
	(1,190,296)
	48,805
<u>15,863</u>	<u>(360,308)</u>
	(226,935)
	92,740
	<u>(134,195)</u>
	(6,343)
	<u>(3,443,278)</u>
	<u>(3,449,621)</u>
<u>1,381</u>	<u>215,546</u>
<u>1,381</u>	<u>215,546</u>
17,244	(3,728,578)
<u>35,410</u>	<u>7,102,073</u>
<u>\$ 52,654</u>	<u>\$ 3,373,495</u>
\$ 6,837	\$ (1,772,695)
	1,435,436
	(444)
8,398	8,398
628	(43,821)
	4,020
	8,798
<u>9,026</u>	<u>1,412,387</u>
<u>\$ 15,863</u>	<u>\$ (360,308)</u>



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## **AGENCY FUNDS**

Agency Funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

CITY OF CHULA VISTA  
Statement of Changes in Fiduciary Net Assets  
Agency Funds  
For the Year Ended June 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>Special Assessment District</u>				
Assets:				
Cash and investments	\$ 9,387,742	\$ 24,364,043	\$ (27,795,561)	\$ 5,956,224
Restricted cash and investments held by fiscal agents	<u>84,028,381</u>	<u>211,574,910</u>	<u>(101,819,040)</u>	<u>193,784,251</u>
Total Assets	<u>\$ 93,416,123</u>	<u>\$ 235,938,953</u>	<u>\$ (129,614,601)</u>	<u>\$ 199,740,475</u>
Liabilities:				
Due to bondholders	<u>\$ 93,416,123</u>	<u>\$ 155,448,618</u>	<u>\$ (49,124,266)</u>	<u>\$ 199,740,475</u>
Total Liabilities	<u>\$ 93,416,123</u>	<u>\$ 155,448,618</u>	<u>\$ (49,124,266)</u>	<u>\$ 199,740,475</u>

STATISTICAL SECTION

**CITY OF CHULA VISTA**  
**Net Assets by Component**  
**Last Five Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities:					
Invested in capital assets, net of related debt	\$382,552,076	\$456,096,957	\$537,716,998	\$600,317,974	\$662,230,041
Restricted	27,640,955	55,203,919	55,283,141	72,468,247	75,916,972
Unrestricted	77,110,077	103,843,928	110,825,189	111,448,751	95,782,921
Total governmental activities net assets	<u>\$487,303,108</u>	<u>\$615,144,804</u>	<u>\$703,825,328</u>	<u>\$784,234,972</u>	<u>\$833,929,934</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 7,951,380	\$ 7,156,534	\$ 6,217,348	\$ 7,423,479	\$ 6,540,514
Restricted					
Unrestricted	1,424,557	362,007	381,697	580,735	500,299
Total business-type activities net assets	<u>\$ 9,375,937</u>	<u>\$ 7,518,541</u>	<u>\$ 6,599,045</u>	<u>\$ 8,004,214</u>	<u>\$ 7,040,813</u>
Primary government:					
Invested in capital assets, net of related debt	\$390,503,456	\$463,253,491	\$543,934,346	\$607,741,453	\$668,770,555
Restricted	27,640,955	55,203,919	55,283,141	72,468,247	75,916,972
Unrestricted	78,534,634	104,205,935	111,206,886	112,029,486	96,283,220
Total primary government net assets	<u>\$496,679,045</u>	<u>\$622,663,345</u>	<u>\$710,424,373</u>	<u>\$792,239,186</u>	<u>\$840,970,747</u>
Bayfront Conservancy Trust:					
Invested in capital assets, net of related debt	\$ 260,509				
Restricted					
Unrestricted	(8,320,170)				
Total Bayfront Conservancy Trust net assets	<u>\$ (8,059,661)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*The City of Chula Vista implemented GASB 34 for the fiscal year ended June 30, 2002.  
Information prior to the implementation of GASB 34 is not available.*

**CITY OF CHULA VISTA**  
**Changes in Net Assets**  
**Last Five Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses:					
Governmental activities:					
General government	\$ 34,131,760	\$ 36,112,144	\$ 37,542,162	\$ 42,591,851	\$ 53,566,425
Public safety	43,242,726	46,795,935	54,974,182	63,368,815	71,746,385
Public works	51,083,048	60,981,126	71,482,668	79,723,824	84,301,091
Parks and recreation	7,439,500	7,213,329	5,854,495	7,757,251	25,941,695
Library	6,790,194	8,110,316	8,845,277	8,890,126	11,518,746
Depreciation expense	12,310,118	-	-	-	-
Interest on long-term debt	10,438,706	9,322,463	12,827,332	12,656,986	12,263,808
Total governmental activities expenses	<u>165,436,052</u>	<u>168,535,313</u>	<u>191,526,116</u>	<u>214,988,853</u>	<u>259,338,150</u>
Business-type activities:					
Transit	7,073,358	7,797,769	7,257,722	7,475,184	7,447,393
Bayfront Trolley Station	102,583	79,593	85,567	98,900	86,595
Total business-type activities expenses	<u>7,175,941</u>	<u>7,877,362</u>	<u>7,343,289</u>	<u>7,574,084</u>	<u>7,533,988</u>
Total primary government expenses	<u>172,611,993</u>	<u>176,412,675</u>	<u>198,869,405</u>	<u>222,562,937</u>	<u>266,872,138</u>
Component unit:					
Bayfront Conservancy Trust	1,340,661	-	-	-	-
Total component unit expenses	<u>1,340,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	13,698,650	18,522,715	25,937,307	23,523,277	33,955,790
Public safety	4,465,958	5,003,310	9,991,565	9,555,756	11,598,587
Public works	31,651,057	34,193,401	46,862,521	40,020,387	52,749,415
Parks and recreation	1,559,120	1,534,116	25,000,748	15,702,515	26,935,981
Library	290,393	603,136	2,751,059	2,220,368	2,693,087
Operating grants and contributions	24,516,560	23,272,659	17,426,744	22,226,690	19,464,389
Capital grants and contributions	1,627,819	2,190,909	1,783,068	79,419,189	57,074,381
Total governmental activities program revenues	<u>77,809,557</u>	<u>85,320,246</u>	<u>129,753,012</u>	<u>192,668,182</u>	<u>204,471,630</u>
Business-type activities:					
Charges for services:					
Transit	2,289,591	2,319,322	2,525,349	2,425,531	2,526,487
Bayfront Trolley Station	-	-	-	-	-
Operating grants and contributions	2,621,995	3,610,307	3,805,056	4,231,445	-
Capital grants and contributions	3,248,226	-	-	1,971,311	-
Total business-type activities program revenues	<u>8,159,812</u>	<u>5,929,629</u>	<u>6,330,405</u>	<u>8,628,287</u>	<u>2,526,487</u>
Total primary government program revenues	<u>85,969,369</u>	<u>91,249,875</u>	<u>136,083,417</u>	<u>201,296,469</u>	<u>206,998,117</u>

(Continued)

**CITY OF CHULA VISTA**  
**Changes in Net Assets**  
**Last Five Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2002	2003	2004	2005	2006
Component unit:					
Charges for services:					
Bayfront Conservancy Trust	38,917	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total component unit program revenues	<u>38,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenues (expenses):					
Governmental activities	(87,626,495)	(83,215,067)	(61,773,104)	(22,320,671)	(54,866,520)
Business-type activities	983,871	(1,947,733)	(1,012,884)	1,054,203	(5,007,501)
Total net revenues (expenses)	<u>(86,642,624)</u>	<u>(85,162,800)</u>	<u>(62,785,988)</u>	<u>(21,266,468)</u>	<u>(59,874,021)</u>
Net revenues (expenses):					
Component unit	<u>(1,301,744)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net revenues (expenses)	<u>(1,301,744)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	20,101,086	22,472,649	26,674,527	27,074,211	32,597,672
Sales tax	18,812,328	19,612,779	21,421,090	23,600,000	30,915,515
Other taxes	24,770,904	14,844,449	25,826,828	23,373,749	22,218,942
Investment income	18,205,856	14,372,650	5,651,048	11,678,930	10,195,710
Other general revenues	28,226,679	166,691,601	68,050,147	18,828,693	23,616,267
Transfers	45,179	45,626	42,876	34,900	122,588
Total governmental activities	<u>110,162,032</u>	<u>238,039,754</u>	<u>147,666,516</u>	<u>104,590,483</u>	<u>119,666,694</u>
Business-type activities:					
Investment income	316,569	118,056	20,715	56,485	78,605
Miscellaneous	(6,423)	17,907	115,549	329,381	4,088,083
Transfers	(45,626)	(45,626)	(42,876)	(34,900)	(122,588)
Total business-type activities	<u>264,520</u>	<u>90,337</u>	<u>93,388</u>	<u>350,966</u>	<u>4,044,100</u>
Total primary government	<u>110,426,552</u>	<u>238,130,091</u>	<u>147,759,904</u>	<u>104,941,449</u>	<u>123,710,794</u>
Component unit:					
Taxes:					
Other taxes	71,713	-	-	-	-
Investment income	9,564	-	-	-	-
Other general revenues	214,774	-	-	-	-
Transfers	447	-	-	-	-
Total component unit	<u>296,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets					
Governmental activities	22,535,537	154,824,687	85,893,412	82,269,812	64,800,174
Business-type activities	1,248,391	(1,857,396)	(919,496)	1,405,169	(963,401)
Total primary government	<u>\$ 23,783,928</u>	<u>\$ 152,967,291</u>	<u>\$ 84,973,916</u>	<u>\$ 83,674,981</u>	<u>\$ 63,836,773</u>
Component unit	<u>(1,005,246)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component unit	<u>\$ (1,005,246)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*The City of Chula Vista implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.*



**CITY OF CHULA VISTA**  
**Fund Balances of Governmental Funds**  
**Last Five Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2002	2003	2004	2005	2006
General fund:					
Reserved	\$ 21,978,726	\$ 21,358,332	\$ 20,096,238	\$ 22,214,965	\$ 21,771,010
Unreserved	34,340,826	28,694,894	25,191,333	19,287,213	18,114,943
Total general fund	<u>\$ 56,319,552</u>	<u>\$ 50,053,226</u>	<u>\$ 45,287,571</u>	<u>\$ 41,502,178</u>	<u>\$ 39,885,953</u>
All other governmental funds:					
Reserved	\$ 73,298,604	\$106,439,367	\$ 98,145,262	\$ 98,226,224	\$ 64,859,111
Unreserved, reported in:					
Special revenue funds	27,364,468	19,088,283	20,891,554	21,047,883	20,933,627
Capital projects funds	118,668,530	44,727,454	35,865,612	50,248,991	51,720,389
Debt service funds	-	-	(39,678,141)	(40,817,038)	(42,861,708)
Other funds	(11,225,432)	20,266,578	66,399,147	72,163,286	98,899,242
Total all other governmental funds	<u>\$208,106,170</u>	<u>\$190,521,682</u>	<u>\$181,623,434</u>	<u>\$200,869,346</u>	<u>\$193,550,661</u>

*The City of Chula Vista has elected to show only five years of data for this schedule.*

**CITY OF CHULA VISTA**  
**Changes in Fund Balances of Governmental Funds**  
**Last Five Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Revenues:</b>					
Taxes	\$64,314,781	58,729,882	72,842,579	81,190,971	86,509,678
Licenses and permits	3,484,799	4,596,975	5,533,743	3,946,733	3,441,613
Fines and forfeitures	1,452,879	1,507,652	1,568,585	1,398,146	1,724,862
Investment income	20,519,517	13,874,221	5,113,371	10,199,902	7,946,861
Developer fees	10,639,125	25,613,027	44,032,302	22,625,331	50,551,528
Intergovernmental	31,307,984	31,868,289	24,600,541	43,647,460	41,834,842
Charges for services	35,194,542	38,994,778	44,940,117	41,850,292	43,836,999
Other	22,812,525	21,862,659	25,318,879	28,232,712	30,012,125
Total revenues	<u>189,726,152</u>	<u>197,047,483</u>	<u>223,950,117</u>	<u>233,091,547</u>	<u>265,858,508</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	34,016,579	35,884,084	38,239,086	46,054,981	49,628,483
Public safety	40,871,945	45,781,808	52,491,410	61,673,449	67,913,584
Public works	39,375,210	49,118,238	54,430,850	56,220,867	72,296,203
Parks and recreation	7,978,726	4,820,255	4,824,714	5,369,192	6,210,040
Library	6,932,684	7,803,208	7,583,333	8,957,574	9,734,444
Capital outlay	54,614,051	66,522,243	56,039,237	61,134,157	72,988,853
<b>Debt service:</b>					
Principal retirement	4,516,442	7,046,207	13,362,073	4,936,247	6,054,618
Interest and fiscal charges	10,217,834	9,817,072	10,910,758	12,059,211	12,260,244
Total expenditures	<u>198,523,471</u>	<u>226,793,115</u>	<u>237,881,461</u>	<u>256,405,678</u>	<u>297,086,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,797,319)</u>	<u>(29,745,632)</u>	<u>(13,931,344)</u>	<u>(23,314,131)</u>	<u>(31,227,961)</u>
<b>Other financing sources (uses):</b>					
Transfers in	44,485,931	43,317,265	26,894,272	84,773,947	55,698,112
Transfers out	(44,357,179)	(43,178,867)	(26,789,382)	(84,678,601)	(52,132,246)
Issuance of debt	60,145,000	11,320,000	-	38,005,000	21,255,000
Bond premium	-	-	-	35,254	-
Proceeds from sale of capital assets	-	-	162,551	639,050	-
Total other financing sources (uses)	<u>60,273,752</u>	<u>11,458,398</u>	<u>267,441</u>	<u>38,774,650</u>	<u>24,820,866</u>
<b>Extraordinary item:</b>					
Forgiveness of debt	-	(5,635,850)	-	-	-
Total extraordinary item	<u>-</u>	<u>(5,635,850)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u><u>\$ 51,476,433</u></u>	<u><u>\$(23,923,084)</u></u>	<u><u>\$(13,663,903)</u></u>	<u><u>\$ 15,460,519</u></u>	<u><u>\$( 6,407,095)</u></u>
<b>Debt service as a percentage of noncapital expenditures</b>	9.3%	10.3%	12.9%	8.4%	7.7%

*The City of Chula Vista has elected to show only five years of data for this schedule.*

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**CITY OF CHULA VISTA**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	City			Taxable Assessed Value <sup>1</sup>
	Secured	Unsecured	Less: Exemptions	
1997	\$ 6,447,133,021	\$ 236,496,503	\$(210,840,056)	\$ 6,472,789,468
1998	6,449,700,069	413,899,982	(251,866,676)	6,611,733,375
1999	7,101,554,450	245,602,993	(234,813,113)	7,112,344,330
2000	7,854,468,090	502,416,173	(268,612,195)	8,088,272,068
2001	8,812,650,702	326,184,542	(296,831,109)	8,842,004,135
2002	9,948,410,787	442,676,336	(262,190,235)	10,128,896,888
2003	11,489,756,820	359,527,956	(303,902,966)	11,545,381,810
2004	13,186,377,450	387,657,132	(349,913,333)	13,224,121,249
2005	15,390,029,359	402,366,184	(426,140,493)	15,366,255,050
2006	18,481,902,606	442,863,514	(452,332,435)	18,472,433,685

<sup>1</sup> Includes redevelopment incremental valuation

<sup>2</sup> Redevelopment Agency exemptions are included in City exemption data as they are not reported separately

**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 re-assessed 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.

Source: County of San Diego Property Tax Services

Redevelopment Agency

Secured	Unsecured	Less: Exemptions <sup>2</sup>	Taxable Assessed Value	Total Direct Tax Rate
\$ 311,421,040	\$ 46,939,827		\$ 358,360,867	0.145%
186,753,485	180,598,526		367,352,011	0.144%
390,015,547	62,024,435		452,039,982	0.144%
443,796,518	62,434,166		506,230,684	0.144%
486,277,371	72,978,911		559,256,282	0.144%
420,217,884	165,288,557		585,506,441	0.144%
578,332,766	92,744,520		671,077,286	0.144%
548,945,714	84,234,008		633,179,722	0.144%
617,179,700	82,759,507		699,939,207	0.144%
735,529,147	82,456,175		817,985,322	0.144%

**CITY OF CHULA VISTA**  
**Direct and Overlapping Property Tax Rates**  
**(Rate per \$100 of assessed value)**  
**Last Ten Fiscal Years**

	Fiscal Year						
	1997	1998	1999	2000	2001	2002	2003
<b>City Direct Rates:</b>							
City basic rate	\$0.145	\$0.144	\$0.144	\$0.144	\$0.144	\$0.144	\$0.144
<b>Overlapping Rates:</b>							
Chula Vista Elementary School District Bonds	-	-	-	0.025	0.025	0.024	0.026
Sweetwater Union High School District Bonds	-	-	-	-	-	0.025	0.022
Southwestern Community College Bonds	-	-	-	-	-	0.015	0.013
MWD D/S Remainder of SDCWA 15019999	0.009	0.009	0.009	0.009	0.009	0.008	0.007
CWA South Bay Irrigation Debt Service	0.001	0.001	0.001	0.001	0.001	0.001	0.001
County of San Diego	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>
<b>Total Direct Rate</b>	<b><u>\$1.010</u></b>	<b><u>\$1.010</u></b>	<b><u>\$1.010</u></b>	<b><u>\$1.035</u></b>	<b><u>\$1.035</u></b>	<b><u>\$1.073</u></b>	<b><u>\$1.069</u></b>

**NOTE:**

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of school bonds and other debt service. Overlapping rates may vary by tax rate area.

Source: County of San Diego Property Tax Services

<u>Fiscal Year</u>		
<u>2004</u>	<u>2005</u>	<u>2006</u>
\$0.144	\$0.144	\$0.144
0.027	0.028	0.027
0.020	0.018	0.023
0.007	0.013	0.015
0.006	0.006	0.005
0.001	-	-
<u>1.000</u>	<u>1.000</u>	<u>1.000</u>
<u>\$1.061</u>	<u>\$1.065</u>	<u>\$1.070</u>

**CITY OF CHULA VISTA**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

Taxpayer	2006		1997	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Rohr Inc	\$ 165,639,589	0.90%	\$188,554,166	2.91%
Proctor Valley West Partners L L	139,836,288	0.76%	-	-
Bre Properties Inc	77,301,312	0.42%	-	-
SSR Realty Advisors/Calstrs	70,420,020	0.38%	-	-
C V Centre Inc	65,692,663	0.36%	-	-
Duke Energy South Bay LLP	63,534,269	0.34%	-	-
Camden USA Inc	57,625,346	0.31%	-	-
McMillin Quintessa LLC	55,939,355	0.30%	-	-
Eastlake Vistas-Chula Vista L P	54,594,632	0.30%	-	-
Standard Pacific Corp	52,140,915	0.28%	-	-
Ho Retail Properties I Ltd Partn	-	-	58,842,979	0.91%
Price Co The	-	-	39,153,526	0.60%
Eastlake Development Co	-	-	31,857,603	0.49%
FN Development Co Alpha	-	-	27,615,977	0.43%
R & B Executive Investments-Marbri	-	-	26,262,769	0.41%
Scripps Memorial Hospitals	-	-	25,388,042	0.39%
Wal-Mart Stores Inc	-	-	21,430,000	0.33%
Rancho Del Sur	-	-	20,257,639	0.31%
Eucalyptus Grove Holdings L L C	-	-	18,689,143	0.29%
	<u>\$ 802,724,389</u>	<u>4.35%</u>	<u>\$458,051,844</u>	<u>7.08%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: County of San Diego Property Tax Services



**CITY OF CHULA VISTA**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years <sup>1</sup>	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1997	\$ 8,632,793	\$ 8,262,413	95.71%	\$ 72,092	\$ 8,334,506	96.54%
1998	8,675,402	8,408,163	96.92%	161,558	8,569,721	98.78%
1999	9,257,814	8,981,629	97.02%	129,600	9,111,229	98.42%
2000	10,133,358	9,815,735	96.87%	106,647	9,922,381	97.92%
2001	11,254,079	10,944,637	97.25%	125,706	11,070,342	98.37%
2002	12,806,109	12,472,311	97.39%	96,550	12,568,861	98.15%
2003	14,293,880	13,913,934	97.34%	112,257	14,026,191	98.13%
2004	16,200,005	15,453,578	95.39%	116,784	15,570,362	96.11%
2005	18,652,193	16,302,072	87.40%	106,497	16,408,569	87.97%
2006	22,096,604	19,585,661	88.64%	162,806	19,748,467	89.37%

<sup>1</sup> The amounts presented represent delinquencies collected for prior years during the current tax year.

Source: County of San Diego Property Tax Services

**CITY OF CHULA VISTA**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Governmental Activities			
	General Obligation Bonds	Tax Allocation Bonds	Loans	Certificates of Participation
1997	\$ 17,152,210	\$ 28,305,000	\$ 35,119,621	\$ 16,595,000
1998	16,997,031	27,975,000	40,354,134	15,510,000
1999	16,757,351	27,625,000	41,742,571	14,390,000
2000	16,419,851	27,255,000	46,726,701	13,215,000
2001	15,971,354	43,855,000	55,689,108	37,240,000
2002	15,456,449	43,330,000	10,397,443	95,245,000
2003	14,799,025	42,750,000	7,462,505	104,225,000
2004	13,985,870	42,125,000	7,315,971	92,920,000
2005	12,991,962	41,240,000	8,193,481	127,599,255
2006	11,795,000	40,295,000	9,741,668	144,240,000

<sup>1</sup> These ratios are calculated using personal income and population for the prior calendar year.

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

Total Governmental Activities	Percentage of Personal Income <sup>1</sup>	Debt Per Capita <sup>1</sup>
\$ 97,171,831	n/a	642
100,836,165	n/a	653
100,514,922	n/a	630
103,616,552	n/a	631
152,755,462	2.52%	880
164,428,892	2.64%	906
169,236,530	2.62%	886
156,346,841	2.36%	780
190,024,698	2.70%	911
206,071,668	2.81%	951

**CITY OF CHULA VISTA**  
**Ratio of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(In Thousands, except Per Capita)**

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value <sup>1</sup>	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
1997	\$ 17,152	\$ 28,305	\$ 45,457	0.70%	113
1998	16,997	27,975	44,972	0.68%	110
1999	16,757	27,625	44,382	0.62%	105
2000	16,420	27,255	43,675	0.54%	100
2001	15,971	43,855	59,826	0.68%	92
2002	15,456	43,330	58,786	0.58%	85
2003	14,799	42,750	57,549	0.50%	77
2004	13,986	42,125	56,111	0.42%	70
2005	12,992	41,240	54,232	0.35%	62
2006	11,795	40,295	52,090	0.28%	54

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

<sup>1</sup> Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

**CITY OF CHULA VISTA**  
**Direct and Overlapping Debt**  
**June 30, 2006**

2005-06 Assessed Valuation:	\$18,472,433,685
Redevelopment Incremental Valuation:	817,985,322
Adjusted Assessed Valuation:	\$17,654,448,363

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/06	% Applicable (1)	City's Share of Debt 6/30/06
Metropolitan Water District	\$ 389,565,000	1.207%	\$ 4,702,050
Otay Municipal Water District, I.D. No. 27	9,590,000	99.998	9,589,808
Southwestern Community College District	90,570,090	55.756	50,498,259
Sweetwater Union High School District	82,615,000	65.412	54,040,124
Chula Vista City School District	88,410,000	86.138	76,154,606
City of Chula Vista Community Facilities Districts	274,590,000	100.	274,590,000
Sweetwater Union High School District Community Facilities District	198,398,838	3.978-100.	185,708,732
Chula Vista City School District Community Facilities Districts	7,700,000	100.	7,700,000
City of Chula Vista 1915 Act Bonds	41,549,848	100.	41,549,848
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ 704,533,427</b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 387,535,000	6.218%	\$ 24,096,926
San Diego County Pension Obligations	1,231,282,916	6.218	76,561,172
San Diego County Superintendent of Schools Obligations	12,495,000	6.218	776,939
Southwestern Community College District Certificates of Participation	2,265,000	55.756	1,262,873
Sweetwater Union High School District Certificates of Participation	16,040,000	65.412	10,492,085
Chula Vista City School District Certificates of Participation	135,985,000	86.138	117,134,759
<b>City of Chula Vista Certificates of Participation</b>	<b>123,915,000</b>	<b>100.</b>	<b>123,915,000</b>
<b>City of Chula Vista Pension Obligations</b>	<b>11,795,000</b>	<b>100.</b>	<b>11,795,000</b>
Otay Municipal Water District Certificates of Participation	24,925,000	64.545	16,087,841
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 382,122,595</b>
Less: Otay Municipal Water District Certificates of Participation			16,087,841
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 366,034,754</b>
 <b>GROSS COMBINED TOTAL DEBT</b>			 <b>\$1,086,656,022 (2)</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$1,070,568,181</b>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital

Ratios to 2005-06 Assessed Valuation:

Total Overlapping Tax and Assessment Debt..... 3.81%

Ratios to Adjusted Assessed Valuation:

**Combined Direct Debt (\$135,710,000)..... 0.77%**

Gross Combined Total Debt..... 6.16%

Net Combined Total Debt..... 6.06%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 06/30/06: \$0

Source: California Municipal Statistics, Inc.

**CITY OF CHULA VISTA**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	Fiscal Year			
	1997	1998	1999	2000
Assessed valuation	\$ 6,472,789,468	\$ 6,611,733,375	\$ 7,112,344,330	\$ 8,088,272,068
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	\$ 1,618,197,367	\$ 1,652,933,344	\$ 1,778,086,083	\$ 2,022,068,017
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	242,729,605	247,940,002	266,712,912	303,310,203
Total net debt applicable to limit: General obligation bonds	<u>17,152,210</u>	<u>16,997,031</u>	<u>16,757,351</u>	<u>16,419,851</u>
Legal debt margin	<u>\$ 225,577,395</u>	<u>\$ 230,942,971</u>	<u>\$ 249,955,561</u>	<u>\$ 286,890,352</u>
Total debt applicable to the limit as a percentage of debt limit	7.1%	6.9%	6.3%	5.4%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State.

Source: City Finance Department  
County of San Diego Property Tax Services

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 8,842,004,135	\$ 10,128,896,888	\$ 11,545,381,810	\$ 13,224,121,249	\$ 15,366,255,050	\$ 18,472,433,685
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
\$ 2,210,501,034	\$ 2,532,224,222	\$ 2,886,345,453	\$ 3,306,030,312	\$ 3,841,563,763	\$ 4,618,108,421
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
331,575,155	379,833,633	432,951,818	495,904,547	576,234,564	692,716,263
15,971,354	15,456,449	14,799,025	13,985,870	12,991,962	11,795,000
<u>\$ 315,603,801</u>	<u>\$ 364,377,184</u>	<u>\$ 418,152,793</u>	<u>\$ 481,918,677</u>	<u>\$ 563,242,602</u>	<u>\$ 680,921,263</u>
4.8%	4.1%	3.4%	2.8%	2.3%	1.7%

**CITY OF CHULA VISTA**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**  
**(In Thousands)**

Fiscal Year Ended June 30	Tax Allocation Bonds			
	Tax Increment	Debt Service		Coverage
		Principal	Interest	
1997	\$ 5,353,698	\$ 295,000	\$ 2,267,292	2.09
1998	5,422,421	330,000	2,226,058	2.12
1999	6,045,332	350,000	2,203,904	2.37
2000	6,388,669	370,000	2,179,841	2.51
2001	7,590,243	400,000	2,477,730	2.64
2002	7,032,187	525,000	2,980,373	2.01
2003	7,822,428	580,000	2,943,058	2.22
2004	10,317,573	625,000	2,902,851	2.92
2005	8,939,444	885,000	2,855,288	2.39
2006	10,161,319	945,000	2,797,726	2.71

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.



**CITY OF CHULA VISTA**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

Calendar Year	Population (1)	Personal Income (in millions)* (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
1996	151,300	n/a	n/a	n/a
1997	154,500	n/a	n/a	n/a
1998	159,500	n/a	n/a	n/a
1999	164,200	n/a	n/a	n/a
2000	173,556	6,063	34,900	4.2%
2001	181,453	6,233	34,400	4.5%
2002	191,033	6,449	33,800	5.6%
2003	200,378	6,625	33,100	5.6%
2004	208,675	7,026	33,700	5.1%
2005	216,694	7,336	33,900	4.6%

\* Values in inflation-adjusted 2005 dollars

Note:

Personal Income, Per Capita Personal Income, and Unemployment Rate data for 1996-1999 not available.

Sources:

(1) California Department of Finance and SANDAG

(2) Bureau of Economic Analysis, U.S. Census Bureau Census 2000, and current population estimate from SANDAG

(3) California Employment Development Department

**CITY OF CHULA VISTA**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	2006		1997 <sup>1</sup>	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Sweetwater Union High School District	4,446	9.69%	n/a	n/a
Chula Vista Elementary School District	2,700	5.88%	n/a	n/a
Southwestern Community College	2,500	5.45%	n/a	n/a
Rohr Inc/Goodrich Aerospace	1,903	4.15%	n/a	n/a
City of Chula Vista	1,675	3.65%	n/a	n/a
Sharp Chula Vista Medical Center	1,410	3.07%	n/a	n/a
Wal-Mart	950	2.07%	n/a	n/a
Scripps Mercy Hospital Chula Vista	897	1.96%	n/a	n/a
United Parcel Service	637	1.39%	n/a	n/a
Target	604	1.32%	n/a	n/a

<sup>1</sup> 1997 data is not available

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: State Employment Development Department  
City Planning and Building Department  
Sweetwater Union High School District Human Resources Department  
Chula Vista Elementary School District Informational Services Department  
Southwestern Community College Human Resources Department

**CITY OF CHULA VISTA**  
**Full-time and Part-time City Employees**  
**by Function**  
**Last Ten Fiscal Years**

<u>Function</u>	Full-Time and Part-time Employees as of June 30									
	<u>1997<sup>1</sup></u>	<u>1998<sup>1</sup></u>	<u>1999<sup>2</sup></u>	<u>2000<sup>2</sup></u>	<u>2001<sup>2</sup></u>	<u>2002<sup>2</sup></u>	<u>2003</u>	<u>2004<sup>3</sup></u>	<u>2005</u>	<u>2006</u>
General government	163	193	216	103	105	98	225	465	193	380
Public safety	370	360	353	309	327	362	413	480	528	518
Public works/engr	160	134	217	230	249	269	295	249	335	198
Parks and recreation	215	232	297	495	529	559	162	-	175	230
Library	120	127	-	-	-	-	216	182	217	252
Planning and building	-	-	70	74	84	92	92	99	91	97
Total	<u>1,028</u>	<u>1,046</u>	<u>1,083</u>	<u>1,211</u>	<u>1,294</u>	<u>1,380</u>	<u>1,403</u>	<u>1,475</u>	<u>1,539</u>	<u>1,675</u>

<sup>1</sup> Planning and Building employee count included in General Government count

<sup>2</sup> Library employee count included in Parks and Recreation count

<sup>3</sup> Parks and Recreation employee count included in General Government count

Source: City Finance Department

**CITY OF CHULA VISTA**

**Operating Indicators  
by Function**

**Last Ten Fiscal Years**

	Fiscal Year			
	1997	1998	1999	2000
Police:				
Citizen-initiated calls for service <sup>1</sup>	69,904	69,196	74,405	76,738
Fire:				
Number of emergency calls <sup>2</sup>	6,275	4,119	6,344	6,654
Inspections	n/a	n/a	n/a	n/a
Public works:				
Street resurfacing/maintenance <sup>3</sup> (square feet)	n/a	n/a	n/a	142,622.2
Parks and recreation:				
Number of recreation classes	n/a	n/a	n/a	n/a
Number of facility rentals	n/a	n/a	n/a	n/a
Library:				
Circulation	1,294,180	1,312,073	1,246,433	1,198,645
Attendance	963,110	971,829	811,470	965,406
Sewer:				
New connections	n/a	n/a	n/a	1,633
Average daily sewage treatment (thousands of gallons)	n/a	n/a	13.0	14.3

<sup>1</sup> The 1999 figure is for the calendar year instead of fiscal year.

<sup>2</sup> Figures for 1997, 1998, 1999, and 2005 are reported for the calendar year instead of fiscal year.

<sup>3</sup> Excludes filling of potholes.

Note: Data is not available for the fiscal years marked as n/a.

Source: City of Chula Vista

Fiscal Year					
2001	2002	2003	2004	2005	2006
73,977	71,859	71,268	71,000	74,106	73,075
7,128	7,626	8,088	8,420	9,907	n/a
n/a	n/a	n/a	n/a	n/a	1,780
307,619.5	151,576.5	218,632.1	252,788.5	142,863.8	230,598.4
194	265	265	396	370	388
762	1,096	897	402	680	610
1,192,670	1,268,587	1,308,148	1,308,709	1,414,295	1,467,799
1,209,986	1,009,061	1,044,755	1,070,560	1,121,119	1,170,168
2,314	2,464	2,652	2,480	1,934	488
15.0	15.2	16.3	15.8	17.0	16.9

**CITY OF CHULA VISTA**

**Capital Asset Statistics  
by Function**

**Last Ten Fiscal Years**

	Fiscal Year				
	1997	1998	1999	2000	2001
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	6	6	6	6	6
Public works:					
Streets (miles)	n/a	n/a	n/a	n/a	n/a
Streetlights	n/a	n/a	n/a	n/a	n/a
Traffic signals	139	142	144	149	152
Parks and recreation:					
Community parks	6	6	6	6	6
Recreation facilities	8	8	8	8	8
Library:					
Libraries	2	2	2	2	2
Sewer:					
Sewer pipes (miles)	n/a	n/a	n/a	n/a	n/a
Storm drains (miles)	n/a	n/a	n/a	n/a	n/a
Maximum daily treatment capacity (million of gallons)	19.8	19.8	19.8	19.8	19.8

Note: Data is not available for the fiscal years marked as n/a

Source: City of Chula Vista

Fiscal Year				
2002	2003	2004	2005	2006
1	1	1	1	1
7	7	7	8	9
356.2	358.8	370.9	373.8	387.3
7,107	7,547	8,047	8,368	8,501
161	170	188	199	220
6	6	6	6	9
8	9	9	9	12
2	2	2	2	2
338.6	428.2	448.1	455.8	471.3
173.0	182.3	191.9	219.9	228.6
19.8	19.8	19.8	20.9	20.9

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