



# Comprehensive Annual Financial Report

*For The Fiscal Year Ended  
June 30, 2008*

Mayor  
Charli Lee

City Council

Nora Castaneda  
John McLean  
Kathy Ramirez  
Jerry Rendon

City Manager  
David Jensen

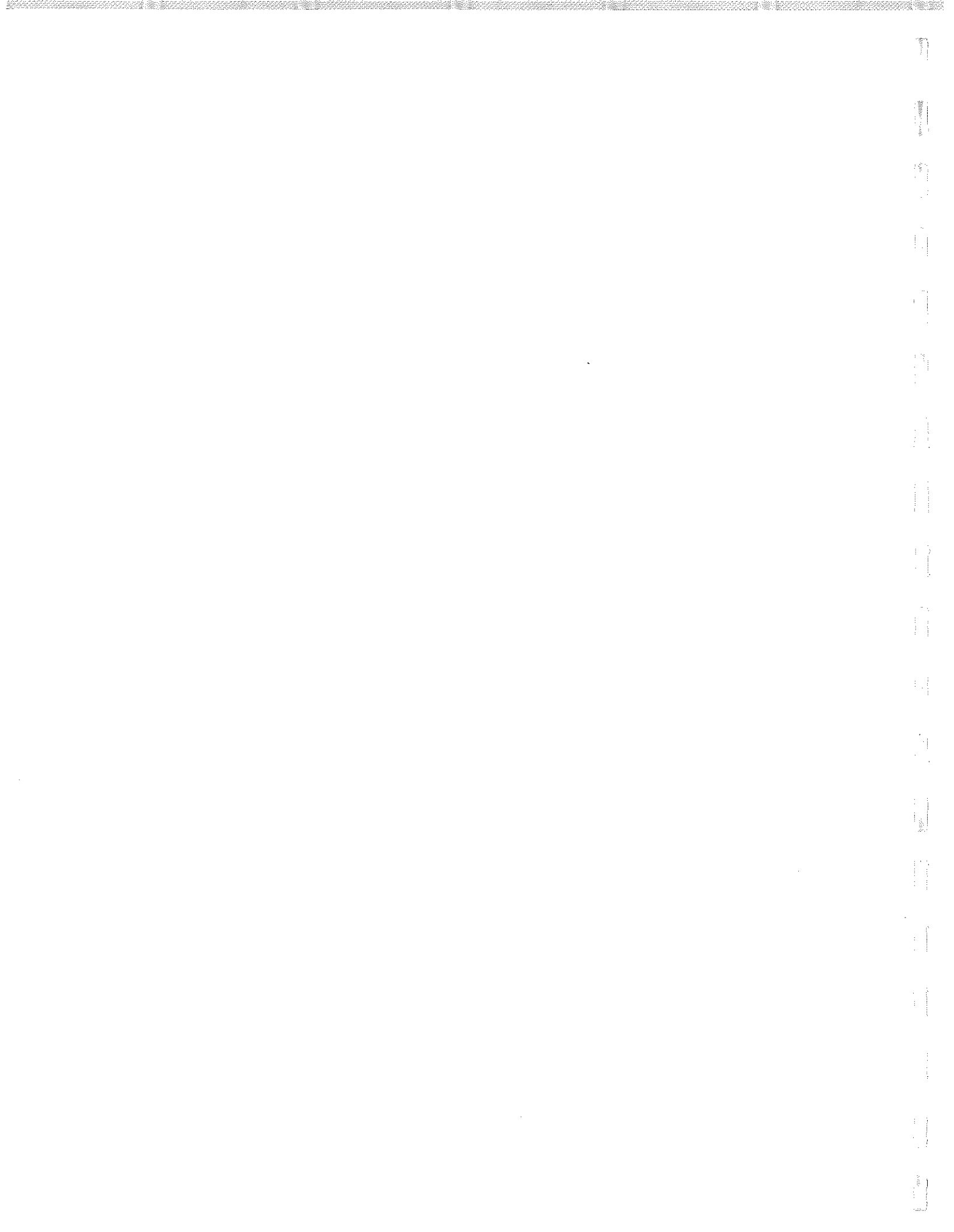
Compiled under the direction of  
Maria Kachadoorian  
*Director of Finance/Treasurer*



**CITY OF CHULA VISTA**  
**Comprehensive Annual Financial Report**  
**June 30, 2008**

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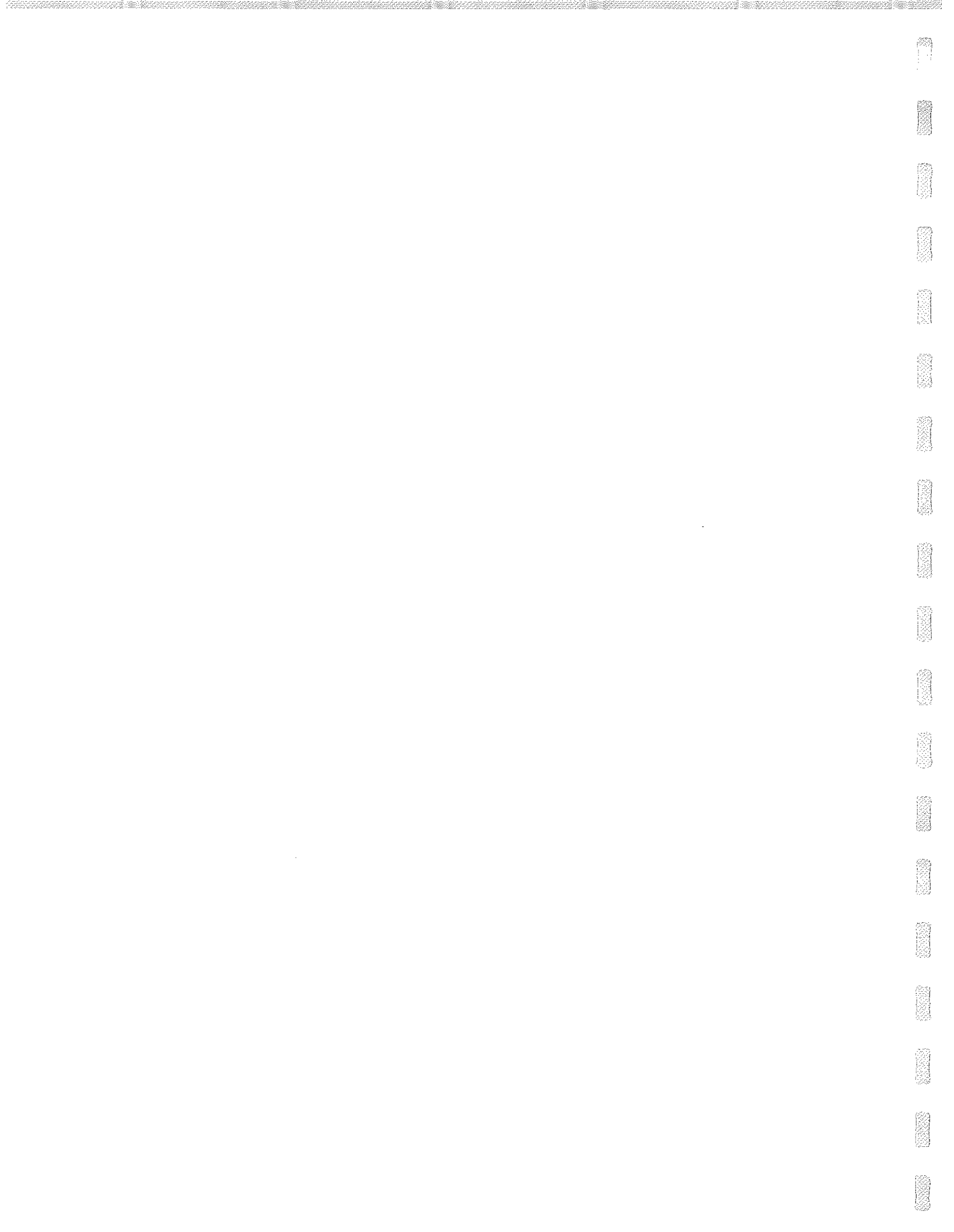
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## INTRODUCTORY SECTION





January 21, 2009

**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, 2008 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, 2008 have been included.

The independent auditing firm of Macias, Gini and O'Connell, LLP has issued an unqualified ("clean") opinion on the City of Chula Vista's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

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.

## **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 are carried forward if authorized 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 before 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. Financial status reports summarizing the year to date General Fund revenues and expenditures are presented to the City Council on a quarterly basis.

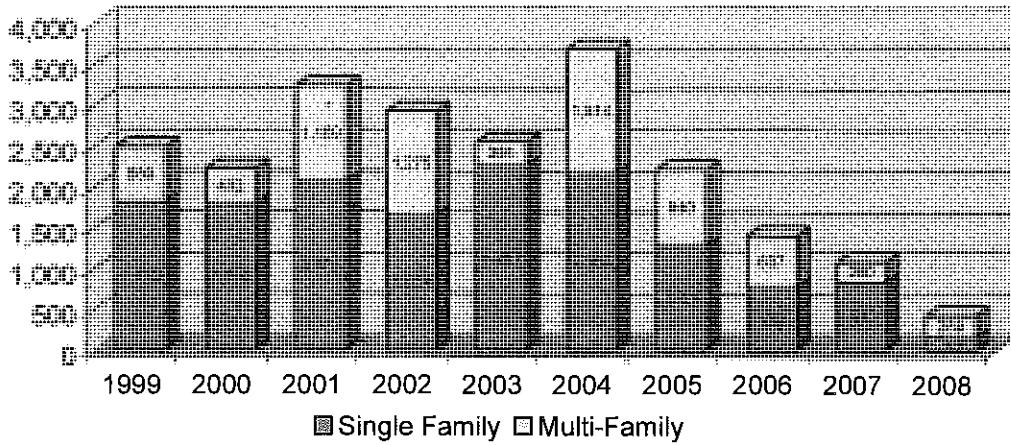
## **LOCAL ECONOMY AND PROSPECTS FOR THE FUTURE**

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 from the San Diego Association of Governments (SANDAG) estimates that the median income in Chula Vista is \$72,326.

The City of Chula Vista, with a population of approximately 231,305, is the second largest community in San Diego County. SANDAG projects that the City of Chula Vista will reach a population of approximately 316,445 by the year 2030. According to the California State Department of Finance (DOF), the City is ranked as the 10<sup>th</sup> fastest growing city in the state for the calendar years 2000 to 2008 based on the change in population. The City's population grew from 173,543 to 231,305 during that period adding almost 58,000 new residents for a 33.3 percent change. However that rapid rate of growth appears to be slowing due to the collapse of the housing market. The DOF reports that from 2007 to 2008 the City added just 3,442 new residents reflecting a 1.5 percent rate of growth. SANDAG's 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 22 years, primarily through new development in the eastern portion of the City.

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 10 calendar years.

**Residential Building Units  
Fiscal Years 1998/99 to 2007/08**

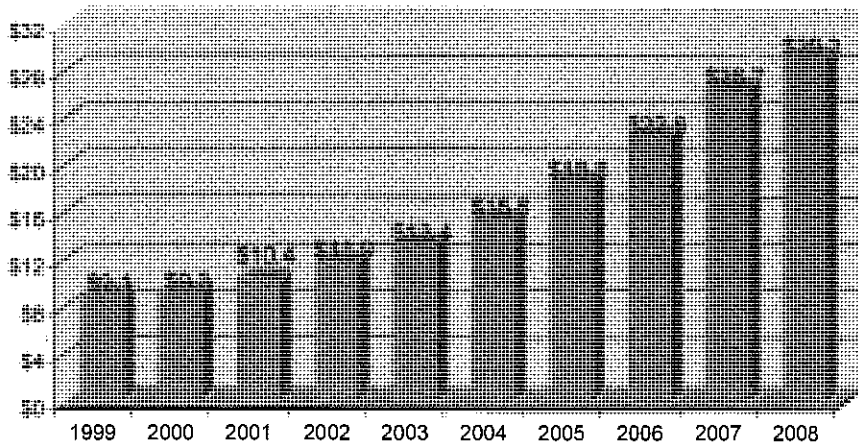


The slow down in residential permits has been somewhat offset by the increased commercial development in the past year. Commercial development has brought much needed entertainment, restaurants and shopping venues to the region generating additional sales tax revenues to help pay for City services.

Property Taxes:

Under State law since 1979, property taxes for general government purposes are limited to one percent of the market value of the property assessed. Property tax is the City's largest revenue source, representing 19.1 percent of the General Fund revenue in fiscal year 2008.

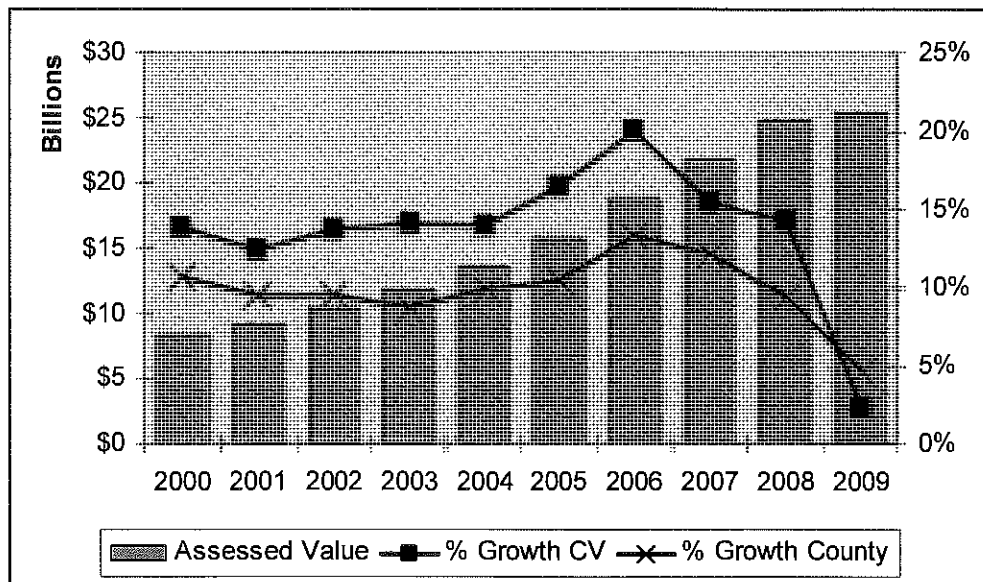
**Property Tax Revenue  
Fiscal Years 1998/99 to 2007/08  
(in millions)**



The chart illustrates the significant increases in property tax revenue the City has received as a result of the rapid development in the east. Property tax revenue has almost quadrupled over the ten-year period. This increase in property tax revenue is of course driven by like increases in the assessed values in the City. The City's assessed values have grown at historical rates until recently with the largest percentage increase of 20 percent occurring in fiscal year 2006. Based on the most

recent County Assessor Annual Valuation Report, the assessed values in Chula Vista grew by only 2.21 percent. The rapid rise in assessed values has been tempered due to a combination of increased commercial values, the addition of the SR125 toll road to the tax roll and the drop in residential assessed values. The City is anticipating a leveling off of assessed values due to a number of factors such as the drop in housing prices, foreclosures and Proposition 8 reassessments. However the City does expect development to return at some point in the future as the City works through the current housing crisis and recession.

**Assessed Values  
Fiscal Years 1999/2000 to 2008/09**



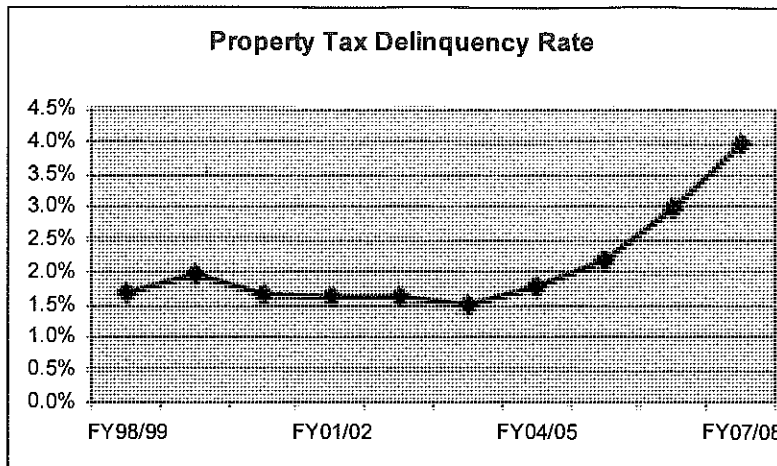
The sub prime mortgage debacle has greatly affected the City. The foreclosure rate has been one of the highest in the County. The City was susceptible to the sub prime mortgage meltdown due to the affordable housing available of both new and existing homes, coupled with the relative ease of obtaining a mortgage. As such when these mortgage interest rates were reset many of these new owners were unable to afford the new payments.

In addition, these new owners were seeing their housing prices plummet below the purchase price of the home. The City has seen dramatic decreases in median home prices since September 2007. Recent sales data indicates that the median price drops range as high as 37.8 percent in parts of the City. The chart depicts the change in median home prices for all zip codes within the City.

| Zip Code | Locale   | Median Price |            | Percent Change |
|----------|----------|--------------|------------|----------------|
|          |          | Sept 2007    | Sept 2008  |                |
| 91910    | North    | \$ 400,000   | \$ 310,000 | -22.5%         |
| 91911    | South    | \$ 376,000   | \$ 250,000 | -33.5%         |
| 91913    | Eastlake | \$ 435,250   | \$ 340,000 | -21.9%         |
| 91914    | NE       | \$ 812,500   | \$ 505,000 | -37.8%         |
| 91915    | SE       | \$ 512,000   | \$ 370,000 | -20.7%         |

Source: San Diego Union

An additional impact on property tax revenues are the property tax delinquency rates that continue to climb as the sub-prime mortgage crisis is leaving many homeowners with mortgages that are greater than the current value of their homes. As seen in the chart below, the delinquency rate has more than doubled from an average of 1.7 percent for fiscal years 1998/99 to 2004/05 to 3.96 percent for fiscal year 2007/08.

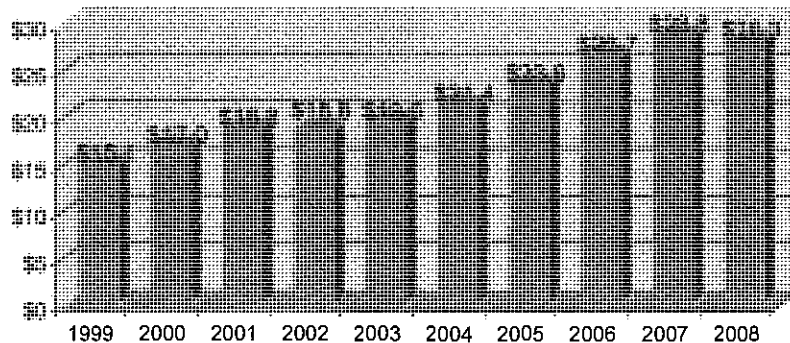


Foreclosures are having an additional negative impact on property tax revenues in the City by depressing housing values. The drop in assessed values has triggered Proposition 8, a constitutional amendment passed in 1978 that allows for a temporary reduction in assessed value when real property suffers a “decline-in-value”. Therefore, as assessed values fall, homeowners can apply for a reassessment of their homes which would lead to a reduction of property taxes based on the lower assessment. Many of these downward reassessments may not appear on property tax bills until next fiscal year requiring further adjustments to the fiscal outlook.

Sales Taxes:

The City receives 1 percent 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 percent component of the sales and use tax and 0.25 percent designated for transportation for a total sales tax rate within San Diego County of 7.75 percent. Sales and use tax revenue is the City’s second largest General Fund revenue source. In fiscal year 2008, sales taxes represented 18.5 percent of total General Fund revenues.

**Sales Tax Revenues**  
**Fiscal Years 1998/99 to 2007/08**  
 (in millions)



The growth in retail operators has made significant contributions to Chula Vista’s sales tax base. Over a ten-year period between 1999-2008, Chula Vista’s sales tax revenues have grown approximately 88 percent (in current dollars) with most of that growth occurring after fiscal year 1997. Due to the recent significant economic decline the City’s sales tax revenues have dropped by



(-1.8) percent from the previous year. This sales tax decline is the first the City has experienced since the recession of the early 1990s. It is anticipated that sales tax revenues will continue to grow at some point in the future, however that growth may not occur for several years due to the state of the national and local economies.

#### Long-Term Financial Planning:

As previously discussed the City is currently experiencing significant economic hardships. Long-term, the City is in a position to benefit 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 percent, 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.

However, the recent downturn in the economy has impacted the City's development revenues, sales tax and property taxes significantly. Although the City took immediate action by implementing a hiring freeze and across the board cuts the reserves dropped to the significant economic slowdown. As a result the City's General Fund reserve is at 6.1 percent as of June 30, 2008, which is below the reserve policy level of 8 percent.

During fiscal year 2008, the Finance Department updated and reissued the 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. This forecast report anticipates minimal to no growth for the next five years and has identified a structural imbalance, which is being addressed through proposed budgetary cuts. 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.

### **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, 2008 was 4.71 percent, an increase from the prior year yield of 4.07 percent due to an increasing interest rate environment.

### **RISK MANAGEMENT**

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 occurrence, 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 City is self-insured for the first \$1.0 million 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, 2008, there is 111-member entities participating in the program that offers per occurrence coverage up to \$5.0 million through pooled resources and from \$5.0 million to statutory limits via group purchased excess insurance policies.

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 3i to the financial statements.

## **MAJOR INITIATIVES**

The City has completed many major capital projects recently such as the construction of a new police facility and completion of the first two phases of the reconstruction and renovation of the Civic Center complex. The primary focus in 2008 was to complete construction of the Civic Center Phase 3 renovations. The renovations to the former police department facility began immediately following the completion of the second phase. At a cost of approximately \$15.0 million, the renovated facility will house the Human Resources, Redevelopment Agency and Housing Authority, Information Technology Services, Office of Conservation and Environmental Services, some Planning and Building staff and the Chula Vista Employees Credit Union. Phase 3 is funded by a combination of Development Impact Fees (93.68 percent) and the General Fund (6.32 percent) and was funded on a pay as you go basis.

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.

In fiscal year 2008, the City saw the openings of the Otay Ranch Town Center shopping center and San Diego County's first toll road, which is an extension of State Route 125.

The Otay Ranch Town Center is the first major shopping and entertainment center to come to the San Diego metropolitan market in more than 20 years. For the South Bay area, it completely redefines the manner in which public gathering spaces blend with fashionable, fun stores, white-table-cloth dining and entertainment. Visitors walk down urbane, bustling, open-air, shop-lined sidewalks with on-street parking, outdoor cafes and grand fountains. A pet-friendly setting and adjacent doggie park welcome 4-legged visitors, and a centrally located "chalk garden" and popper

fountain for children make this destination especially one-of-a-kind. Among the 100 shops and restaurants tastes are served by Macy's, REI, Barnes & Noble, Apple, Sephora and White House Black Market, to name just a few. On the center's west side is a specialty fashion and service village featuring Gila Rut Aveda Salon and other unique fashions and services. To the north, AMC Theatres' 12 screens delight film buffs. Epicureans can choose from P. F. Chang's China Bistro, Cheesecake Factory, King's Fish House, California Pizza Kitchen or many on-the-go dining options. The recent opening of the Best Buy at the mall marks the second Best Buy store to be located in the City.

The South Bay Expressway, is a 10-mile toll-road that opened in 2007. San Diego County's first toll road is a north south thoroughfare that bisects the eastern area of the City. The toll-road is expected to dramatically reduce traffic congestion and travel times for south bay commuters. The road will also proved a direct link to the Otay Ranch Town Center mall and many of the city's other shopping districts.

### **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, 2008 by the certified public accounting firm of Macias, Gini and O'Connell, LLP. The auditors report on the basic financial statements and schedules 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, 2008, 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 Macias, Gini and O'Connell, LLP. 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, 2007. 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.

The City has also received a Distinguished Budget Award from the Government Finance Officers Association of the United States and Canada for the fiscal year 2007/08 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.

## 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,



Maria Kachadoorian, CPA, MPA  
Director of Finance/Treasurer

**City of Chula Vista  
List of City Officials  
June 30, 2008**

**City Council**

---

Cheryl Cox Mayor  
Jerry Rindone Deputy Mayor  
Steve Castaneda Councilmember  
John McCann Councilmember  
Rudy Ramirez Councilmember

**Administration**

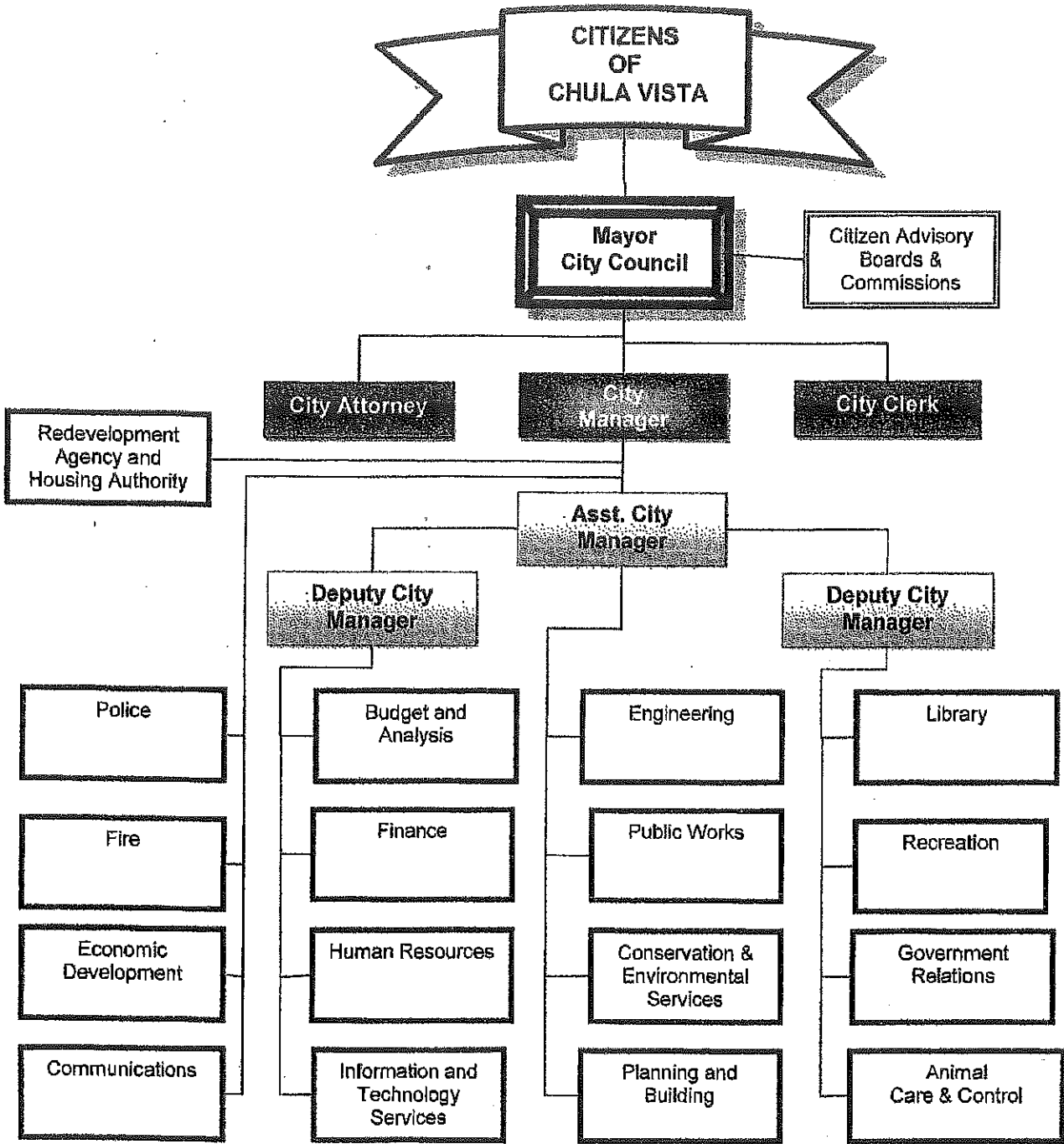
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David Garcia City Manager  
Scott Tulloch Assistant City Manager  
Ann Moore City Attorney  
Donna Norris Interim City Clerk

**Department Heads**

---

Edward Van Eenoo Director of Budget & Analysis  
Michael Meacham Director of Conservation  
Maria Kachadoorian Director of Finance/Treasurer  
Jim Geering Interim Fire Chief  
Jack Griffin Director of General Services  
Marcia Raskin Director of Human Resources  
Leah Browder Director of Library  
Louie Vignapiano Director of Information Technology 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  
Vacant Director of Redevelopment and Housing



# 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, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director





**FINANCIAL SECTION**

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SAN MARCOS

SAN DIEGO

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

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chula Vista, California (City), as of and for the year ended June 30, 2008, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chula Vista, California, as of June 30, 2008, 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 4, to the financial statements, effective July 1, 2007, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No.45, *Accounting and Financing Reporting by Employers for Post Employment Benefits other than Pensions*. Additionally, the City Adopted GASB Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*.

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2009 on our consideration of the City of Chula Vista's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and 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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

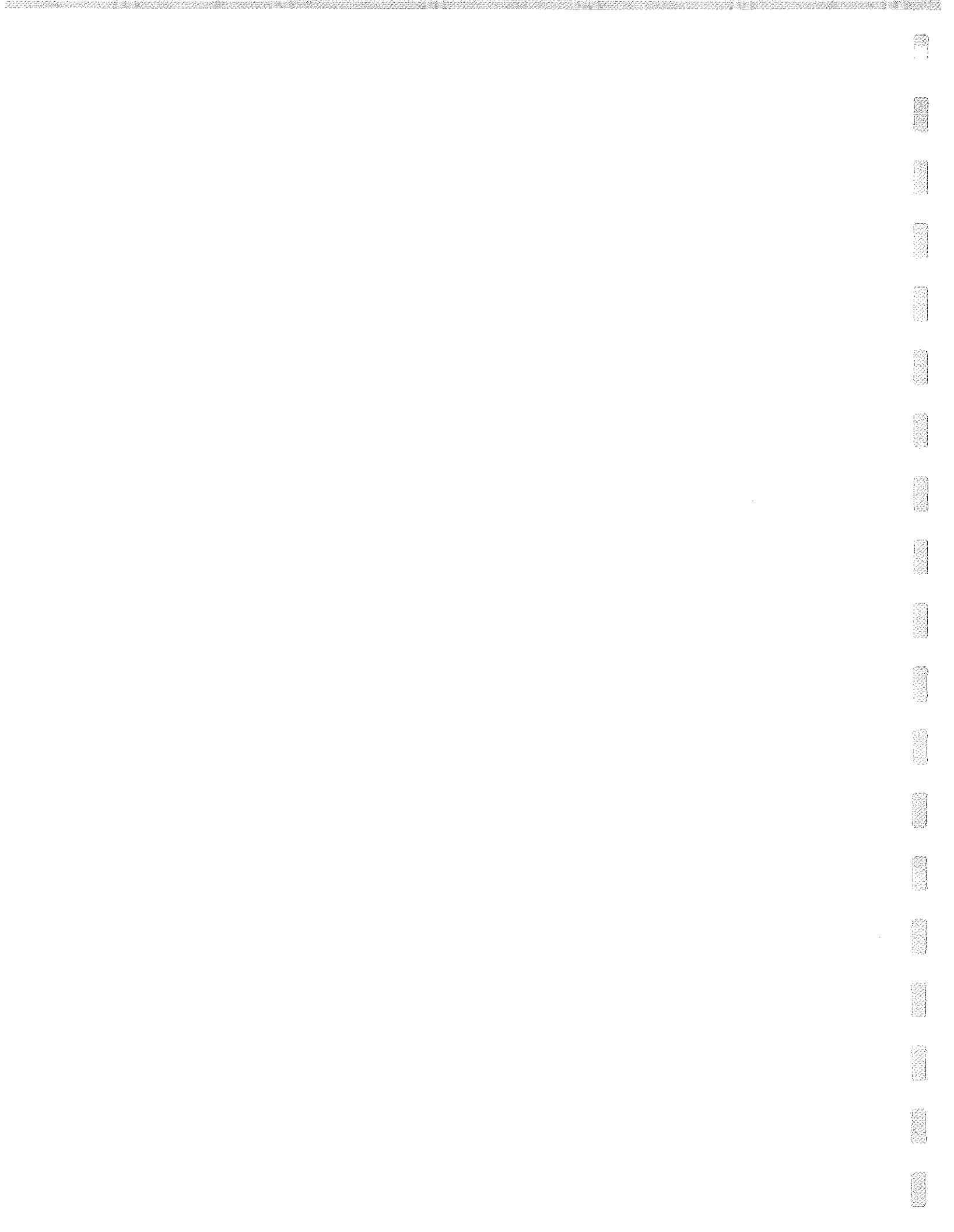
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual 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.

*Macias Jini & O'Connell LLP*

Certified Public Accountants  
Newport Beach, California

January 21, 2009

**MANAGEMENT'S AND DISCUSSION ANALYSIS**



## 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, 2008. 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, 2008 by \$974.0 million. Of this amount, \$147.0 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 \$35.4 million in fiscal year 2008. Net assets of governmental activities increased by \$35.8 million, while net assets of the business type activities decreased by \$0.4 million.

The large change in the net assets of governmental and business activities is attributable to a change in accounting method for the City's sewer funds. The sewer funds are now classified as an enterprise fund or business type activity from its previous classification as a special revenue fund or governmental activity. The specifics of the changes in net assets will be discussed in later sections of this document.

#### Fund Highlights:

*Governmental Funds – Fund Balances*- As of the close of fiscal year 2008, the City's governmental funds reported a combined ending fund balance of \$144.1 million, a decrease of \$3.7 million from the prior year due to the sewer fund conversion to an enterprise fund (of this amount, \$95.5 million represents "unreserved fund balances" available for appropriation).

*General Fund* - The unreserved fund balance of the general fund on June 30, 2008 was \$11.9 million, a decrease of \$1.4 million from the prior year. Included in these figures is \$2.0 million of 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 long-term debt obligations had a net increase of \$2.2 million or 1.1% during fiscal year 2008. During the 2008 fiscal year, the City capitalized a portion of its future Community Development Block Grant entitlement to receive a Section 108 Loan in the amount of \$9.5 million. In addition, the City entered into a long-term lease for defibrillators for the Fire Department costing \$0.8 million. Reductions in the liabilities are composed of repayments of bond principal (\$7.5 million), a reduction in the liability for compensated absences (\$0.2 million), repayments on loans/notes payable (\$0.2 million) and lease payments (\$0.2 million).

#### City Highlights

The City completed Phase 2 of the Civic Center Complex during fiscal year 2008. The completion of Phase 2 marked the beginning of the Phase 3 renovation of the old police department headquarters. At a cost of approximately \$15.0 million, the renovated facility will house the Human Resources,

Redevelopment Agency and Housing Authority, Information Technology Services, Office of Conservation and Environmental Services, some Planning and Building staff and the Chula Vista Employees Credit Union. Phase 3 is funded by a combination of Development Impact Fees (93.68 percent) and the General Fund (6.32 percent) and was on a pay as you go basis. 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.

In fiscal year 2008, the City saw the openings of the Otay Ranch Town Center shopping mall and San Diego County's first toll road, which is an extension of State Route 125.

The Otay Ranch Town Center is the first major shopping and entertainment center to come to the San Diego metropolitan market in more than 20 years. For the South Bay area, it completely redefines the manner in which public gathering spaces blend with fashionable, fun stores, white-table-cloth dining and entertainment. Visitors walk down urbane, bustling, open-air, shop-lined sidewalks with on-street parking, outdoor cafes and grand fountains. A pet-friendly setting and adjacent doggie park welcome 4-legged visitors, and a centrally located "chalk garden" and popper fountain for children make this destination especially one-of-a-kind. Among the 100 shops and restaurants are a Macy's, REI, Barnes & Noble, Apple, Sephora and White House Black Market, to name just a few. On the center's west side is a specialty fashion and service village featuring Gila Rut Aveda Salon and other unique fashions and services. To the north, AMC Theatres' 12 screens will delight film buffs. Epicureans can choose from P. F. Chang's China Bistro, Cheesecake Factory, King's Fish House, California Pizza Kitchen or many on-the-go dining options. The recent opening of the Best Buy at the mall marks the second Best Buy store to be located in the City.

The South Bay Expressway, is a 10-mile toll-road that opened in October 2007. San Diego County's first toll road is a north south thoroughfare that bisects the eastern area of the City. The toll-road is expected to dramatically reduce traffic congestion and travel times for south bay commuters. The road provides a direct link to the Otay Ranch Town Center mall and many of the city's other shopping districts.

## 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*.

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 combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations.



The *Statement of Activities* 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 the Sewer Funds and 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 91 through 118 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 governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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

governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City has thirty-two governmental funds, of which seven 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 94 through 105 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 Sewer and 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 and 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 31 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 78 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 79 and 86 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 \$974.0 million at the close of the fiscal year ending June 30, 2008. This is an increase of \$57.4 million or 6.3% from the previous fiscal year. Accounting for 79.7% of this increase is the \$45.8 million

increase in the City's capital assets for the Civic Center Phase 2 and 3 projects and increased infrastructure assets that added streets and additional sewer drainage systems.

By far the largest portion of the City's net assets (79.2%) 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's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

|                          | Governmental Activities |                       | Business-Type Activities |                     | Total                 |                       |
|--------------------------|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|
|                          | 2008                    | 2007                  | 2008                     | 2007                | 2008                  | 2007                  |
| Current Assets           | 211,351,524             | \$ 259,439,934        | \$ 59,508,840            | \$ 3,028,409        | \$ 270,860,364        | \$ 262,468,343        |
| Non-Current Assets       | 12,219,826              | 2,751,394             | -                        | -                   | 12,219,826            | 2,751,394             |
| Capital Assets           | 799,567,014             | 898,132,366           | 150,004,170              | 5,658,433           | 949,571,184           | 903,790,799           |
| <b>Total Assets</b>      | <b>1,023,138,364</b>    | <b>1,160,323,694</b>  | <b>209,513,010</b>       | <b>8,686,842</b>    | <b>1,232,651,374</b>  | <b>1,169,010,536</b>  |
| Current Liabilities      | 51,081,807              | 50,389,312            | 4,213,852                | 2,692,585           | 55,295,659            | 53,081,897            |
| Long-Term Liabilities    | 203,328,607             | 199,300,473           | -                        | -                   | 203,328,607           | 199,300,473           |
| <b>Total Liabilities</b> | <b>254,410,414</b>      | <b>249,689,785</b>    | <b>4,213,852</b>         | <b>2,692,585</b>    | <b>258,624,266</b>    | <b>252,382,370</b>    |
| Investments in Capital   |                         |                       |                          |                     |                       |                       |
| Net of Related Debt      | 621,878,119             | 715,090,838           | 150,004,170              | 5,658,433           | 771,882,289           | 720,749,271           |
| Restricted               | 55,166,660              | 69,516,915            | -                        | -                   | 55,166,660            | 69,516,915            |
| Unrestricted             | 91,683,171              | 126,026,156           | 55,294,988               | 335,824             | 146,978,159           | 126,361,980           |
| <b>Total Net Assets</b>  | <b>\$ 768,727,950</b>   | <b>\$ 910,633,909</b> | <b>\$ 205,299,158</b>    | <b>\$ 5,994,257</b> | <b>\$ 974,027,108</b> | <b>\$ 916,628,166</b> |

Additional portions of the City's net assets are restricted (\$55.2 million or 5.7%) and represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$147.0 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 \$35.4 million or 3.9%, from the prior fiscal year primarily from construction of public facilities and developer contributed infrastructure. In fiscal year 2008, City expenses, which include both governmental and business-type activities, exceeded program revenues by \$81.0 million resulting in the use of that amount of general revenues from the \$116.9 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.

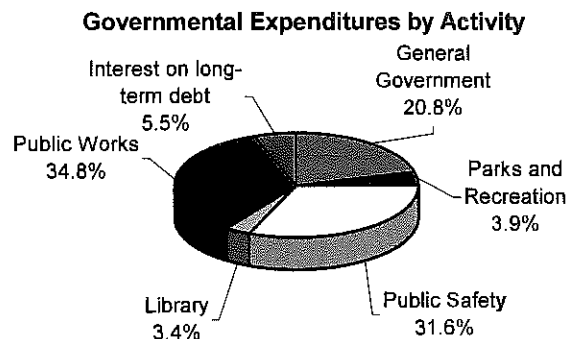
**City of Chula Vista  
Changes in Net Assets  
Fiscal Year Ending June 30**

|   | Governmental Activities |                       | Business-Type Activities |                     | Total                 |                       |
|---|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|
|   | 2008                    | 2007                  | 2008                     | 2007                | 2008                  | 2007                  |
| <b>Revenues:</b>                                      |                         |                       |                          |                     |                       |                       |
| <b>Program Revenues:</b>                              |                         |                       |                          |                     |                       |                       |
| Charges for Services                                  | \$ 82,267,262           | \$ 118,012,403        | \$ 31,338,406            | \$ 2,433,008        | \$ 113,605,668        | \$ 120,445,411        |
| Operating Grants & Contributions                      | 34,498,639              | 16,646,713            | 5,378,518                | -                   | 39,877,157            | 16,646,713            |
| Capital Grants & Contributions                        | 50,632,109              | 85,608,765            | -                        | -                   | 50,632,109            | 85,608,765            |
| <b>General Revenues:</b>                              |                         |                       |                          |                     |                       |                       |
| Property Taxes  | 43,388,023              | 38,882,122            | -                        | -                   | 43,388,023            | 38,882,122            |
| Sales Taxes   | 29,062,355              | 32,817,351            | -                        | -                   | 29,062,355            | 32,817,351            |
| Franchise Taxes                                       | 9,662,517               | 8,813,064             | -                        | -                   | 9,662,517             | 8,813,064             |
| Utility User Taxes                                    | 7,378,301               | 6,981,762             | -                        | -                   | 7,378,301             | 6,981,762             |
| Business License Taxes                                | 1,237,322               | 1,237,316             | -                        | -                   | 1,237,322             | 1,237,316             |
| Transient Occupancy Taxes                             | 2,697,286               | 2,551,570             | -                        | -                   | 2,697,286             | 2,551,570             |
| Property Transfer Taxes                               | 795,606                 | 1,423,599             | -                        | -                   | 795,606               | 1,423,599             |
| Construction Taxes                                    | 151,325                 | 393,650               | -                        | -                   | 151,325               | 393,650               |
| Intergovernmental                                     | -                       | -                     | -                        | 3,677,603           | -                     | 3,677,603             |
| Investment Earnings                                   | 8,663,014               | 13,386,872            | 6,740,155                | 167,734             | 15,403,169            | 13,554,606            |
| Miscellaneous   | 8,343,946               | 7,030,444             | 670,170                  | 131,968             | 9,014,116             | 7,162,412             |
| Gain on Sale of Fixed Asset                           | -                       | 106,696               | -                        | -                   | -                     | 106,696               |
| <b>Total Revenues</b>                                 | <b>278,777,705</b>      | <b>333,892,327</b>    | <b>44,127,249</b>        | <b>6,410,313</b>    | <b>322,904,954</b>    | <b>340,302,640</b>    |
| <b>Expenses</b>                                       |                         |                       |                          |                     |                       |                       |
| General Government                                    | 51,609,403              | 45,249,650            | -                        | -                   | 51,609,403            | 45,249,650            |
| Public Safety   | 78,633,467              | 77,136,782            | -                        | -                   | 78,633,467            | 77,136,782            |
| Public Works  | 86,410,082              | 103,117,608           | -                        | -                   | 86,410,082            | 103,117,608           |
| Parks and Recreation                                  | 9,650,399               | 9,353,280             | -                        | -                   | 9,650,399             | 9,353,280             |
| Library   | 8,532,621               | 10,320,817            | -                        | -                   | 8,532,621             | 10,320,817            |
| Interest on Long-Term Debt                            | 13,656,534              | 12,032,833            | 62,927                   | -                   | 13,719,461            | 12,032,833            |
| Sewer Funds   | -                       | -                     | 30,323,015               | -                   | 30,323,015            | -                     |
| Non-Major Enterprise Funds                            | -                       | -                     | 8,602,987                | 7,434,251           | 8,602,987             | 7,434,251             |
| <b>Total Expenses</b>                                 | <b>248,492,506</b>      | <b>257,210,970</b>    | <b>38,988,929</b>        | <b>7,434,251</b>    | <b>287,481,435</b>    | <b>264,645,221</b>    |
| Increase/(Decrease) in<br>Net Assets Before Transfers | 30,285,199              | 76,681,357            | 5,138,320                | (1,023,938)         | 35,423,519            | \$ 75,657,419         |
| Transfers   | 5,594,536               | 22,618                | (5,594,536)              | (22,618)            | -                     | \$ -                  |
| <b>Change in Assets</b>                               | <b>35,879,735</b>       | <b>76,703,975</b>     | <b>(456,216)</b>         | <b>(1,046,556)</b>  | <b>35,423,519</b>     | <b>\$ 75,657,419</b>  |
| <b>Net Assets, Beginning of Year</b>                  | <b>732,848,215</b>      | <b>833,929,934</b>    | <b>205,755,374</b>       | <b>7,040,813</b>    | <b>938,603,589</b>    | <b>\$ 840,970,747</b> |
| <b>Net Assets, End of Year</b>                        | <b>\$ 768,727,950</b>   | <b>\$ 910,633,909</b> | <b>\$ 205,299,158</b>    | <b>\$ 5,994,257</b> | <b>\$ 974,027,108</b> | <b>\$ 916,628,166</b> |

**Governmental Activities**

Governmental activities increased the City's net assets by \$35.9 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 \$248.5 million in fiscal year 2008. The largest expenses were incurred for Public Works, Public Safety and General Government. These three activities combined account for 87.2% of all general activity expenses. These expenses do not include capital outlays, which are reflected in the City's capital assets.



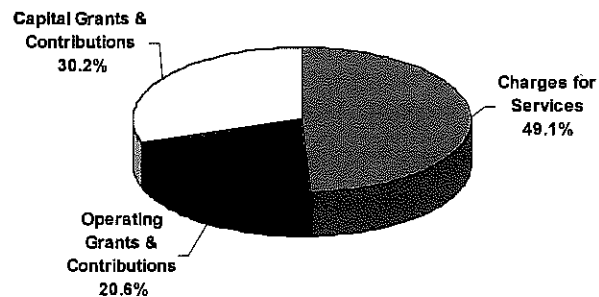
**Governmental Activities**  
**Fiscal Year Ending June 30**

|   | 2008                 | 2007                 | Increase/<br>(Decrease)<br>From 2007 |
|---|----------------------|----------------------|--------------------------------------|
| <b>Expenses Net of Program Revenue</b>                |                      |                      |                                      |
| General Government                                    | \$ (4,156,156)       | \$ 2,766,788         | \$ (6,922,944)                       |
| Public Safety   | (63,551,801)         | (64,805,860)         | \$ 1,254,059                         |
| Public Works  | 3,116,824            | 13,404,486           | \$ (10,287,662)                      |
| Parks and Recreation                                  | 3,305,587            | 31,253,071           | \$ (27,947,484)                      |
| Library   | (6,152,416)          | (7,528,741)          | \$ 1,376,325                         |
| Interest on Long-Term Debt                            | (13,656,534)         | (12,032,833)         | \$ (1,623,701)                       |
| <b>Total Governmental Activities</b>                  | <b>(81,094,496)</b>  | <b>(36,943,090)</b>  | <b>(44,151,407)</b>                  |
| <b>General Revenues</b>                               |                      |                      |                                      |
| Property Taxes  | 43,388,023           | 38,882,122           | \$ 4,505,901                         |
| Sales Taxes   | 29,062,355           | 32,817,351           | \$ (3,754,996)                       |
| Franchise Taxes                                       | 9,662,517            | 8,813,064            | \$ 849,453                           |
| Utility User Taxes                                    | 7,378,301            | 6,981,762            | \$ 396,539                           |
| Business License Taxes                                | 1,237,322            | 1,237,316            | \$ 6                                 |
| Transient Occupancy Taxes                             | 2,697,286            | 2,551,570            | \$ 145,716                           |
| Property Transfer Taxes                               | 795,606              | 1,423,599            | \$ (627,993)                         |
| Construction Taxes                                    | 151,325              | 393,650              | \$ (242,325)                         |
| Investment Earnings                                   | 8,663,014            | 13,386,872           | \$ (4,723,858)                       |
| Miscellaneous   | 8,343,946            | 7,030,444            | \$ 1,313,502                         |
| Gain on Sale of Fixed Assets                          | -                    | 106,697              | \$ (106,697)                         |
| <b>Total General Revenues</b>                         | <b>111,379,695</b>   | <b>113,624,447</b>   | <b>(2,244,752)</b>                   |
| <b>Increase in Governmental Activities Net Assets</b> | <b>\$ 30,285,199</b> | <b>\$ 76,681,357</b> | <b>\$ (46,396,159)</b>               |

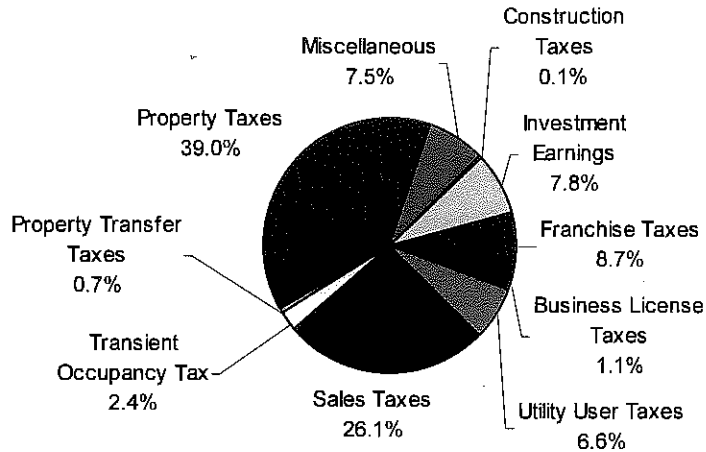
Total program revenues from governmental activities were \$167.6 million in fiscal year 2008. Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues.

As reflected in the pie chart, \$82.3 million or 49.1% 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 fee for service type revenues. Program revenues under the Operating Grants and Contributions category totaled \$34.5 million or 20.6% and include restricted revenues such as Gas Tax, Transportation Sales Tax, Asset Seizure Funds and Federal and State Grants. Capital Grants and Contributions are primarily derived from contributed capital from developers for infrastructure. Capital Grants and Contributions totaled \$50.6 million or 30.2% of which \$49.3 million or 97.4% is related to roadways funded by developers and received by the City after completion.

**Governmental Activities - Program Revenues**



## Governmental Activities - General Revenues



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 \$111.4 million in fiscal year 2008. The largest percentage of general revenues received during fiscal year 2008 for governmental activities were taxes of \$94.4 million, which included Property Taxes of \$43.4 million and Sales Taxes of \$29.1 million. A percentage breakdown of all general revenues is shown in the chart above.

### Business Type Activities

Net assets for business-type activities were \$205.3 million, an increase of \$199.3 million from the prior fiscal year. The large change in the net assets is attributable to a change in accounting method for the City's sewer funds. The sewer funds are now classified as an enterprise fund or business type activity from its previous classification as a special revenue fund or governmental activity. If it were not for this change net assets would have decreased by \$0.9 million. This decrease in net assets is entirely a result of depreciation expense of \$0.9 million in the Transit funds.

Total program revenues for business-type activities were \$36.7 million that were for various sewer fees (\$29.1 million), bus fares (\$2.2 million) and (\$5.4 million) in Transportation Development Act grant funds. Total expenses for the business-type activities were \$39.0 million and were for expenses related to Sewer (\$30.3 million) and Transit Operations (\$8.6 million).

## 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 2008, the City's governmental funds reported combined ending fund balances of \$144.1 million. Approximately, \$95.5 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 \$11.8 million, while total fund balance is \$34.1 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 7.4% of total general fund expenditures including transfers out, while total fund balance represents 21.5% of that same amount.

During the current year, unreserved fund balance of the general fund, excluding the other general fund type funds, decreased from \$10.9 to \$9.9 million. The available fund balance represents 6.1% of the general fund operating budget for fiscal year 2008. This is below the City Council's targeted minimum reserve level of 8% of the operating budget for the general fund. The General Fund reserve continues to be depleted as management has begun a series of actions that is meant to correct the structural issues present in the budget.

There is no discussion of any significant budgetary variations between original and final budget amounts and between final budget amounts and actual results because significant variances have already been discussed in this document. Management considers a variance of 10% or greater as significant.

**Sundry Grants Fund** – This fund is to account for 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.

This fund became a major fund for this reporting period primarily due to the City applying for and receiving a U.S. Department of Housing loan by capitalizing a portion of the City's Community Development Block Grant entitlement revenue to obtain what is known as a Section 108 Loan. The City is planning to use the funds for various capital projects in the southwestern part of the City that will primarily be for infrastructure improvements. The other reason for its inclusion as a major fund has to do with the reclassification of the sewer funds from a governmental fund type to a proprietary fund.

**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, Agency capital projects and to fund for the activities in the Low and Moderate Income Housing fund (Low and Mod).

This fund became a major fund for this reporting period due to a \$4.9 million loan to a developer from the Low and Mod fund for the development of an affordable housing project within the City. Additionally,

the City had a change in accounting for these types of affordable housing loans. The past practice was to record the loans as a loan receivable. However, because the terms of the loans are for repayment in 55 years using residual receipts it is not know what portion if any of the amount will ever be repaid. The current practice (the change) is to record the loan as a receivable and to have an offsetting liability recorded as deferred revenues. Note 5 in the notes to the financial statements provide further details and their effect on prior periods.

The other reason for its inclusion as a major fund has to do with the reclassification of the sewer funds from a governmental fund type to a proprietary fund.

***Development Impact Fund*** – 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 2008, the unreserved fund balance was \$26.4 million, which is a decrease of \$7.6 million from the previous fiscal year due primarily to the construction of Phase 3 of the Civic Center project which has been funded on a pay-as-you-go basis from available cash. Since these funds are collected for construction or improvements of public facilities, they have been fully designated for specific projects.

***Park Acquisition Development*** - This fund was established as a depository for fees collected from property developers for the purpose of providing park and recreational facilities directly benefiting and serving residents of the regulated subdivision. This in-lieu fee was adopted by the City to acquire neighborhood and community parkland and to construct parks and recreational facilities.

The Parkland Acquisition and Development fee was increased in October 2006 from \$8,962 to \$9,122 for Areas West of I-805 and \$16,644 to \$16,804 for Areas East of I-805. At the end of fiscal year 2008, the unreserved fund balance was \$39.1 million, which is an increase of \$2.8 million due to continued collection of the fee and no new park construction. Since these funds are collected for providing parks and recreational 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. The unreserved fund balance increased by \$0.4 million from \$-29.7 million to \$-29.3 million due primarily to an increase in the fund's cash balance. For fiscal year 2008 there were no new issuances of debt or other major fund activity for the fiscal year.

***City Debt Service Fund*** – This fund was established to account for the principal and interest payments on the City 's long-term debt. The unreserved fund balance decreased from \$-14.7 to \$-14.2 million for the fiscal year. The decrease is due to a combination of payments of \$1.0 million and the accrual of interest of \$0.5 million for advances outstanding. There were no new issuances or other major fund activity for the fiscal year.

### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. A major change in reporting occurred during the year due to the conversion of the Sewer Funds from a Special Revenue Fund to an Enterprise Fund. Inclusion of the Sewer funds in the proprietary funds section has caused the Transit Funds to now be classified as a non-major fund.

***Sewer Fund***– The Sewer Fund is used to account for a variety of sewer service related revenues and expenses. The net assets for the fund increased \$0.7 million to \$192.9 million. The fund's Investments in



capital assets (i.e. sewer system infrastructure) account for \$142.9 million or 74.1% of the net assets of the fund.

Sewer Fund operating revenues increased by \$1.0 million over the prior fiscal year. An increase in sewer fees account for the increase. Non-operating revenues increased by \$4.7 million due to the change in accounting from a governmental fund to an enterprise fund. Under the governmental presentation Interest on Advances to Other Funds were recorded as Deferred Revenue. Upon conversion to an Enterprise fund, full accrual accounting requires that the Deferred Revenue on these advances be recorded as revenue upon conversion.

Total expenses for the Sewer Fund were up by \$12.8 million or 73.5% compared to the last fiscal year. Part of the reason for the large increase is related once again to the accounting change. Depreciation expense accounts for 39% of the change and is not required by GAAP to be recorded in governmental funds. However now considered as an enterprise fund, depreciation expense of \$5.0 million must be recorded in the enterprise fund financial statements. The remaining increase in expenses is broken down between a \$6.5 million increase in operations and administration and a \$1.4 million increase in maintenance costs.

The increase in operations and administration expense increased by \$6.5 million primarily due to a change in budgeting for personnel costs related to the Sewer Fund. Expenses related to staffing were shifted from the General Fund to the Sewer Fund in fiscal year 2008. This budget shift accounts for \$3.5 million in expense that was previously reflected as a transfer out of the sewer fund. The City contracts with the City of San Diego to treat its sewage through San Diego's treatment plant. Contractual services with the City of San Diego increased by \$1.9 million from the previous year. There were increased costs of \$0.9 million related to the purchase of two Vector trucks that are used to clear clogged and obstructed sewer drainage pipes. Increased costs for maintenance is directly related to two projects that were used to increase the City's capacity to carry untreated sewage along the Poggi Canyon outfall (\$1.2 million) and the replacement older pipe with new and larger pipe at Moss Street and Woodland Avenue (\$0.2 million).

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final amended general fund budget totaled \$164.9 million, including \$1.6 million in budget amendments to the originally adopted budget and encumbrances of \$0.7 million, which will fund contractual obligations and outstanding purchase orders. The General Fund's net cost budget amendments of \$1,045,645 are summarized as follows:

- \$335,000 for additional public liability expenditures.
- \$548,000 for an Owner Participation Agreement with Sunroad Enterprises.
- \$86,000 for expenditures related to City ballot measures.
- \$76,645 for emergency related repairs for slope damage.

Of the \$1.6 million in mid-year appropriations, \$0.6 million were covered by specific funding sources. As discussed previously, the available fund balance of the general fund, excluding the other general fund type funds, decreased to \$9.3 million or by \$1.1 million from the prior year. The decrease is attributable to the net cost budget amendments listed above.

## 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, 2008, amounts to \$952.6 million, net of accumulated depreciation of \$315.8 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 \$79.4 million, net of accumulated depreciation.

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

Additional information on the City's capital assets can be found in Note 3d of the notes to the financial statements.

### Debt Administration

*Long Term Debt* - At the end of the 2008 fiscal year, the City had \$203.4 million in debt outstanding compared to the \$201.1 million last year, a 1.1% net decrease. During the 2008 fiscal year, the City capitalized a portion of its future Community Development Block Grant entitlement to receive a Section 108 Loan in the amount of \$9.5 million.

The City has no outstanding general obligation debt. The City has maintained an "A-" rating by Standard & Poors for Certificates of Participation, which represents a "stable outlook."

The Redevelopment Agency had a rating upgrade in 2008 from an "A-" to "A" rating for Tax Allocation Bonds from Standard & Poors. Additional information on the City's long-term debt obligations can be found in Note 3e 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, the City has been hard hit by the lack of residential development, the sub-prime mortgage debacle, and one of the highest foreclosure rates in the county. These factors have reduced the growth in assessed values within the city from 20% in 2006 to 2.21% in 2008. The positive growth was largely made possible due to the addition of the SR 125 toll road to the city tax roll. At an assessed value of \$600 million it was the single highest assessment in San Diego County history.

The City's two largest sources of discretionary General Fund revenue are property and sales taxes. The housing factors coupled with increasing unemployment of city residents has led to a leveling off of property tax revenues and actual decline in sales tax revenues from fiscal year 2007. This trend is expected to continue until 2010. As a result of these revenue declines the City has acted quickly to reduce expenditures to bring them more in line with revenues. For fiscal year 2009, the City reduced the General Fund operational budget by over \$20 million paring approximately 160 full time positions in a series of budget cuts.

The City's growth and development is expected to continue but not until the housing market has been corrected. The San Diego Association of Governments most recent forecast for growth estimates the City to add over 80,000 new residents to the community over the next 20 years.

### **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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**BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**





**CITY OF CHULA VISTA**  
**Statement of Net Assets**  
**June 30, 2008**

| <b>Assets:</b>                                     | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>          |
|--|------------------------------------|-------------------------------------|-----------------------|
| Cash and investments                               | \$ 139,547,320                     | \$ 41,431,456                       | \$ 180,978,776        |
| Receivables:                                       |                                    |                                     |                       |
| Taxes  | 13,300,181                         | -                                   | 13,300,181            |
| Accounts   | 1,032,932                          | 4,286,677                           | 5,319,609             |
| Interest   | 1,389,091                          | 361,089                             | 1,750,180             |
| Loans  | 28,898,779                         | -                                   | 28,898,779            |
| Other  | 1,912,434                          | 125,634                             | 2,038,068             |
| Due from other governments                         | 6,627,885                          | -                                   | 6,627,885             |
| Internal balances                                  | (13,303,984)                       | 13,303,984                          | -                     |
| Inventory and prepaid items                        | 68,353                             | -                                   | 68,353                |
| Land held for resale                               | 2,260,925                          | -                                   | 2,260,925             |
| Other assets                                       | 498,706                            | -                                   | 498,706               |
| Net pension asset                                  | 9,460,195                          | -                                   | 9,460,195             |
| Restricted cash and investments:                   |                                    |                                     |                       |
| Held by City                                       | 14,430,641                         | -                                   | 14,430,641            |
| Held by fiscal agents                              | 17,447,892                         | -                                   | 17,447,892            |
| Capital assets:                                    |                                    |                                     |                       |
| Nondepreciable                                     | 97,630,495                         | -                                   | 97,630,495            |
| Depreciable,<br>net of accumulated depreciation    | 701,936,519                        | 150,004,170                         | 851,940,689           |
| Total assets                                       | <u>1,023,138,364</u>               | <u>209,513,010</u>                  | <u>1,232,651,374</u>  |
| <b>Liabilities:</b>                                |                                    |                                     |                       |
| Account payable and accrued liabilities            | 17,757,863                         | 357,704                             | 18,115,567            |
| Interest payable                                   | 2,905,417                          | -                                   | 2,905,417             |
| Unearned revenue                                   | 3,290,962                          | 3,856,148                           | 7,147,110             |
| Deposits   | 10,651,949                         | -                                   | 10,651,949            |
| Claims payable:                                    |                                    |                                     |                       |
| Due within one year                                | 3,600,000                          | -                                   | 3,600,000             |
| Due in more than one year                          | 12,067,881                         | -                                   | 12,067,881            |
| Noncurrent liabilities:                            |                                    |                                     |                       |
| OPEB liability                                     | 782,000                            | -                                   | 782,000               |
| Due within one year                                | 12,875,616                         | -                                   | 12,875,616            |
| Due in more than one year                          | 190,478,726                        | -                                   | 190,478,726           |
| Total liabilities                                  | <u>254,410,414</u>                 | <u>4,213,852</u>                    | <u>258,624,266</u>    |
| <b>Net assets:</b>                                 |                                    |                                     |                       |
| Invested in capital assets,<br>net of related debt | 621,878,119                        | 150,004,170                         | 771,882,289           |
| Restricted for:                                    |                                    |                                     |                       |
| Capital projects                                   | 24,572,926                         | -                                   | 24,572,926            |
| Debt service                                       | 10,480,057                         | -                                   | 10,480,057            |
| Community development                              | 20,113,677                         | -                                   | 20,113,677            |
| Unrestricted                                       | 91,683,171                         | 55,294,988                          | 146,978,159           |
| Total net assets                                   | <u>\$ 768,727,950</u>              | <u>\$ 205,299,158</u>               | <u>\$ 974,027,108</u> |

See Accompanying Notes to Financial Statements.

**CITY OF CHULA VISTA**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

| <u>Functions/Programs</u>             | <u>Expenses</u>       | <u>Program Revenues</u>     |   |   |
|---------------------------------------|-----------------------|-----------------------------|---|---|
|                                       |                       | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| <b>Governmental activities:</b>       |                       |                             |   |   |
| General government                    | \$ 51,609,403         | \$ 38,563,085               | \$ 8,890,162                              | \$ -                                    |
| Public safety                         | 78,633,467            | 8,148,817                   | 6,506,531                                 | 426,318                                 |
| Public works                          | 86,410,082            | 23,112,265                  | 17,148,741                                | 49,265,900                              |
| Parks and recreation                  | 9,650,399             | 11,881,147                  | 134,948                                   | 939,891                                 |
| Library                               | 8,532,621             | 561,948                     | 1,818,257                                 | -                                       |
| Interest and fiscal changes           | 13,656,534            | -                           | -   | -                                       |
| <b>Total governmental activities</b>  | <b>248,492,506</b>    | <b>82,267,262</b>           | <b>34,498,639</b>                         | <b>50,632,109</b>                       |
| <b>Business-type activities:</b>      |                       |                             |   |   |
| Sewer funds                           | 30,323,015            | 29,138,449                  | -   | -                                       |
| Transit fund                          | 8,301,081             | 1,660,821                   | 5,285,292                                 | -                                       |
| Bayfront Trolley Station              | 98,406                | -                           | 93,226                                    | -                                       |
| Sewer DIFS                            | 203,500               | 539,136                     | -   | -                                       |
| <b>Total business-type activities</b> | <b>38,926,002</b>     | <b>31,338,406</b>           | <b>5,378,518</b>                          | <b>-</b>                                |
| <b>Total</b>                          | <b>\$ 287,418,508</b> | <b>\$ 113,605,668</b>       | <b>\$ 39,877,157</b>                      | <b>\$ 50,632,109</b>                    |

**General revenues:**

**Taxes:**

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

**Investment income**

**Miscellaneous**

**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**

| <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>          |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (4,156,156)                     | \$ -                                | \$ (4,156,156)        |
| (63,551,801)                       | -                                   | (63,551,801)          |
| 3,116,824                          | -                                   | 3,116,824             |
| 3,305,587                          | -                                   | 3,305,587             |
| (6,152,416)                        | -                                   | (6,152,416)           |
| (13,656,534)                       | (62,927)                            | (13,719,461)          |
| <u>(81,094,496)</u>                | <u>(62,927)</u>                     | <u>(81,157,423)</u>   |
| -                                  | (1,184,566)                         | (1,184,566)           |
| -                                  | (1,354,968)                         | (1,354,968)           |
| -                                  | (5,180)                             | (5,180)               |
| -                                  | 335,636                             | 335,636               |
| <u>-</u>                           | <u>(2,209,078)</u>                  | <u>(2,209,078)</u>    |
| <u>(81,094,496)</u>                | <u>(2,272,005)</u>                  | <u>(83,366,501)</u>   |
| 43,388,023                         | -                                   | 43,388,023            |
| 29,062,355                         | -                                   | 29,062,355            |
| 795,606                            | -                                   | 795,606               |
| 9,662,517                          | -                                   | 9,662,517             |
| 7,378,301                          | -                                   | 7,378,301             |
| 1,237,322                          | -                                   | 1,237,322             |
| 2,697,286                          | -                                   | 2,697,286             |
| 151,325                            | -                                   | 151,325               |
| 8,663,014                          | 6,740,155                           | 15,403,169            |
| 8,343,946                          | 670,170                             | 9,014,116             |
| 5,594,536                          | (5,594,536)                         | -                     |
| <u>116,974,231</u>                 | <u>1,815,789</u>                    | <u>118,790,020</u>    |
| 35,879,735                         | (456,216)                           | 35,423,519            |
| <u>732,848,215</u>                 | <u>205,755,374</u>                  | <u>938,603,589</u>    |
| <u>\$ 768,727,950</u>              | <u>\$ 205,299,158</u>               | <u>\$ 974,027,108</u> |

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**FUND FINANCIAL STATEMENTS**

**CITY OF CHULA VISTA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

|  | <u>Special Revenue Funds</u> |                          |                                 |
|--|------------------------------|--------------------------|---------------------------------|
|  | <u>General<br/>Fund</u>      | <u>Sundry<br/>Grants</u> | <u>Redevelopment<br/>Agency</u> |
| <b>Assets:</b>                                 |                              |                          |                                 |
| Cash and investments                           | \$ 4,430,932                 | \$ 220,428               | \$ 1,681,244                    |
| Receivables:                                   |                              |                          |                                 |
| Accounts                                       | 937,308                      | -                        | 8,711                           |
| Taxes  | 11,593,038                   | -                        | 63,095                          |
| Interest                                       | 75,957                       | 12,395                   | 43,598                          |
| Loans  | 131,250                      | 9,895,360                | 18,634,157                      |
| Other  | -                            | -                        | -                               |
| Due from other funds                           | 368,200                      | 1,264,995                | 2,189,713                       |
| Due from other governments                     | 2,133,566                    | 4,076,859                | -                               |
| Advances to other funds                        | 30,751,209                   | -                        | -                               |
| Inventory and prepaid items                    | 66,537                       | -                        | -                               |
| Restricted cash and investments:               |                              |                          |                                 |
| Held by City                                   | -                            | 9,465,748                | 4,594,709                       |
| Held by fiscal agent                           | -                            | -                        | -                               |
| Land held for resale                           | -                            | -                        | -                               |
| Total assets                                   | <u>\$ 50,487,997</u>         | <u>\$ 24,935,785</u>     | <u>\$ 27,215,227</u>            |
| <b>Liabilities and fund balances:</b>          |                              |                          |                                 |
| Liabilities:                                   |                              |                          |                                 |
| Accounts payable and accrued liabilities       | \$ 6,389,496                 | \$ 352,416               | \$ 110,363                      |
| Due to other funds                             | -                            | 3,717,379                | 104,439                         |
| Retention payable                              | -                            | 35,916                   | -                               |
| Advances from other funds                      | -                            | -                        | -                               |
| Developer deposits                             | -                            | -                        | 3,763                           |
| Deferred revenue                               | 10,022,359                   | 10,188,905               | 16,617,037                      |
| Total liabilities                              | <u>16,411,855</u>            | <u>14,294,616</u>        | <u>16,835,602</u>               |
| Fund balances:                                 |                              |                          |                                 |
| Reserved:                                      |                              |                          |                                 |
| Encumbrances                                   | 332,316                      | 2,140,550                | 101,539                         |
| Loans receivables and advances                 | 21,860,098                   | 304,106                  | 2,017,120                       |
| Land held for resale                           | -                            | -                        | -                               |
| Debt service                                   | -                            | -                        | -                               |
| Inventory and prepaid items                    | 66,537                       | -                        | -                               |
| Total Reserved                                 | <u>22,258,951</u>            | <u>2,444,656</u>         | <u>2,118,659</u>                |
| Unreserved:                                    |                              |                          |                                 |
| Designated for:                                |                              |                          |                                 |
| Capital projects                               | -                            | -                        | -                               |
| Contingency reported in:                       |                              |                          |                                 |
| General fund                                   | 2,982,945                    | -                        | -                               |
| Special revenue funds                          | -                            | 28,371                   | -                               |
| Capital projects funds                         | -                            | -                        | -                               |
| Undesignated reported in:                      |                              |                          |                                 |
| General fund                                   | 8,834,246                    | -                        | -                               |
| Special revenue funds                          | -                            | 8,168,142                | 8,260,966                       |
| Debt service funds                             | -                            | -                        | -                               |
| Capital projects funds                         | -                            | -                        | -                               |
| Total unreserved                               | <u>11,817,191</u>            | <u>8,196,513</u>         | <u>8,260,966</u>                |
| Total fund balances (deficits)                 | <u>34,076,142</u>            | <u>10,641,169</u>        | <u>10,379,625</u>               |
| Total liabilities and fund balances (deficits) | <u>\$ 50,487,997</u>         | <u>\$ 24,935,785</u>     | <u>\$ 27,215,227</u>            |

See Accompanying Notes to Financial Statements.

| Debt Service                |                              | Capital Projects              |                                    | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------|------------------------------|-------------------------------|------------------------------------|-----------------------------------|--------------------------------|
| RDA<br>Debt Service<br>Fund | City<br>Debt Service<br>Fund | Development<br>Impact<br>Fund | Park<br>Acquisition<br>Development |                                   |                                |
| \$ 2,621,523                | \$ -                         | \$ 27,628,887                 | \$ 39,493,290                      | \$ 61,751,701                     | \$ 137,828,005                 |
| -                           | -                            | -                             | -                                  | 86,913                            | 1,032,932                      |
| 15,678                      | -                            | 513,060                       | 330,558                            | 1,644,048                         | 13,300,181                     |
| -                           | -                            | -                             | -                                  | 380,230                           | 1,371,476                      |
| -                           | -                            | 1,873,041                     | -                                  | 238,012                           | 28,898,779                     |
| -                           | -                            | -                             | -                                  | -                                 | 1,873,041                      |
| -                           | -                            | -                             | -                                  | 1,937,152                         | 5,760,060                      |
| -                           | -                            | -                             | -                                  | 417,460                           | 6,627,885                      |
| -                           | -                            | 865,217                       | -                                  | 4,493,789                         | 36,110,215                     |
| -                           | -                            | -                             | -                                  | 1,816                             | 68,353                         |
| 3,280,181                   | -                            | -                             | -                                  | 370,184                           | 14,430,641                     |
| -                           | -                            | -                             | -                                  | 14,167,711                        | 17,447,892                     |
| -                           | -                            | -                             | -                                  | 2,260,925                         | 2,260,925                      |
| <u>\$ 5,917,382</u>         | <u>\$ -</u>                  | <u>\$ 30,880,205</u>          | <u>\$ 39,823,848</u>               | <u>\$ 87,749,941</u>              | <u>\$ 267,010,385</u>          |
| \$ -                        | \$ -                         | \$ 324,639                    | \$ 242,264                         | \$ 8,371,007                      | \$ 15,790,185                  |
| -                           | -                            | -                             | -                                  | 1,938,242                         | 5,760,060                      |
| 35,244,998                  | 14,169,201                   | 936,807                       | -                                  | 499,499                           | 1,472,222                      |
| -                           | -                            | -                             | -                                  | -                                 | 49,414,199                     |
| -                           | -                            | 1,739,506                     | -                                  | 10,648,186                        | 10,651,949                     |
| <u>35,244,998</u>           | <u>14,169,201</u>            | <u>3,000,952</u>              | <u>242,264</u>                     | <u>1,282,178</u>                  | <u>39,849,985</u>              |
| -                           | -                            | -                             | -                                  | 22,739,112                        | 122,938,600                    |
| -                           | -                            | 592,137                       | 499,560                            | 3,189,894                         | 6,855,996                      |
| -                           | -                            | 865,217                       | -                                  | 3,854,328                         | 28,900,869                     |
| -                           | -                            | -                             | -                                  | 2,260,925                         | 2,260,925                      |
| -                           | -                            | -                             | -                                  | 10,480,056                        | 10,480,056                     |
| -                           | -                            | -                             | -                                  | -                                 | 66,537                         |
| -                           | -                            | <u>1,457,354</u>              | <u>499,560</u>                     | <u>19,785,203</u>                 | <u>48,564,383</u>              |
| -                           | -                            | 26,421,899                    | 39,012,124                         | 12,357,748                        | 77,791,771                     |
| -                           | -                            | -                             | -                                  | -                                 | 2,982,945                      |
| -                           | -                            | -                             | -                                  | 138,022                           | 166,393                        |
| -                           | -                            | -                             | 69,900                             | 202,555                           | 272,455                        |
| -                           | -                            | -                             | -                                  | -                                 | 8,834,246                      |
| (29,327,616)                | (14,169,201)                 | -                             | -                                  | 31,437,847                        | 47,866,955                     |
| -                           | -                            | -                             | -                                  | -                                 | (43,496,817)                   |
| -                           | -                            | -                             | -                                  | 1,089,454                         | 1,089,454                      |
| <u>(29,327,616)</u>         | <u>(14,169,201)</u>          | <u>26,421,899</u>             | <u>39,082,024</u>                  | <u>45,225,626</u>                 | <u>95,507,402</u>              |
| <u>(29,327,616)</u>         | <u>(14,169,201)</u>          | <u>27,879,253</u>             | <u>39,581,584</u>                  | <u>65,010,829</u>                 | <u>144,071,785</u>             |
| <u>\$ 5,917,382</u>         | <u>\$ -</u>                  | <u>\$ 30,880,205</u>          | <u>\$ 39,823,848</u>               | <u>\$ 87,749,941</u>              | <u>\$ 267,010,385</u>          |

**CITY OF CHULA VISTA**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2008**

|  |                      |                              |
|--|----------------------|------------------------------|
| Fund balance for governmental funds  |                      | \$ 144,071,785               |
| 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 in the amount of \$2,586,151 are included in the adjustment below.                     |                      |                              |
| Nondepreciable capital assets  | \$ 97,630,495        |                              |
| Depreciable capital assets   | <u>699,350,368</u>   | 796,980,863                  |
| 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.  |                      | 36,559,023                   |
| 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.   |                      | (2,905,417)                  |
| 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 in the amount of \$59,241 which is included below, were adjusted as follows: |                      |                              |
| Claims payable   | \$ (15,667,881)      |                              |
| Long-term liabilities - due within one year  | (12,923,796)         |                              |
| Long-term liabilities - due in more than one year  | <u>(190,371,305)</u> | (218,962,982)                |
| OPEB liability   |                      | (782,000)                    |
| Arbitrage liability  |                      | (79,392)                     |
| Other long-term assets which are not considered available to pay for current expenditures are not reported in the governmental funds.  |                      | 498,706                      |
| Net pension asset is not available to pay for current period expenditures and therefore is not recorded in the governmental funds.   |                      | 9,460,195                    |
| 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.                                 |                      | <u>3,887,169</u>             |
| Net assets of governmental activities  |                      | <u><u>\$ 768,727,950</u></u> |

See Accompanying Notes to Financial Statements.



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**CITY OF CHULA VISTA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

|  | <u>Special Revenue Funds</u> |                          |                                 |
|--|------------------------------|--------------------------|---------------------------------|
|  | <u>General<br/>Fund</u>      | <u>Sundry<br/>Grants</u> | <u>Redevelopment<br/>Agency</u> |
| <b>Revenues:</b>   |                              |                          |                                 |
| Taxes  | \$ 80,428,081                | \$ -                     | \$ 2,758,666                    |
| Intergovernmental  | 24,989,256                   | 10,402,911               | -                               |
| Licenses and permits   | 2,697,338                    | -                        | -                               |
| Developer fees   | -                            | -                        | -                               |
| Charge for services  | 14,471,074                   | -                        | 95,450                          |
| Fines and forfeitures  | 1,519,716                    | -                        | -                               |
| Use of money and property                                    | 2,912,583                    | 78,890                   | 514,700                         |
| Other  | 19,868,698                   | 37,770                   | 809,987                         |
| Total revenues   | <u>146,886,746</u>           | <u>10,519,571</u>        | <u>4,178,803</u>                |
| <b>Expenditures:</b>   |                              |                          |                                 |
| Current:   |                              |                          |                                 |
| General government   | 32,742,746                   | 2,484,902                | 6,422,066                       |
| Public safety  | 71,326,196                   | 3,018,696                | -                               |
| Public works   | 32,584,177                   | 997,970                  | -                               |
| Parks and recreation   | 6,843,070                    | 2,100                    | -                               |
| Library  | 8,224,897                    | -                        | -                               |
| Capital outlay   | 920,699                      | 3,360,241                | -                               |
| Debt service:  |                              |                          |                                 |
| Principal  | 22,636                       | -                        | -                               |
| Interest and fiscal charges                                  | 139,060                      | -                        | -                               |
| Bond issuance cost   | -                            | 34,485                   | -                               |
| Total expenditures   | <u>152,803,481</u>           | <u>9,898,394</u>         | <u>6,422,066</u>                |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(5,916,735)</u>           | <u>621,177</u>           | <u>(2,243,263)</u>              |
| <b>Other financing sources (uses):</b>                       |                              |                          |                                 |
| Issuance of debt   | 764,224                      | 9,500,000                | -                               |
| Transfers in   | 9,736,285                    | 13,671                   | -                               |
| Transfers out  | (6,009,889)                  | (170,100)                | (1,733)                         |
| Total other financing<br>sources (uses)                      | <u>4,490,620</u>             | <u>9,343,571</u>         | <u>(1,733)</u>                  |
| Net change in fund balances                                  | <u>(1,426,115)</u>           | <u>9,964,748</u>         | <u>(2,244,996)</u>              |
| Fund balances (deficits), beginning of year, as restated     | 35,502,257                   | 676,421                  | 12,624,621                      |
| Fund balances (deficits), end of year                        | <u>\$ 34,076,142</u>         | <u>\$ 10,641,169</u>     | <u>\$ 10,379,625</u>            |

See Accompanying Notes to Financial Statements.

| Debt Service                |                              | Capital Projects              |                                    | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------|------------------------------|-------------------------------|------------------------------------|-----------------------------------|--------------------------------|
| RDA<br>Debt Service<br>Fund | City<br>Debt Service<br>Fund | Development<br>Impact<br>Fund | Park<br>Acquisition<br>Development |                                   |                                |
| \$ 3,318,078                | \$ -                         | \$ -                          | \$ -                               | \$ 17,038,910                     | \$ 103,543,735                 |
| -                           | -                            | -                             | -                                  | 8,570,668                         | 43,962,835                     |
| -                           | -                            | -                             | -                                  | 70,512                            | 2,767,850                      |
| -                           | -                            | 3,604,469                     | 1,468,781                          | 12,244,884                        | 17,318,134                     |
| -                           | -                            | -                             | -                                  | 1,113,229                         | 15,679,753                     |
| -                           | -                            | -                             | -                                  | 1,151,829                         | 2,671,545                      |
| 269,203                     | -                            | 1,620,350                     | 1,919,280                          | 3,575,126                         | 10,890,132                     |
| 7,664                       | -                            | 1,337,031                     | -                                  | 8,365,969                         | 30,427,119                     |
| <u>3,594,945</u>            | <u>-</u>                     | <u>6,561,850</u>              | <u>3,388,061</u>                   | <u>52,131,127</u>                 | <u>227,261,103</u>             |
| 10,790                      | -                            | 215,165                       | -                                  | 7,721,214                         | 49,596,883                     |
| -                           | -                            | 33,848                        | -                                  | 402,315                           | 74,781,055                     |
| -                           | -                            | 3,708,584                     | -                                  | 20,498,572                        | 57,789,303                     |
| -                           | -                            | -                             | 7,500                              | 16,419                            | 6,869,089                      |
| -                           | -                            | -                             | -                                  | -                                 | 8,224,897                      |
| -                           | -                            | 10,018,569                    | 685,802                            | 14,539,875                        | 29,525,186                     |
| 1,240,000                   | -                            | -                             | -                                  | 6,621,857                         | 7,884,493                      |
| 3,437,806                   | 634,012                      | -                             | -                                  | 8,014,095                         | 12,224,973                     |
| -                           | -                            | -                             | -                                  | -                                 | 34,485                         |
| <u>4,688,596</u>            | <u>634,012</u>               | <u>13,976,166</u>             | <u>693,302</u>                     | <u>57,814,347</u>                 | <u>246,930,364</u>             |
| <u>(1,093,651)</u>          | <u>(634,012)</u>             | <u>(7,414,316)</u>            | <u>2,694,759</u>                   | <u>(5,683,220)</u>                | <u>(19,669,261)</u>            |
| -                           | -                            | -                             | -                                  | -                                 | 10,264,224                     |
| 1,492,586                   | 1,142,538                    | -                             | -                                  | 13,719,834                        | 26,104,914                     |
| -                           | -                            | (4,754,201)                   | -                                  | (9,464,914)                       | (20,400,837)                   |
| <u>1,492,586</u>            | <u>1,142,538</u>             | <u>(4,754,201)</u>            | <u>-</u>                           | <u>4,254,920</u>                  | <u>15,968,301</u>              |
| 398,935                     | 508,526                      | (12,168,517)                  | 2,694,759                          | (1,428,300)                       | (3,700,960)                    |
| <u>(29,726,551)</u>         | <u>(14,677,727)</u>          | <u>40,047,770</u>             | <u>36,886,825</u>                  | <u>66,439,129</u>                 | <u>147,772,745</u>             |
| <u>\$ (29,327,616)</u>      | <u>\$ (14,169,201)</u>       | <u>\$ 27,879,253</u>          | <u>\$ 39,581,584</u>               | <u>\$ 65,010,829</u>              | <u>\$ 144,071,785</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, 2008**

Net change in fund balance - total governmental funds: \$ (3,700,960)

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. 6,666,788

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                | \$ | 17,714,432          |            |
| Loss on sale of capital asset |    | (254,756)           |            |
| Contributed capital           |    | 44,906,507          |            |
| Depreciation                  |    | <u>(22,298,804)</u> | 40,067,379 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

|   |    |                  |             |
|---|----|------------------|-------------|
| Changes in claims payable                   | \$ | (1,788,292)      |             |
| Proceeds from long-term debt                |    | (10,264,224)     |             |
| Long-term debt repayments                   |    | 7,884,493        |             |
| Arbitrage liability                         |    | 68,532           |             |
| Current year bond issuance cost             |    | 34,485           |             |
| Amortization of bond premiums and discounts |    | (22,909)         |             |
| Amortization expense on bond issuance cost  |    | (26,248)         |             |
| Changes in compensated absences             |    | 132,798          |             |
| OPEB liability                              |    | <u>(782,000)</u> | (4,763,365) |

Net pension obligation is not due and payable in the current period and therefore is not reported in the governmental funds. (1,539,004)

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 an expenditure in governmental funds. The following amount represents the change in accrued interest from prior year. 156,600

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. (1,007,703)

Change in net assets of governmental activities \$ 35,879,735

See Accompanying Notes to Financial Statements.

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**CITY OF CHULA VISTA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2008**

|   | <u>Enterprise Funds</u> |                         | <u>Total</u>          | <u>Governmental</u>  |
|---|-------------------------|-------------------------|-----------------------|----------------------|
|   | <u>Sewer</u>            | <u>Nonmajor</u>         |                       | <u>Internal</u>      |
|   | <u>Fund</u>             | <u>Enterprise Funds</u> |                       | <u>Service Funds</u> |
| <b>Assets:</b>                              |                         |                         |                       |                      |
| Current assets:                             |                         |                         |                       |                      |
| Cash and investments                        | \$ 28,720,505           | \$ 12,710,951           | \$ 41,431,456         | \$ 1,719,315         |
| Receivables:                                |                         |                         |                       |                      |
| Accounts                                    | 4,286,677               | -                       | 4,286,677             | -                    |
| Interest                                    | 248,692                 | 112,397                 | 361,089               | 17,615               |
| Other                                       | -                       | 125,634                 | 125,634               | 39,393               |
| Advances to other funds                     | 17,154,645              | -                       | 17,154,645            | -                    |
| Total current assets                        | <u>50,410,519</u>       | <u>12,948,982</u>       | <u>63,359,501</u>     | <u>1,776,323</u>     |
| Noncurrent assets:                          |                         |                         |                       |                      |
| Capital assets, net                         | <u>142,850,215</u>      | <u>7,153,955</u>        | <u>150,004,170</u>    | <u>2,586,151</u>     |
| Total assets                                | <u>193,260,734</u>      | <u>20,102,937</u>       | <u>213,363,671</u>    | <u>4,362,474</u>     |
| <b>Liabilities and net assets:</b>          |                         |                         |                       |                      |
| Current liabilities:                        |                         |                         |                       |                      |
| Accounts payable<br>and accrued liabilities | 325,349                 | 32,355                  | 357,704               | 416,064              |
| Advances from other funds                   | -                       | 3,850,661               | 3,850,661             | -                    |
| Unearned revenue                            | -                       | 3,856,148               | 3,856,148             | -                    |
| Noncurrent liability:                       |                         |                         |                       |                      |
| Compensated absences                        | -                       | -                       | -                     | 59,241               |
| Total current liabilities                   | <u>325,349</u>          | <u>7,739,164</u>        | <u>8,064,513</u>      | <u>475,305</u>       |
| Net assets:                                 |                         |                         |                       |                      |
| Invested in capital assets                  | 142,850,215             | 7,153,955               | 150,004,170           | 2,586,151            |
| Unrestricted                                | <u>50,085,170</u>       | <u>5,209,818</u>        | <u>55,294,988</u>     | <u>1,301,018</u>     |
| Total net assets                            | <u>\$ 192,935,385</u>   | <u>\$ 12,363,773</u>    | <u>\$ 205,299,158</u> | <u>\$ 3,887,169</u>  |

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, 2008**

|  | <u>Enterprise Funds</u> |                                      |                       | <b>Governmental<br/>Activities<br/>Internal<br/>Service Funds</b> |
|--|-------------------------|--------------------------------------|-----------------------|---|
|  | <u>Sewer<br/>Fund</u>   | <u>Nonmajor<br/>Enterprise Funds</u> | <u>Total</u>          |   |
| <b>Operating revenues:</b>                 |                         |                                      |                       |   |
| Charges for services                       | \$ 29,138,449           | \$ 2,199,957                         | \$ 31,338,406         | \$ 4,688,050  |
| Other                                      | 354,111                 | 316,059                              | 670,170               | 25,212  |
| Total operating revenues                   | <u>29,492,560</u>       | <u>2,516,016</u>                     | <u>32,008,576</u>     | <u>4,713,262</u>  |
| <b>Operating expenses:</b>                 |                         |                                      |                       |   |
| Operations and administration              | 22,611,842              | 7,556,538                            | 30,168,380            | 4,753,861   |
| Maintenance                                | 2,743,187               | 121,730                              | 2,864,917             | -   |
| Depreciation                               | 4,967,986               | 924,719                              | 5,892,705             | 1,015,242   |
| Total operating expenses                   | <u>30,323,015</u>       | <u>8,602,987</u>                     | <u>38,926,002</u>     | <u>5,769,103</u>  |
| Operating (loss)                           | <u>(830,455)</u>        | <u>(6,086,971)</u>                   | <u>(6,917,426)</u>    | <u>(1,055,841)</u>  |
| <b>Nonoperating revenues (expenses):</b>   |                         |                                      |                       |   |
| Intergovernmental                          | -                       | 5,378,518                            | 5,378,518             | -   |
| Interest income                            | 6,090,269               | 649,886                              | 6,740,155             | 96,794  |
| Interest expense                           | -                       | (62,927)                             | (62,927)              | -   |
| Gain on disposal of capital assets         | -                       | -                                    | -                     | 60,885  |
| Total nonoperating revenues, net           | <u>6,090,269</u>        | <u>5,965,477</u>                     | <u>12,055,746</u>     | <u>157,679</u>  |
| Income (loss) before transfers             | 5,259,814               | (121,494)                            | 5,138,320             | (898,162)   |
| Transfers out                              | <u>(4,581,043)</u>      | <u>(1,013,493)</u>                   | <u>(5,594,536)</u>    | <u>(109,541)</u>  |
| Total other financing (uses)               | (4,581,043)             | (1,013,493)                          | (5,594,536)           | (109,541)   |
| Changes in net assets                      | 678,771                 | (1,134,987)                          | (456,216)             | (1,007,703)   |
| Net assets, beginning of year, as restated | <u>192,256,614</u>      | <u>13,498,760</u>                    | <u>205,755,374</u>    | <u>4,894,872</u>  |
| Net assets, end of year                    | <u>\$ 192,935,385</u>   | <u>\$ 12,363,773</u>                 | <u>\$ 205,299,158</u> | <u>\$ 3,887,169</u>   |

See Accompanying Notes to Financial Statements.

**CITY OF CHULA VISTA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2008**

|   | <u>Enterprise Funds</u>     |  |                      | <b>Governmental</b>                     |
|---|-----------------------------|--|----------------------|---|
|   | <u>Sewer</u><br><u>Fund</u> | <u>Nonmajor</u><br><u>Enterprise Funds</u> | <u>Total</u>         | <u>Internal</u><br><u>Service Funds</u> |
| <b>Cash flows from operating activities:</b>                            |                             |  |                      |   |
| Cash received from customers  | \$ 28,413,119               | \$ 2,162,860                               | \$ 30,575,979        | \$ -                                    |
| Cash received from other funds  | -                           | -  | -                    | 4,656,267                               |
| Cash payments to suppliers<br>for goods and services                    | (21,547,181)                | (7,853,632)                                | (29,400,813)         | (3,400,102)                             |
| Cash payments to employee for services                                  | (3,512,917)                 | (21,770)                                   | (3,534,687)          | (1,372,446)                             |
| Other revenue   | 354,111                     | 316,059                                    | 670,170              | 25,212                                  |
| Net cash provided (used)<br>by operating activities                     | <u>3,707,132</u>            | <u>(5,396,483)</u>                         | <u>(1,689,351)</u>   | <u>(91,069)</u>                         |
| <b>Cash flows from capital<br/>and related financing activities:</b>    |                             |  |                      |   |
| Received from other funds   | 8,937                       | -  | 8,937                | -                                       |
| Acquisition of capital assets   | -                           | (81,051)                                   | (81,051)             | (1,605,276)                             |
| Proceeds received from sale of capital assets                           | -                           | -  | -                    | 101,674                                 |
| Net cash provided (used) by capital<br>and related financing activities | <u>8,937</u>                | <u>(81,051)</u>                            | <u>(72,114)</u>      | <u>(1,503,602)</u>                      |
| <b>Cash flows from noncapital financing activities:</b>                 |                             |  |                      |   |
| Intergovernmental   | -                           | 6,875,023                                  | 6,875,023            | 34,145                                  |
| Transfers in  | 174,258                     | -  | 174,258              | -                                       |
| Transfers out   | (4,755,301)                 | (1,013,493)                                | (5,768,794)          | (109,541)                               |
| Net cash provided (used)<br>by noncapital financing activities          | <u>(4,581,043)</u>          | <u>5,861,530</u>                           | <u>1,280,487</u>     | <u>(75,396)</u>                         |
| <b>Cash flows from investing activities:</b>                            |                             |  |                      |   |
| Interest revenue  | <u>2,508,456</u>            | <u>667,544</u>                             | <u>3,176,000</u>     | <u>107,280</u>                          |
| Net increase (decrease)<br>in cash and cash equivalents                 | 1,643,482                   | 1,051,540                                  | 2,695,022            | (1,562,787)                             |
| Cash and cash equivalents, beginning of year                            | <u>27,077,023</u>           | <u>11,659,411</u>                          | <u>38,736,434</u>    | <u>3,282,102</u>                        |
| Cash and cash equivalents, end of year                                  | <u>\$ 28,720,505</u>        | <u>\$ 12,710,951</u>                       | <u>\$ 41,431,456</u> | <u>\$ 1,719,315</u>                     |

(Continued)



**CITY OF CHULA VISTA**  
**Statement of Cash Flows**  
**Proprietary Funds (Continued)**  
**For the Year Ended June 30, 2008**

|  | <u>Enterprise Funds</u> |                                      |                       | <b>Governmental<br/>Activities<br/>Internal<br/>Service Funds</b> |
|--|-------------------------|--------------------------------------|-----------------------|---|
|  | <u>Sewer<br/>Fund</u>   | <u>Nonmajor<br/>Enterprise funds</u> | <u>Total</u>          |   |
| <b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b> |                         |                                      |                       |   |
| Operating loss   | \$ (830,455)            | \$ (6,086,971)                       | \$ (6,917,426)        | \$ (1,055,841)  |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: |                         |                                      |                       |   |
| Depreciation   | 4,967,986               | 924,719                              | 5,892,705             | 1,015,242   |
| (Increase) in accounts receivables   | (725,330)               | (37,097)                             | (762,427)             | -   |
| (Increase) in other receivables  | -                       | -                                    | -                     | (31,783)  |
| Decrease in inventories  | -                       | -                                    | -                     | 20,669  |
| Increase (decrease) in accounts payable and accrued liabilities                              | 294,931                 | (197,134)                            | 97,797                | (15,845)  |
| (Decrease) in compensated absences   | -                       | -                                    | -                     | (23,511)  |
| Total adjustments  | <u>4,537,587</u>        | <u>690,488</u>                       | <u>5,228,075</u>      | <u>964,772</u>  |
| Net cash provided (used) by operating activities   | <u>\$ 3,707,132</u>     | <u>\$ (5,396,483)</u>                | <u>\$ (1,689,351)</u> | <u>\$ (91,069)</u>  |
| <b>Noncash investing, capital activities:</b>  |                         |                                      |                       |   |
| Contributions of capital assets from developers  | \$ 9,154,921            | \$ -                                 | \$ 9,154,921          | \$ -  |

See Accompanying Notes to Financial Statements.

**CITY OF CHULA VISTA**  
**Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2008**

|  |                              |
|--|------------------------------|
| <b>Assets:</b>   |                              |
| Cash and investments                                     | \$ 7,446,279                 |
| Restricted cash and investments<br>held by fiscal agents | <u>156,534,018</u>           |
| Total assets   | <u><u>\$ 163,980,297</u></u> |
| <br><b>Liabilities:</b>                                  |                              |
| Due to bondholders                                       | <u><u>\$ 163,980,297</u></u> |

See Accompanying Notes to Financial Statements.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements**  
**June 30, 2008**

**(1) 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 generally are legally separate entities for which a primary government is financially accountable.

Redevelopment Agency of the City of Chula Vista – The Agency 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. The financial statements of the Agency can be obtained at the Finance Department.

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 Development Authority. The City does not produce separate financial statements for the Development Authority.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

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. The City does not produce separate financial statements for the Authority.

**(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. 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**(c) 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. Agency funds report only assets and liabilities and therefore, do not have a measurement focus.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

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 City 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. All other revenue such as grants and similar items are considered to be measurable and available only when cash is received by the City.

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.

Sundry Grants Special Revenue Fund - 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.

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

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.

Park Acquisition Development Capital Projects Fund -- This fund is a depository for fees collected from property developers for the purpose of providing park and recreational facilities directly benefiting and serving residents of the regulated subdivision being developed. This in-lieu fee was

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

adopted by the City to acquire neighborhood and Community Parkland and to construct parks and recreational facilities.

Additionally the City reports the following fund types:

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 – 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.

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.

Enterprise Funds – are used to account for the operations, maintenance and development of transit related projects.

Internal Service Funds – are used to finance and account for special activities and services performed by a designated City department for other departments. Costs accumulated in these funds and charged to the user departments on an estimated cost-reimbursement basis or through transfers.

The City reports the following major proprietary funds:

Sewer Enterprise 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.

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.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

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.

***Fiduciary Funds***

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

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 based on quoted market prices or the best available estimate thereof, except for certain investments which have a remaining life of less than one year when purchased and investment contracts which are stated at amortized cost. Investment contracts are non-marketable interest bearing agreements with or guaranteed by certain financial institutions. The agreements provide for a guaranteed return on principal over a specified period. 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.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

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. *Interfund 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).

**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 and in the proprietary fund 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 |



**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

**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, 2008 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.

**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, 2008 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 for unsecured<br>October 1 for secured                                       |
| Due Date:        | November 1 – 1 <sup>st</sup> Installment<br>March 1 – 2 <sup>nd</sup> Installment   |
| Delinquent Date: | December 10 – 1 <sup>st</sup> Installment<br>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 |

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

**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 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.

**(2) 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 up to \$15,000 within a departmental budget. Any appropriation transfers between departments or greater than \$15,000 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,

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

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, 2008 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 repayment of advances.

The RDA Debt Service Fund has a deficit fund balance of \$29,327,616. The City Debt Service Fund has a deficit fund balance of \$14,169,201.

**(c) Excess of Expenditures Over Appropriations**

The Public Financing Authority – Debt Service Fund exceeded appropriations by \$918,972 mainly because expenditures were not specifically budgeted to set up a Bond Surety Escrow Account for future liabilities of existing or potential debt in the 2002 COP Police Facility Project Fund.

The Traffic Safety Special Revenue Fund exceeded appropriations by \$2,614 because the purchase of emergency communication equipment was not originally appropriated for.

**(3) Detailed Notes on All Funds**

**(a) Cash and Investments**

At June 30, 2008, cash and investments are classified in the accompanying financial statements as follows:

**Statement of net assets:**

|                                 |                |
|---------------------------------|----------------|
| Cash and investments:           | \$ 180,978,776 |
| Restricted cash and investments |                |
| Held by City                    | 14,430,641     |
| Held by fiscal agents           | 17,447,892     |

**Fiduciary funds:**

|  |                       |
|--|-----------------------|
| Cash and investments                       | 7,446,279             |
| Cash and investments held by fiscal agents | 156,534,018           |
|  | <hr/>                 |
| Total cash and investments                 | <u>\$ 376,837,606</u> |

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

Cash and investments as of June 30, 2008 consist of the following:

|  |                       |
|--|-----------------------|
| Petty cash   | \$ 4,800              |
| Deposits with financial institutions               | 39,436,073            |
| Investments  | 180,862,715           |
| Investments held by bond trustee (fiduciary funds) | <u>156,534,018</u>    |
| Total cash and investments                         | <u>\$ 376,837,606</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, 2008**

***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 (FICO)                                       | None                    | None                                    | None                                    |
| Resolution Funding Corporation                                     | None                    | None                                    | None                                    |
| Certificates of Deposit, Time Deposits<br>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                                    |

***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, 2008**

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:

| <u>Investment Type</u>                  | <u>Remaining Maturity (in Months)</u> |                            |                            |
|---|---------------------------------------|----------------------------|----------------------------|
|   | <u>12 Months<br/>or Less</u>          | <u>13 to 24<br/>Months</u> | <u>25 to 60<br/>Months</u> |
| LAIF                                    | \$ 53,128,092                         | \$ 53,128,092              | \$ -                       |
| Federal Home Loan Bank                  | 42,471,344                            | -                          | 2,010,000                  |
| Federal National Mortgage Association   | 32,055,335                            | -                          | 11,022,310                 |
| Federal Home Loan Mortgage Corporation  | 43,148,882                            | -                          | 6,073,127                  |
| Federal Farm Credit Bank                | 10,059,062                            | -                          | 10,059,062                 |
| Held by bond trustee (Fiduciary Funds): |                                       |                            |                            |
| US Treasury                             | 74,326,582                            | 10,091,203                 | 32,590,486                 |
| LAIF                                    | 13,245,218                            | 13,245,218                 | -                          |
| Investment agreements                   | 8,065,150                             | -                          | 8,065,150                  |
| Money market mutual funds               | 60,897,068                            | 60,897,068                 | -                          |
| Total                                   | <u>\$ 337,396,733</u>                 | <u>\$ 137,361,581</u>      | <u>\$ 51,695,923</u>       |
|   |                                       | <u>\$ 148,339,229</u>      |                            |

***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:

| <u>Investment Type</u>                  | <u>Minimum<br/>Rating</u> | <u>Not<br/>Rated</u>  | <u>Rating as<br/>of Year End<br/>AAA/AAA</u> |
|---|---------------------------|-----------------------|--|
| Federal agency securities               | \$ 127,734,623            | \$ -                  | \$ 127,734,623                               |
| Local agency investment fund            | 53,128,092                | 53,128,092            | -  |
| Held by bond trustee (fiduciary funds): |                           |                       |  |
| USG (US Treasury notes)                 | 74,326,582                | 74,326,582            | -  |
| Local agency investment fund            | 13,245,218                | 13,245,218            | -  |
| Investment agreements                   | 8,065,150                 | 8,065,150             | -  |
| Money market mutual funds               | 60,897,068                | -                     | 60,897,068                                   |
|   | <u>\$ 337,396,733</u>     | <u>\$ 148,765,042</u> | <u>\$ 188,631,691</u>                        |

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

***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:

| <u>Issuer</u>                         | <u>Investment Type</u>    | <u>Reported Amount</u> |
|---------------------------------------|---------------------------|------------------------|
| Federal National Mortgage Association | Federal agency securities | \$ 32,055,335          |
| Federal Home Loan Bank                | Federal agency securities | 42,471,344             |
| Federal Home Loan Mortgage Corp       | Federal agency securities | 43,148,882             |
| Federal Farm Credit Bank              | Federal agency securities | 10,059,062             |

***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, 2008, \$21,267,730 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 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.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

LAIF management has indicated that as of June 30, 2008 the amortized cost and the estimated fair value of the pool was \$70 billion. Included in the LAIF's investment portfolio are certain derivatives securities or similar products in the form of structured notes, totaling \$6.1 billion, and asset backed securities totaling \$4.2 billion for June 30, 2008.

**(b) Loans Receivable**

At June 30, 2008, the City had the following loans receivable, including principal and accrued interest:

|   |                      |
|---|----------------------|
| South Bay Community Services                                | \$ 5,087,468         |
| Heritage (South Bay Community Villas, L.P.)                 | 5,265,710            |
| Boys and Girls Club Construction Loan                       | 131,250              |
| Rancho Buena Vista Housing (Chelsea Investment Corp)        | 1,673,219            |
| St. Regis Park (Chelsa Investment Corp)                     | 2,054,879            |
| Chula Vista Rehabilitation CHIP Loan                        | 2,432,437            |
| Park Village Apts (Civic Center Barrio Housing Corporation) | 225,928              |
| Mobile Home Assistance Program                              | 55,952               |
| Main Plaza (Alpha III Development Inc.)                     | 1,974,814            |
| Seniors on Broadway (MAAC Project)                          | 3,737,636            |
| Lake Vecinos (Wakeland Housing and Development Corp)        | 5,229,964            |
| The Landings (Chelsa Investment Corp)                       | 992,522              |
| First Time Home Buyers Program                              | 37,000               |
|   | <hr/>                |
| Total   | <u>\$ 28,898,779</u> |

***South Bay Community Services***

The City and Redevelopment 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 \$1,577,384 and outstanding principal have been deferred at June 30, 2008. The outstanding balance at June 30, 2008 is \$5,087,468.

***Heritage (South Bay Community Villas, L.P.)***

The Agency 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. The Redevelopment Agency (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 the net cash flow of the



**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

project (residual receipts) after debt service on bonds, payment of deferred developers fee, and reasonable operating expenses have been paid. Interest of \$865,710 and outstanding principal have been deferred at June 30, 2008. The outstanding balance of the loan as of June 30, 2008 was \$5,265,710.

***Boys and Girls 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, 2008 was \$131,250.

***Rancho Buena Vista Housing (Chelsa Investment Corporation)***

The City and Agency have loaned \$1,500,000 to CIC Eastlake, L.P. for the development and operation of Rancho Buena Vista Housing project, a multifamily affordable housing project. The loan is 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 \$173,219 and outstanding principal have been deferred at June 30, 2008. The outstanding balance of the loan as of June 30, 2008 was \$1,673,219.

***St. Regis Park (Chelsa Investment Corporation)***

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 \$667,727 and outstanding principal have been deferred at June 30, 2008. The outstanding balance of the loan as of June 30, 2008 was \$2,054,879.

***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 funded with Community Development Block Grant Federal RDA Housing and Home funds. In recent years, the Agency began supplementing the program due to decreased availability of federal grants. Interest of \$192,150 was deferred as of June 30, 2008. The outstanding balance of the CHIP loans as of June 30, 2008 was \$2,432,437.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

***Park Village Apartments (Civic Center Barrio Housing Corporation)***

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, 2008 was \$225,928.

***Mobile Home Assistance Programs***

The Agency and City 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, 2008 was \$55,952.

***Main Plaza (Alpha III Development Inc)***

The Agency entered into a loan agreement with Main Plaza, LP (Borrower) to assist the borrower in constructing 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 \$174,814 and outstanding principal have been deferred at June 30, 2008. The outstanding balance of the loan as of June 30, 2008 was \$1,974,814.

***Seniors on Broadway (MAAC Project)***

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 \$226,442 and outstanding principal have been deferred at June 30, 2008. The outstanding balance of the loan as of June 30, 2008 was \$3,737,636.

***Los Vecinos (Wakeland Housing and Development Corporation)***

The Agency entered into a loan agreement with Wakeland Housing and Development Corporation to assist the borrower in constructing 41 affordable multifamily apartment units for occupancy by extremely low, very low and lower income households. The loan was funded by the Agency's Low and Moderate Income Housing Fund. The loan bears an interest rate of 5% per annum. Principal and interest payments will be made on an annual basis out of a fund equal to 50% of the "Residual

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

Receipts” for years 1-30, 75% of the “Residual Receipts” for years 31-54, until 55 years from the date the Improvement are Placed in Service, at which time all principal and unpaid interest shall be due and payable. Interest of \$97,964 and outstanding principal have been deferred at June 30, 2008. The outstanding balance as of June 30, 2008 is \$5,229,964.

***The Landings (Chelsa Investment Corporation)***

The Agency entered into a loan agreement with CIC Landings, L.P. to assist the borrower in constructing 92 affordable multifamily apartment units for occupancy by extremely low, very low and lower income households. The loan bears an interest rate of 3% per annum. The loan shall be due and payable each and every year commencing with the first anniversary of the issuance of the Certificate of Completion by the City in an amount equal to 50% of the residual receipts. Interest of \$2,522 and outstanding principal have been deferred at June 30, 2008. The outstanding balance of the loan as of June 30, 2008 was \$992,522.

***First Time Home Buyers Program***

Other loans receivable amount to \$37,000 and are loans to recipients for down payment assistance through 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:***

| <u>Receivable Fund</u>      | <u>Payable Fund</u>        |                             |                                    | <u>Total</u>               |
|-----------------------------|----------------------------|-----------------------------|------------------------------------|----------------------------|
|                             | <u>Sundry Grants</u>       | <u>Redevelopment Agency</u> | <u>Nonmajor Governmental Funds</u> |                            |
| General Fund                | \$ 367,110                 | \$ -                        | \$ 1,090                           | \$ 368,200                 |
| Sundry Grants               | 1,264,995                  | -                           | -                                  | 1,264,995                  |
| Redevelopment Agency        | 2,085,274                  | 104,439                     | -                                  | 2,189,713                  |
| Nonmajor Governmental Funds | -                          | -                           | 1,937,152                          | 1,937,152                  |
| <b>Total</b>                | <b><u>\$ 3,717,379</u></b> | <b><u>\$ 104,439</u></b>    | <b><u>\$ 1,938,242</u></b>         | <b><u>\$ 5,760,060</u></b> |

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, 2008**

***Long-term Advances:***

As of June 30, 2008, balances were as follows:

| <u>Advances To</u>     | <u>Advances From</u> |                                |                                    |                               | <u>Total</u>         |
|------------------------|----------------------|--------------------------------|------------------------------------|-------------------------------|----------------------|
|                        | <u>General Fund</u>  | <u>Development Impact Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Sewer Enterprise Funds</u> |                      |
| RDA Debt Service Fund  | \$ 30,751,209        | \$ -                           | \$ 4,493,789                       | \$ -                          | \$ 35,244,998        |
| City Debt Service Fund | -                    | 865,217                        | -                                  | 13,303,984                    | 14,169,201           |
| Total                  | <u>\$ 30,751,209</u> | <u>\$ 865,217</u>              | <u>\$ 4,493,789</u>                | <u>\$ 13,303,984</u>          | <u>\$ 49,414,199</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, 2008, is \$26,303,018.

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, 2008, is \$4,448,191.

The Redevelopment Capital Projects Funds advanced funds to the Redevelopment Agency Debt Service Fund for capital improvement projects and operating expenses. The terms of the advances are indefinite. The balance was \$4,493,789 at June 30, 2008.

The City Council authorized interfund advances from the Sewer DIFS to the General fund for \$865,217 for the animal shelter project. The loan is due and payable in 20 years with an annual payment of \$107,517 commencing on March 2001. The City also authorized loans with indefinite terms from funds in the amount of \$13,303,984.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

***Interfund Transfers***

Transfers for the year ended June 30, 2008 were as follows:

| <b>Transfers In</b>                | <b>Transfers Out</b> |  |                              |                             |                                    |                               |                                  |                               | <b>Total</b>         |
|------------------------------------|----------------------|--|------------------------------|-----------------------------|------------------------------------|-------------------------------|----------------------------------|-------------------------------|----------------------|
|                                    | <b>General Fund</b>  | <b>Development Impact Capital Projects Funds</b> | <b>Special Revenue Funds</b> |                             | <b>Nonmajor Governmental Funds</b> | <b>Sewer Enterprise Funds</b> | <b>Nonmajor Enterprise Funds</b> | <b>Internal Service Funds</b> |                      |
|                                    |                      |  | <b>Sundry Grants</b>         | <b>Redevelopment Agency</b> |                                    |                               |                                  |                               |                      |
| General Fund                       | \$ -                 | \$ -   | \$ 31,110                    | \$ -                        | \$ 5,041,730                       | \$ 4,560,008                  | \$ -                             | \$ 103,437                    | \$ 9,736,285         |
| RDA Debt Service Fund              | -                    | -  | -                            | -                           | 1,492,586                          | -                             | -                                | -                             | 1,492,586            |
| City Debt Service Fund             | -                    | -  | -                            | -                           | 1,142,538                          | -                             | -                                | -                             | 1,142,538            |
| Sundry Grants Special Revenue Fund | 13,671               | -  | -                            | -                           | -                                  | -                             | -                                | -                             | 13,671               |
| Nonmajor Governmental Funds        | 5,996,218            | 4,754,201  | 138,990                      | 1,733                       | 1,788,060                          | 21,035                        | 1,013,493                        | 6,104                         | 13,719,834           |
| <b>Total</b>                       | <b>\$ 6,009,889</b>  | <b>\$ 4,754,201</b>                              | <b>\$ 170,100</b>            | <b>\$ 1,733</b>             | <b>\$ 9,464,914</b>                | <b>\$ 4,581,043</b>           | <b>\$ 1,013,493</b>              | <b>\$ 109,541</b>             | <b>\$ 26,104,914</b> |

General Fund – Operating support to reimburse the general fund for City Staff services and equipment. Total amount of reimbursement was \$9,736,285.

RDA Debt Service Fund – Funding the debt service funds for repayment of various long-term obligations amounted to \$1,492,586.

City Debt Service Fund –Funding debt service funds for repayment of various long-term obligations amounted to \$1,142,538.

Redevelopment Agency Special Revenue Fund – Funding debt service funds for repayment of long-term obligations amounted to \$13,671.

Nonmajor Governmental Funds – Funding debt service funds for repayment of various long-term obligations and to fund various capital improvement projects amounted to \$13,719,834.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

**(d) Capital Assets**

A summary of changes in Governmental Activities capital assets at June 30, 2008 is as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Transfers/<sup>(1)</sup><br/>Adjustments</u> | <u>Additions</u>     | <u>Retirements</u>  | <u>Ending<br/>Balance</u> |
|---|------------------------------|---|----------------------|---------------------|---------------------------|
| <b>Governmental activities:</b>             |                              |   |                      |                     |                           |
| Capital assets, not being depreciated:      |                              |   |                      |                     |                           |
| Land  | \$ 81,190,484                | \$ -  | \$ -                 | \$ (30,056)         | \$ 81,160,428             |
| Construction in progress                    | 37,051,587                   | (33,199,903)                                    | 12,618,383           | -                   | 16,470,067                |
|   | <u>118,242,071</u>           | <u>(33,199,903)</u>                             | <u>12,618,383</u>    | <u>(30,056)</u>     | <u>97,630,495</u>         |
| Total capital assets, not being depreciated |                              |   |                      |                     |                           |
| Capital assets being depreciated:           |                              |   |                      |                     |                           |
| Buildings                                   | 179,104,788                  | -   | 21,235,760           | (221,908)           | 200,118,640               |
| Improvements other than buildings           | 102,302,296                  | -   | 11,964,143           | -                   | 114,266,439               |
| Machinery and Equipment                     | 35,541,391                   | (2,462,843)                                     | 3,231,413            | (917,161)           | 35,392,800                |
| Infrastructure                              | 745,175,501                  | (205,996,105)                                   | 50,186,990           | -                   | 589,366,386               |
|   | <u>1,062,123,976</u>         | <u>(208,458,948)</u>                            | <u>86,618,306</u>    | <u>(1,139,069)</u>  | <u>939,144,265</u>        |
| Total capital assets, being depreciated     |                              |   |                      |                     |                           |
| <b>Less accumulated depreciation:</b>       |                              |   |                      |                     |                           |
| Buildings                                   | (24,099,444)                 | -   | (3,581,349)          | 17,753              | (27,663,040)              |
| Improvements other than buildings           | (26,672,710)                 | -   | (2,054,780)          | -                   | (28,727,490)              |
| Machinery and Equipment                     | (28,449,727)                 | 1,895,634                                       | (2,698,660)          | 866,560             | (28,386,193)              |
| Infrastructure                              | (203,011,800)                | 65,560,034                                      | (14,979,257)         | -                   | (152,431,023)             |
|   | <u>(282,233,681)</u>         | <u>67,455,668</u>                               | <u>(23,314,046)</u>  | <u>884,313</u>      | <u>(237,207,746)</u>      |
| Total accumulated depreciation              |                              |   |                      |                     |                           |
| Net capital assets, being depreciated       | <u>779,890,295</u>           | <u>(141,003,280)</u>                            | <u>63,304,260</u>    | <u>(254,756)</u>    | <u>701,936,519</u>        |
| Governmental activities capital assets, net |                              |   |                      |                     |                           |
|   | <u>\$ 898,132,366</u>        | <u>\$ (174,203,183)</u>                         | <u>\$ 75,922,643</u> | <u>\$ (284,812)</u> | <u>\$ 799,567,014</u>     |

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

|                      |                             |
|----------------------|-----------------------------|
| General government   | \$ 2,180,906                |
| Public safety        | 2,332,959                   |
| Public works         | 16,599,192                  |
| Parks and recreation | 1,966,156                   |
| Library              | 234,833                     |
|                      | <u>23,314,046</u>           |
| <b>Total</b>         | <u><b>\$ 23,314,046</b></u> |

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

A summary of changes in Business-Type Activities capital assets at June 30, 2008 is as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Transfers/<sup>(1)</sup><br/>Adjustments</u> | <u>Additions</u>    | <u>Retirements</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|---|---------------------|--------------------|---------------------------|
| <b>Business-type activities:</b>             |                              |   |                     |                    |                           |
| Capital assets, being depreciated:           |                              |   |                     |                    |                           |
| Machinery and Equipment                      | \$ 11,100,414                | \$ 2,462,843                                    | 80,241              | \$ (182,368)       | \$ 13,461,130             |
| Infrastructure                               | -                            | 205,996,105                                     | 9,154,921           | -                  | 215,151,026               |
|  | <u>11,100,414</u>            | <u>208,458,948</u>                              | <u>9,235,162</u>    | <u>(182,368)</u>   | <u>228,612,156</u>        |
| <b>Less accumulated depreciation:</b>        |                              |   |                     |                    |                           |
| Machinery and Equipment                      | (5,441,981)                  | (1,895,634)                                     | (864,719)           | 182,368            | (8,019,966)               |
| Infrastructure                               | -                            | (65,560,034)                                    | (5,027,986)         | -                  | (70,588,020)              |
|  | <u>(5,441,981)</u>           | <u>(67,455,668)</u>                             | <u>(5,892,705)</u>  | <u>182,368</u>     | <u>(78,607,986)</u>       |
| Total Accumulated Depreciation               | <u>(5,441,981)</u>           | <u>(67,455,668)</u>                             | <u>(5,892,705)</u>  | <u>182,368</u>     | <u>(78,607,986)</u>       |
| Business-type activities capital assets, Net | <u>\$ 5,658,433</u>          | <u>\$ 141,003,280</u>                           | <u>\$ 3,342,457</u> | <u>\$ -</u>        | <u>\$ 150,004,170</u>     |

Note <sup>(1)</sup> see Note (5) for more information.

**(e) Long-Term Debt**

Changes in long-term debt for the year ended June 30, 2008 are as follows:

|                                 | <u>Beginning<br/>Balance</u> | <u>Additions</u>     | <u>Repayments</u>    | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|---------------------------------|------------------------------|----------------------|----------------------|---------------------------|--------------------------------|
| <b>Governmental activities:</b> |                              |                      |                      |                           |                                |
| Tax allocation bonds            | \$ 41,275,000                | \$ -                 | \$ 1,090,000         | \$ 40,185,000             | \$ 1,295,000                   |
| Pension obligation bonds        | 10,415,000                   | -                    | 1,595,000            | 8,820,000                 | 1,820,000                      |
| Certificates of participation   | 139,845,000                  | -                    | 4,800,000            | 135,045,000               | 4,465,000                      |
| Bond premium                    | 31,893                       | -                    | 1,181                | 30,712                    | 1,181                          |
| Bond discount                   | (481,794)                    | -                    | (24,090)             | (457,704)                 | (24,090)                       |
| ERAF loans                      | 1,515,000                    | -                    | 150,000              | 1,365,000                 | 150,000                        |
| Section 108 loan                | -                            | 9,500,000            | -                    | 9,500,000                 | 287,000                        |
| Notes payable                   | 249,896                      | -                    | 25,570               | 224,326                   | 29,187                         |
| Capital leases                  | 1,671,632                    | 764,224              | 223,923              | 2,211,933                 | 352,338                        |
| Compensated absences            | 6,586,385                    | 4,210,663            | 4,366,973            | 6,430,075                 | 4,500,000                      |
|                                 | <u>\$ 201,108,012</u>        | <u>\$ 14,474,887</u> | <u>\$ 12,228,557</u> | <u>\$ 203,354,342</u>     | <u>\$ 12,875,616</u>           |
| Total                           | <u>\$ 201,108,012</u>        | <u>\$ 14,474,887</u> | <u>\$ 12,228,557</u> | <u>\$ 203,354,342</u>     | <u>\$ 12,875,616</u>           |

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

***Tax Allocation Bonds***

|   | <u>Balance</u><br><u>July 1, 2007</u> | <u>Debt</u><br><u>Issue</u> | <u>Debt</u><br><u>Retired</u> | <u>Balance</u><br><u>June 30, 2008</u> |
|---|---------------------------------------|-----------------------------|-------------------------------|--|
| 2000 Tax Allocation Bonds                               | \$ 15,515,000                         | \$ -                        | (405,000)                     | \$ 15,110,000                          |
| 2006 Senior Tax Allocation<br>Refunding Bonds, Series A | 13,435,000                            | -                           | (395,000)                     | 13,040,000                             |
| 2006 Senior Tax Allocation<br>Refunding Bonds, Series B | <u>12,325,000</u>                     | <u>-</u>                    | <u>(290,000)</u>              | <u>12,035,000</u>                      |
| Total   | <u>\$ 41,275,000</u>                  | <u>\$ -</u>                 | <u>\$ (1,090,000)</u>         | <u>\$ 40,185,000</u>                   |

***2000 Tax Allocation Bonds***

In October 2000, the Agency issued \$17,000,000 of 2000 Tax Allocation Bonds, to provide funds to fund a reserve account, to pay the expenses of the Agency in connection with the issuance of the bonds and to finance or refinance certain redevelopment activities. The proceeds of the bonds were used to fund the acquisition and construction of certain capital improvements which are located in the Agency's Town Center I Project Area. 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, 2008 was \$15,110,000.



**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

The annual debt service requirements for the 2000 Tax Allocation Bonds outstanding at June 30, 2008 were as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|---------------------------------|----------------------|----------------------|----------------------|
| 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                            | 480,000              | 709,523              | 1,189,523            |
| 2013                            | 505,000              | 686,615              | 1,191,615            |
| 2014-2018                       | 2,720,000            | 3,042,564            | 5,762,564            |
| 2019-2023                       | 3,340,000            | 2,271,585            | 5,611,585            |
| 2024-2028                       | 4,335,000            | 1,253,048            | 5,588,048            |
| 2029-2031                       | 2,405,000            | 178,047              | 2,583,047            |
| Total                           | <u>\$ 15,110,000</u> | <u>\$ 10,392,998</u> | <u>\$ 25,502,998</u> |

***2006 Senior Tax Allocation Refunding Bonds, Series A***

In July 2006, the Agency issued \$13,435,000 of 2006 Senior Tax Allocation Refunding Bonds, Series A to refinance the Agency's outstanding Bayfront/Town Centre Redevelopment Project 1994 Senior Tax Allocation Refunding Bonds, Series A, and to satisfy the reserve requirement for the Bonds and provide for the costs of issuing the Bonds. The original bond proceeds were used in the acquisition of property, demolition, relocation, public improvements and funding the Low and Mod Income Housing Project. The bond consist of serial bonds which mature in 2028. Interest is payable semiannually on March 1 and September 1 at interest rates ranging from 4.00% to 4.60%. The bonds are subject to optional redemption on any interest payment date on or after September 1, 2012, 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, 2008 was \$13,040,000.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

The annual debt service requirements for the 2006 Tax Allocation Refunding Bonds, Series A outstanding at June 30, 2008 were as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|---------------------------------|----------------------|---------------------|----------------------|
| 2009                            | \$ 460,000           | \$ 556,345          | \$ 1,016,345         |
| 2010                            | 480,000              | 537,545             | 1,017,545            |
| 2011                            | 500,000              | 517,945             | 1,017,945            |
| 2012                            | 520,000              | 497,545             | 1,017,545            |
| 2013                            | 540,000              | 474,995             | 1,014,995            |
| 2014-2018                       | 3,075,000            | 1,992,312           | 5,067,312            |
| 2019-2023                       | 3,775,000            | 1,270,137           | 5,045,137            |
| 2024-2028                       | 3,690,000            | 372,670             | 4,062,670            |
| Total                           | <u>\$ 13,040,000</u> | <u>\$ 6,219,494</u> | <u>\$ 19,259,494</u> |

***2006 Subordinate Tax Allocation Refunding Bonds, Series B***

In July 2006, the Agency issued \$12,325,000 of 2006 Subordinate Tax Allocation Refunding Bonds, Series B to refinance the Agency's outstanding Bayfront/Town Centre Redevelopment Project 1994 Senior Tax Allocation Refunding Bonds, Series C and D, and to satisfy the reserve requirement for the Bonds and provide for the costs of issuing the Bonds. The original bond proceeds were used in the acquisition of property, demolition, relocation, public improvements and funding the Low and Mod Income Housing Project. The bonds consist of \$7,995,000 serial bonds which mature from 2007 to 2021 in amounts ranging from \$290,000 to \$735,000 and term bonds of \$4,330,000 which mature in 2028. Interest is payable semiannually on April 1 and October 1 at interest rates ranging from 4.00% to 6.00%. The bonds are subject to optional redemption on any interest payment date on or after October 1, 2012, 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, 2008 was \$12,035,000.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

The annual debt service requirements for the 2006 Subordinate Tax Allocation Refunding Bonds, Series B outstanding at June 30, 2008 were as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|---------------------------------|----------------------|---------------------|----------------------|
| 2009                            | \$ 410,000           | \$ 586,165          | \$ 996,165           |
| 2010                            | 425,000              | 569,199             | 994,199              |
| 2011                            | 440,000              | 551,084             | 991,084              |
| 2012                            | 460,000              | 531,384             | 991,384              |
| 2013                            | 480,000              | 510,234             | 990,234              |
| 2014-2018                       | 2,755,000            | 2,183,056           | 4,938,056            |
| 2019-2023                       | 3,510,000            | 1,404,119           | 4,914,119            |
| 2024-2028                       | 3,555,000            | 413,306             | 3,968,306            |
| Total                           | <u>\$ 12,035,000</u> | <u>\$ 6,748,547</u> | <u>\$ 18,783,547</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 service schedule below; (3) Capital Appreciation 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, 2008 was \$8,820,000.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|---------------------------------|---------------------|---------------------|----------------------|
| 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>\$ 8,820,000</u> | <u>\$ 1,545,132</u> | <u>\$ 10,365,132</u> |

***Certificates of Participation***

|  | <u>Balance<br/>July 1, 2007</u> | <u>Additions</u> | <u>Deletions</u>      | <u>Balance<br/>June 30, 2008</u> |
|--|---------------------------------|------------------|-----------------------|----------------------------------|
| 2000 COP, Series A Corp. Yard                        | \$ 18,970,000                   | \$ -             | \$ (1,235,000)        | \$ 17,735,000                    |
| 2002 COP Police Facility                             | 57,860,000                      | -                | (1,200,000)           | 56,660,000                       |
| 2003 Refunding COP Town Center II<br>Parking Project | 6,225,000                       | -                | (1,140,000)           | 5,085,000                        |
| 2004 COP Civic Center Phase 1                        | 36,465,000                      | -                | (790,000)             | 35,675,000                       |
| 2006 COP Civic Center Phase 2                        | 20,325,000                      | -                | (435,000)             | 19,890,000                       |
| Total  | <u>\$ 139,845,000</u>           | <u>\$ -</u>      | <u>\$ (4,800,000)</u> | <u>\$ 135,045,000</u>            |

***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 in 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, 2008 is \$17,735,000.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

The annual debt service requirements for the 2000 Certificates of Participation outstanding at June 30, 2008 were as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|---------------------------------|----------------------|---------------------|----------------------|
| 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                            | 1,165,000            | 693,490             | 1,858,490            |
| 2013                            | 1,220,000            | 639,218             | 1,859,218            |
| 2014-2018                       | 7,020,000            | 2,240,827           | 9,260,827            |
| 2019-2021                       | 5,115,000            | 410,719             | 5,525,719            |
| Total                           | <u>\$ 17,735,000</u> | <u>\$ 6,359,604</u> | <u>\$ 24,094,604</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, 2008 the outstanding balance is \$56,660,000.

The annual debt service requirements for the 2002 Certificates of Participation outstanding at June 30, 2008 were as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|---------------------------------|----------------------|----------------------|----------------------|
| 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                            | 1,400,000            | 2,513,346            | 3,913,346            |
| 2013                            | 1,460,000            | 2,456,146            | 3,916,146            |
| 2014-2018                       | 8,315,000            | 11,284,812           | 19,599,812           |
| 2019-2023                       | 10,525,000           | 9,122,509            | 19,647,509           |
| 2024-2028                       | 13,570,000           | 6,145,750            | 19,715,750           |
| 2029-2033                       | 17,520,000           | 2,279,500            | 19,799,500           |
| Total                           | <u>\$ 56,660,000</u> | <u>\$ 41,662,301</u> | <u>\$ 98,322,301</u> |

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

**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, 2008 the outstanding balance is \$5,085,000.

The annual debt service requirements for the 2003 Refunding Certificates of Participation outstanding at June 30, 2008 were as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|---------------------------------|---------------------|-------------------|---------------------|
| 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                            | 990,000             | 56,273            | 1,046,273           |
| 2013                            | 1,030,000           | 24,438            | 1,054,438           |
| 2014                            | 220,000             | 3,850             | 223,850             |
| Total                           | <u>\$ 5,085,000</u> | <u>\$ 410,871</u> | <u>\$ 5,495,871</u> |

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

***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 for the first phase of the reconstruction, renovation, and equipping of the City's Civic Center Complex. Proceeds were also 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, 2008, the outstanding balance is \$35,675,000.

The annual debt service requirements for the 2004 Certificates of Participation Civic Center Project Phase I outstanding at June 30, 2008 were as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|---------------------------------|----------------------|----------------------|----------------------|
| 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                            | 885,000              | 1,507,361            | 2,392,361            |
| 2013                            | 915,000              | 1,476,386            | 2,391,386            |
| 2014-2018                       | 5,135,000            | 6,832,456            | 11,967,456           |
| 2019-2023                       | 6,280,000            | 5,686,346            | 11,966,346           |
| 2024-2028                       | 7,815,000            | 4,149,350            | 11,964,350           |
| 2029-2033                       | 9,870,000            | 2,093,525            | 11,963,525           |
| 2034                            | 2,280,000            | 114,000              | 2,394,000            |
| Total                           | <u>\$ 35,675,000</u> | <u>\$ 26,540,153</u> | <u>\$ 62,215,153</u> |

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

**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, 2008 the outstanding balance is \$19,890,000.

The annual debt service requirements for the 2006 Certificates of Participation Civic Center Project Phase 2 outstanding at June 30, 2008 were as follows:

| <b>Year Ending<br/>June 30,</b> | <b>Principal</b>     | <b>Interest</b>      | <b>Total</b>         |
|---------------------------------|----------------------|----------------------|----------------------|
| 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                            | 495,000              | 775,069              | 1,270,069            |
| 2013                            | 510,000              | 758,239              | 1,268,239            |
| 2014-2018                       | 2,855,000            | 3,499,699            | 6,354,699            |
| 2019-2023                       | 3,445,000            | 2,900,919            | 6,345,919            |
| 2024-2028                       | 3,895,000            | 2,123,925            | 6,018,925            |
| 2029-2033                       | 4,255,000            | 1,268,425            | 5,523,425            |
| 2034-2036                       | 3,040,000            | 277,650              | 3,317,650            |
| <b>Total</b>                    | <b>\$ 19,890,000</b> | <b>\$ 14,025,013</b> | <b>\$ 33,915,013</b> |



**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

***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:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>      |
|---------------------------------|-------------------|-------------------|-------------------|
| 2009                            | \$ 70,000         | \$ 28,704         | \$ 98,704         |
| 2010                            | 75,000            | 25,570            | 100,570           |
| 2011                            | 80,000            | 22,118            | 102,118           |
| 2012                            | 80,000            | 18,354            | 98,354            |
| 2013                            | 85,000            | 14,526            | 99,526            |
| 2014-2015                       | <u>185,000</u>    | <u>16,236</u>     | <u>201,236</u>    |
| Total                           | <u>\$ 575,000</u> | <u>\$ 125,508</u> | <u>\$ 700,508</u> |

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 service payments are:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>        |
|---------------------------------|-------------------|-------------------|---------------------|
| 2009                            | \$ 80,000         | \$ 44,972         | \$ 124,972          |
| 2010                            | 85,000            | 40,632            | 125,632             |
| 2011                            | 90,000            | 35,996            | 125,996             |
| 2012                            | 95,000            | 31,052            | 126,052             |
| 2013                            | 100,000           | 25,784            | 125,784             |
| 2014-2016                       | <u>340,000</u>    | <u>42,262</u>     | <u>382,262</u>      |
| Total                           | <u>\$ 790,000</u> | <u>\$ 220,698</u> | <u>\$ 1,010,698</u> |

***Section 108 Loan***

In June 2008, the City entered into a Contract for Loan Guarantee Assistance with the US Department of Housing and Urban Development (HUD) as part of the Section 108 Loan Program in the amount of \$9,500,000. The Section 108 Loan is an "advance" of future CDBG entitlement funds and, as such, is repaid with a portion of the City's annual entitlement. Proceeds of the loan will be used to fund multiple capital improvement projects. Debt service payments will be made with future CDBG entitlements for the next 20 years, beginning with fiscal year 2008/2009. As of

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

June 30, 2008, the outstanding balance is \$9,500,000. The annual debt service payments are as follows:

| <b>Year Ending<br/>June 30,</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>         |
|---------------------------------|---------------------|---------------------|----------------------|
| 2009                            | \$ -                | \$ 287,033          | \$ 287,033           |
| 2010                            | 287,000             | 447,471             | 734,471              |
| 2011                            | 302,000             | 439,015             | 741,015              |
| 2012                            | 317,000             | 428,866             | 745,866              |
| 2013                            | 332,000             | 417,073             | 749,073              |
| 2014-2018                       | 1,930,000           | 1,859,145           | 3,789,145            |
| 2019-2023                       | 2,464,000           | 1,350,650           | 3,814,650            |
| 2024-2028                       | 3,144,000           | 631,761             | 3,775,761            |
| 2029                            | 724,000             | 19,620              | 743,620              |
| Total                           | <u>\$ 9,500,000</u> | <u>\$ 5,880,634</u> | <u>\$ 15,380,634</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, 2008, the outstanding balance is \$ 224,326. The annual debt service payments are as follows:

| <b>Year Ending<br/>June 30,</b> | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
|---------------------------------|-------------------|------------------|-------------------|
| 2009                            | \$ 29,187         | \$ 17,525        | \$ 46,712         |
| 2010                            | 33,157            | 14,956           | 48,113            |
| 2011                            | 37,513            | 12,043           | 49,556            |
| 2012                            | 42,289            | 8,753            | 51,042            |
| 2013                            | 47,523            | 5,051            | 52,574            |
| 2014                            | 34,657            | 1,086            | 35,743            |
| Total                           | <u>\$ 224,326</u> | <u>\$ 59,414</u> | <u>\$ 283,740</u> |

**Capital Leases**

The City has participated in the San Diego County Regional Communication System (RCS). The City financed its share of the RCS network infrastructure over 14 years in the amount of \$2,809,405. The agreement with the County provided the City with full partnership in the RCS. As of June 30, 2008, the outstanding balance is \$1,470,345.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

| Year Ending<br>June 30 | Principal           | Interest          | Total               |
|------------------------|---------------------|-------------------|---------------------|
| 2009                   | \$ 212,660          | \$ 83,074         | \$ 295,734          |
| 2010                   | 224,675             | 71,059            | 295,734             |
| 2011                   | 237,369             | 58,365            | 295,734             |
| 2012                   | 250,780             | 44,954            | 295,734             |
| 2013                   | 264,948             | 30,785            | 295,733             |
| 2014                   | 279,913             | 15,815            | 295,728             |
| Total                  | <u>\$ 1,470,345</u> | <u>\$ 304,052</u> | <u>\$ 1,774,397</u> |

On April 16, 2008 the City entered into a five year lease purchase agreement for the acquisition of medical resuscitation equipment manufactured by Zoll Medical Corporation for use by the Fire Department to be financed by Kansas State Bank of Manhattan in the amount of \$764,224. This will replace the existing equipment that is beyond its useful performance life. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments at the inception date.

The assets acquired through capital leases are as follows:

|                                | <u>Governmental<br/>Activities</u> |
|--------------------------------|------------------------------------|
| <b>Assets:</b>                 |                                    |
| Machinery and equipment        | \$ 764,224                         |
| Less: accumulated depreciation | -                                  |
| Total                          | <u>\$ 764,224</u>                  |

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|---------------------------------|-------------------|------------------|-------------------|
| 2009                            | \$ 139,678        | \$ 32,537        | \$ 172,215        |
| 2010                            | 146,529           | 25,686           | 172,215           |
| 2011                            | 153,717           | 18,499           | 172,216           |
| 2012                            | 161,257           | 10,959           | 172,216           |
| 2013                            | 140,407           | 3,106            | 143,513           |
| Total                           | <u>\$ 741,588</u> | <u>\$ 90,787</u> | <u>\$ 832,375</u> |

***Compensated Absences***

The City's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$6,430,075 at June 30, 2008. For the governmental activities claims and judgments and compensated absences are generally liquidated by the general fund. In business-type funds, the liabilities are reported in the fund as the benefits vest and are earned. Compensated absences at June 30, 2008 were obligations of the following funds:

|                    |                     |
|--------------------|---------------------|
| Governmental Funds | \$ 6,370,834        |
| Fleet Management   | <u>59,241</u>       |
| Total              | <u>\$ 6,430,075</u> |

***(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.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

As of June 30, 2008, the total special assessment debt outstanding was as follows:

|   | <u>Original<br/>Amount</u> | <u>Outstanding<br/>June 30, 2008</u> |
|---|----------------------------|--------------------------------------|
| CFD 06-I A Eastlake Woods, Vista, Land Swap           | \$ 39,000,000              | \$ 36,575,000                        |
| CFD 06-I B Eastlake Woods, Vista, Land Swap           | 7,880,000                  | 7,505,000                            |
| CFD 01-2 McMillin Otay Valley Ranch Village 6         | 10,250,000                 | 9,610,000                            |
| CFD 08-I Otay Ranch Village                           | 21,655,000                 | 20,525,000                           |
| CFD 07-I Otay Ranch Village 11                        | 28,050,000                 | 27,005,000                           |
| CFD 12-I McMillin Otay Ranch Village 7                | 22,565,000                 | 22,205,000                           |
| CFD 2001-1 B San Miguel Ranch 2005 Improvement        | 12,230,000                 | 12,050,000                           |
| CFD 13-I McMillin Otay Ranch Village 7                | 16,620,000                 | 16,350,000                           |
| CFD 07-I McMillin Otay Ranch Village 1                | 16,950,000                 | 16,685,000                           |
| 2005 Revenue Refunding Bonds                          | 93,930,000                 | 89,045,000                           |
| AD 94-1 Eastlake Greens Phase II                      | 7,464,474                  | 3,665,000                            |
| RAD2001-1 Refunding Revenue Bonds Residential         | 20,445,000                 | 16,870,000                           |
| RAD2001-2 Refunding Revenue Bonds Commercial          | 9,705,000                  | 2,775,000                            |
| 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                          |
| Industrial Development Revenue Bonds, 2006 Series A   | 161,240,000                | 161,240,000                          |
| Total   | <u>\$ 1,093,149,474</u>    | <u>\$ 967,270,000</u>                |

**(g) Multi-Family Housing Bonds – Non-City Obligation**

Bonds issued to finance public improvement and/or affordable multifamily housing projects are liabilities of the developers and are secured by liens against the assessed property. 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.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

As of June 30, 2008, the total multifamily housing bonds outstanding were as follows:

|                                   | <u>Original<br/>Amount</u> | <u>Outstanding<br/>June 30, 2008</u> |
|-----------------------------------|----------------------------|--------------------------------------|
| 1998 A Gateway Town Center        | \$ 36,020,000              | \$ 33,995,000                        |
| 1998 B Gateway Town Center        | 4,625,000                  | 4,300,000                            |
| 2000 A Pear Tree Manor Project    | 5,779,000                  | 5,049,000                            |
| 1999 A Villa Serena Project       | 5,566,500                  | 5,566,500                            |
| 1999 B Villa Serena Project       | 786,000                    | 146,000                              |
| 2007 A Oxford Terrace Apartments  | 2,276,000                  | 2,231,000                            |
| 2007 B Oxford Terrace Apartments  | 2,363,000                  | 2,363,000                            |
| 2006 A Teresina Apartment Project | 37,940,000                 | 37,940,000                           |
| 2007 C The Landings Apartments    | 16,670,000                 | 10,340,000                           |
|                                   | <u>\$ 112,025,500</u>      | <u>\$ 101,930,500</u>                |
| Total                             |                            |                                      |

**(h) Debt Compliance**

At June 30, 2008, City management believes that the City has complied with all requirements of its various debt agreements.

**(i) 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 occurrence 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 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 SANDPIPA, 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.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

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 \$1,000,000 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, 2008, there are 111 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 statutory limits via group purchased excess insurance policies.

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:

|  | <b>2008</b>   | <b>2007</b>   |
|--|---------------|---------------|
| Unpaid claims, beginning of year         | \$ 13,879,589 | \$ 12,618,048 |
| Incurred claims and changes in estimates | 5,394,212     | 4,617,779     |
| Claim payments                           | (3,605,920)   | (3,356,238)   |
| Unpaid claims, end of year               | \$ 15,667,881 | \$ 13,879,589 |
| Due within one year                      | \$ 3,600,000  | \$ 3,300,000  |

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

**(4) Other Information**

**(a) California Public Employees' Retirement Plan**

During the year ended June 30, 2008, the City implemented GASB Statement No. 50, *Pension Disclosures an Amendment of GASB Statements No. 25 and 27*.

**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

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

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 to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer makes the contribution required of City employees on their behalf and for their account, which amounted to \$7,599,297 for the year ended June 30, 2008. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members based on the Entry Age Actuarial Cost Method. The actuary methods and assumptions used are those adopted by the CalPERS Board of Administration.

The required employer contribution rate for the year ended June 30, 2008 was 26.267% for miscellaneous employees and 31.291% for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

The funded status of the plan based on the June 30, 2007 actuarial valuation is as follows:

| <u>Accrued Liability</u>       | <u>Actuarial Value of Assets</u> | <u>Unfunded Liability (Excess Assets)</u> | <u>Funded Ratio</u> | <u>Annual Covered Payroll</u> | <u>Actuarial Accrued Liability of Payroll</u> |
|--------------------------------|----------------------------------|---|---------------------|-------------------------------|---|
| <u>Miscellaneous Employees</u> |                                  |   |                     |                               |   |
| \$ 281,675,066                 | \$ 222,787,140                   | \$ 58,887,926                             | 79.1%               | \$ 58,318,509                 | 101.0%  |
| <u>Safety Employees</u>        |                                  |   |                     |                               |   |
| \$ 239,978,002                 | \$ 208,928,683                   | \$ 31,049,319                             | 87.1%               | \$ 34,665,240                 | 89.6%   |

The schedule of funding progress presented as Required Supplementary Information following the Notes to Financial Statements, presents multiyear trend information over time relative to the actuarial accrued liability for benefits.

***Annual Pension Cost:***

For 2007-2008, the City's annual required contribution cost of \$17,545,936 for PERS was equal to the City's 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



**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

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 actuarial 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 of payroll 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> |
|--------------------|----------------------------------|--------------------------------------|-------------------------------|
| 6/30/2006          | \$ 17,893,117                    | 100%                                 | \$ -                          |
| 6/30/2007          | 17,773,292                       | 100%                                 | -                             |
| 6/30/2008          | 19,084,940                       | 100%                                 | -                             |

The City's changes in net pension asset for the year ended June 30, 2008, were as follows:

|   |                            |
|---|----------------------------|
| Annual required contribution                      | \$ (17,545,936)            |
| Interest on net pension asset                     | 852,438                    |
| Adjustment to the annual required contribution    | <u>(2,391,442)</u>         |
| Annual pension cost                               | (19,084,940)               |
| Contributions made                                | <u>17,545,936</u>          |
| Decrease in net pension asset                     | (1,539,004)                |
| Net pension asset, beginning of year, as restated | <u>10,999,199</u>          |
| Net pension asset, end of year                    | <u><u>\$ 9,460,195</u></u> |

**(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, 2008**

For the year ended June 30, 2008, the City's total payroll and covered payroll was \$3,201,923. The City made employer contributions of \$120,072 (3.75% of current covered payroll), and employees contributed \$120,072 (3.75% of current covered payroll).

**(c) Postemployment Benefits**

During the year ended June 30, 2008, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

**Plan Description**

The City provides a Retiree Healthcare Plan, which allows retirees to purchase healthcare coverage under the City's medical plan. Retirees pay 100% of the premiums. Retirees not eligible for Medicare pay the same healthcare premiums as active employees, even though retiree's healthcare costs are greater than that of active employees. This results in an implied subsidy of retiree's healthcare costs by the City. On October 16, 2007 the City Council approved a medical incentive program for early retirement, the City offered to pay the employees single premiums until December 31, 2009 if the employee retired prior to January 1, 2008. The City also offered to pay the employees single premiums until December 31, 2008 for those employees who retired in 2008. The City does not produce separate financial statements for the plan.

**Eligibility**

Employees are eligible for retiree health benefits if they retired from the City on or after age 50 (unless disabled) and are eligible for PERS pension. The benefits are available only to employees who retired from the City. Membership of the plan consisted of the following at June 30, 2008:

|                            | <u>Police</u> | <u>Fire</u> | <u>Miscellaneous</u> |
|----------------------------|---------------|-------------|----------------------|
| Eligible active employees  | 248           | 112         | 849                  |
| Enrolled eligible retirees | 24            | 17          | 103                  |

The above table does not reflect current retirees not enrolled in the healthcare plan who are eligible to enroll in the plan at a later date.

**Funding Policy**

The City offers an implied subsidy benefit paid from the City's general fund. The City's contribution is based on pay as-you-go. The retirees pay 100% of their individual premiums except for the retirees who retired under the incentive plan. The City is contributing between \$359 to \$575 in premiums on behalf of the employee who retired under the incentive plan.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

***Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligation***

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contributions of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

The City's OPEB obligations as of June 30, 2008, per the most recent actuarial valuation, was \$782,000.

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

|  |                          |
|--|--------------------------|
| Annual Required Contribution           | \$ 1,149,000             |
| Contributions made                     | <u>(367,000)</u>         |
| Increase in net OPEB obligation        | 782,000                  |
| Net OPEB obligation, beginning of year | <u>-</u>                 |
| Net OPEB obligation, end of year       | <u><u>\$ 782,000</u></u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and two preceding years were as follows:

| <u>Fiscal<br/>Year<br/>Ended</u> | <u>Annual<br/>OPEB Cost</u> | <u>Percentage of<br/>Annual OPEB<br/>Cost Contributed</u> | <u>Net<br/>OPEB<br/>Obligation</u> |
|----------------------------------|-----------------------------|---|------------------------------------|
| 6/30/2006                        | N/A                         | N/A   | N/A                                |
| 6/30/2007                        | N/A                         | N/A   | N/A                                |
| 6/30/2008                        | \$ 1,149,000                | 32.0%   | \$ 782,000                         |

***Funding Status and Progress***

As of June 30, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$8.5 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.5 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

***Actuarial Methods and Assumptions***

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

The actuarial cost method used for determining the benefit obligation is the Entry Age Normal Cost Method. The actuarial assumptions included a 4.50% discount rate, the inflation rate for HMO's starts at 9.7% (the increase in 2009 premiums over 2008) and grades down to 4.5% (2017 premiums over 2016) and remains at 4.5% into the future. This assumption means healthcare is assumed to increase, on the average, 7.1% for HMO's and 7.5% for PPO's a year for the next 9 years after 2008. The general inflation assumption rate is 3% and is assumed that healthcare will level off at 1.5% over general inflation. The UAAL is being amortized as a level percentage of projected payroll over 30 years.

***(d) 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 \$619,173 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.

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

**(5) Restatement of Net Assets/Fund Balance**

During the year ended June 30, 2008, the City recorded the following prior period adjustments to Net Assets and Fund Balances:

| <u>Governmental Funds</u>   | <u>Previously Reported</u> | <u>Adjustment</u>     | <u>Restated</u>       |
|---|----------------------------|-----------------------|-----------------------|
| <b>Development Impact Fund</b>  | \$ 45,215,152              | \$ 5,167,382          | \$ 40,047,770         |
| from Capital Projects funds to Enterprise fund  |                            |                       |                       |
| <b>Storm Drain Fund</b>   | 37,371,760                 | 37,287,406            | 84,354                |
| Reclassification of sewer funds from Special Revenue Funds into Enterprise Funds.   |                            |                       |                       |
| <b>Sundry Grants</b>  | 7,609,707                  | 6,933,286             | 676,421               |
| Adjustment to record deferred revenue for federally funded loans  |                            |                       |                       |
| <b>Redevelopment Agency</b>   | 21,905,585                 | 9,280,964             | 12,624,621            |
| Adjustment to record deferred revenue for federally funded loans  |                            |                       |                       |
| <b>Sewer Facility Replacement</b>   | <u>7,303,869</u>           | <u>7,303,869</u>      | <u>-</u>              |
| Reclassification of sewer funds from Special Revenue Funds into Enterprise Funds.   |                            |                       |                       |
| Total restatement of the fund balances governmental funds   | <u>\$ 119,406,073</u>      | <u>\$ 65,972,907</u>  | <u>\$ 53,433,166</u>  |
| <b>Enterprise Funds</b>   |                            |                       |                       |
| <b>Sewer DIFS</b>   | \$ -                       | \$ 7,504,503          | \$ 7,504,503          |
| Transfer of fund balances and capital assets from Capital Project Funds to Enterprise.                                      |                            |                       |                       |
| <b>Sewer Funds</b>  | <u>-</u>                   | <u>192,256,614</u>    | <u>192,256,614</u>    |
| Transfer of fund balances and capital assets from Special Revenue funds and Capital Projects fund into new Enterprise Fund. |                            |                       |                       |
| Total restatement of the beginning net assets enterprise funds  | <u>\$ -</u>                | <u>\$ 199,761,117</u> | <u>\$ 199,761,117</u> |
| <b>Internal Service Fund</b>  |                            |                       |                       |
| <b>Fleet Management</b>   | <u>\$ 4,294,884</u>        | <u>\$ 358,041</u>     | <u>\$ 4,652,925</u>   |
| Transfer of equipment from General Fund into Internal Service Fund  |                            |                       |                       |

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

**Capital Assets Restatement**

|   |  |                              |
|---|--|------------------------------|
| Infrastructure  |  | \$ 205,996,105               |
| Less accumulated depreciation   |  | <u>(65,560,034)</u>          |
| Total infrastructure net of<br>accumulated depreciation                                       |  | <u>140,436,071</u>           |
| Transfer infrastructure from General<br>Government activities to Business<br>type activities. |  |                              |
| Equipment   |  | 2,462,843                    |
| Less accumulated depreciation   |  | <u>(1,895,634)</u>           |
| Total equipment net of<br>accumulated depreciation  |  | <u>567,209</u>               |
| Transfer equipment from General<br>Government activities to Business<br>type activities.      |  |                              |
| Construction in progress  |  |                              |
| Prior year infrastructure that was not<br>recorded as part of CIP                             |  | <u>(1,619,003)</u>           |
| Total capital assets restated   |  | <u><u>\$ 139,384,277</u></u> |

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

|  |                              |
|--|------------------------------|
| <b>Net assets restatement:</b>   |                              |
| Governmental activities  |                              |
| Net assets as of June 30, 2007<br>as previously reported   | \$ 910,633,909               |
| Net pension asset  | 10,999,199                   |
| Capital asset restatement  | (139,384,277)                |
| Transfers from Governmental funds<br>to Enterprise funds:  |                              |
| Development Impact Fee Fund  | (5,167,382)                  |
| Sewer Funds  | (37,371,760)                 |
| Storm Drain Fund   | 84,354                       |
| Sewer Facility Replacement Fund  | (7,303,869)                  |
| Total Transfers from Governmental funds<br>To Enterprise Funds   | <u>(49,758,657)</u>          |
| Internal Service Fund  | 358,041                      |
| Total  | <u><u>\$ 732,848,215</u></u> |
| <b>Fund balance restatements:</b>  |                              |
| Governmental funds   |                              |
| Fund balance as of June 30, 2007<br>as previously reported   | 213,745,652                  |
| Transfers from Governmental funds<br>to Enterprise funds:  |                              |
| Development Impact Fee Fund  | (5,167,382)                  |
| Sewer Funds  | (37,371,760)                 |
| Storm Drain Fund   | 84,354                       |
| Sewer Facility Replacement Fund  | (7,303,869)                  |
| Total transfers from governmental funds<br>To Enterprise Funds   | <u>(49,758,657)</u>          |
| Reclassification of loans to outside entities to deferred revenue.   |                              |
| Sundry Grants Fund   | (6,933,286)                  |
| Redevelopment Agency Fund  | (9,280,964)                  |
| Total reclassification of loans to<br>outside entities   | <u>(16,214,250)</u>          |
| Total fund balance as of June 30, 2007, as restated  | <u><u>\$ 147,772,745</u></u> |
| <b>Net assets restatement:</b>   |                              |
| Proprietary funds  |                              |
| Net assets as of June 30, 2007 as previously reported  | 5,994,257                    |
| Transfer of fund balances and capital assets from Special Revenue funds<br>and Capital Projects fund into new Sewer Enterprise Fund. | 199,761,117                  |
| Total  | <u><u>\$ 205,755,374</u></u> |
| <b>Internal Service funds:</b>   |                              |
| Net assets as of June 30, 2007 as previously reported  | 4,536,831                    |
| Transfer of equipment from General Fund into Internal Service Fund   | 358,041                      |
| Total  | <u><u>\$ 4,894,872</u></u>   |

**CITY OF CHULA VISTA**  
**Notes to Financial Statements (Continued)**  
**June 30, 2008**

**(6) Subsequent Event**

- (a)* On June 3, 2008, a resolution was approved by the City Council authorizing to refund the 2000 Tax Allocation Bonds (Merged Redevelopment Project) in order to take advantage of the prevailing market conditions and realize interest rate savings and/or restructure debt service for cash flow purposes. The Redevelopment Agency of the City issued the 2008 Tax Allocation Refunding Bonds (Merged Redevelopment Project) on July 1, 2008 in the amount of \$21,625,000. The proceeds of the 2008 Bonds were used (i) to pay or repay costs of redevelopment activity of the Merged Redevelopment Project; (ii) to refund all or a portion of the Refunded Bonds; (iii) to reimburse costs of capital relating to certain certificates of participation of the City, (iv) to repay certain loans made by the City to the Agency, (v) to establish a reserve account for such 2008 Bonds; and (vi) to pay a portion of the costs of issuing such 2008 Bonds. The bonds consist of \$11,570,000 serial bonds which mature from 2014 to 2028 in amounts ranging from \$575,000 to \$1,020,000 and term bonds of \$3,345,000 and \$6,710,000 which mature in 2031 and 2036, respectively. Interest is payable semiannually in March and September at interest rates ranging from 4.5% to 4.75%. The bonds are subject to optional redemption on any interest payment date on or after September 1, 2018 at redemption price equal to the principal amount of the Bonds to be redeemed, without premium, together with accrued interest thereon to the date fixed for redemption.
- (b)* On July 1, the City issued \$25,000,000 TRANs through the California Statewide Communities Development Authority (CSCDA) Program, with maturity not to exceed 13 months and an interest rate of 3.0% per annum. TRANs are an inexpensive method of financing short term cash shortfalls and was developed to assist local governments to finance short term cash flow deficits which occur due to the irregular receipt of certain taxes and/or revenues.



**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF CHULA VISTA**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Funding Progress for PERS and**  
**Schedule of Funding Progress for Postemployment Benefits**  
**June 30, 2008**

**Schedule of Funding Progress for PERS**

**Miscellaneous Employees**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Accrued<br/>Liability<br/>(a)</b> | <b>Actuarial<br/>Asset<br/>Value<br/>(b)</b> | <b>Unfunded<br/>Liability/<br/>(Excess<br/>Assests)<br/>[(a)-(b)]</b> | <b>Funded<br/>Status<br/>[(b)/(a)]</b> | <b>Annual<br/>Covered<br/>Payroll<br/>(c)</b> | <b>UL As a<br/>% of<br/>Payroll<br/>[(a)-(b)]/(c)</b> |
|---|--------------------------------------|--|---|--|---|---|
| 6/30/2005                               | \$ 232,282,399                       | \$ 174,477,224                               | \$ 57,805,175   | 75.1%                                  | \$ 52,893,195                                 | 109.3%  |
| 6/30/2006                               | 257,692,801                          | 196,921,453                                  | 60,771,348  | 76.4%                                  | 57,654,921                                    | 105.4%  |
| 6/30/2007                               | 281,675,066                          | 222,787,140                                  | 58,887,926  | 79.1%                                  | 58,318,509                                    | 101.0%  |

**Safety Employees**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Accrued<br/>Liability<br/>(a)</b> | <b>Actuarial<br/>Asset<br/>Value<br/>(b)</b> | <b>Unfunded<br/>Liability/<br/>(Excess<br/>Assests)<br/>[(a)-(b)]</b> | <b>Funded<br/>Status<br/>[(b)/(a)]</b> | <b>Annual<br/>Covered<br/>Payroll<br/>(c)</b> | <b>UL As a<br/>% of<br/>Payroll<br/>[(a)-(b)]/(c)</b> |
|---|--------------------------------------|--|---|--|---|---|
| 6/30/2005                               | \$ 196,045,435                       | \$ 174,416,640                               | \$ 21,628,795   | 89.0%                                  | \$ 26,119,100                                 | 82.8%   |
| 6/30/2006                               | 221,829,740                          | 190,269,514                                  | 31,560,226  | 85.8%                                  | 31,000,407                                    | 101.8%  |
| 6/30/2007                               | 239,978,002                          | 208,928,683                                  | 31,049,319  | 87.1%                                  | 34,665,240                                    | 89.6%   |

**Schedule of Funding Progress for Postemployment Benefits**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Asset<br/>Value<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability (AAL)<br/>Entry Age (b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>[(a)-(b)]</b> | <b>Funded<br/>Ratio<br/>[(b)/(a)]</b> | <b>Annual<br/>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>Percentage of<br/>Covered<br/>Payroll<br/>[(a)-(b)]/(c)</b> |
|---|--|--|--|---------------------------------------|---|--|
| 6/30/2007                               | N/A  | \$ 8,586,000   | \$ 8,586,000                                     | 0.00%                                 | \$ 367,000                                    | 23.40%   |

**CITY OF CHULA VISTA**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|                                       | <u>Budgeted Amounts</u> |                    | <u>Actual</u>      | <u>Variance</u>                      |
|---------------------------------------|-------------------------|--------------------|--------------------|--------------------------------------|
|                                       | <u>Original</u>         | <u>Final</u>       |                    | <u>Positive</u><br><u>(Negative)</u> |
| <b>Revenues:</b>                      |                         |                    |                    |                                      |
| Taxes                                 | \$ 89,532,611           | \$ 89,532,611      | \$ 80,428,081      | \$ (9,104,530)                       |
| Intergovernmental                     | 23,342,187              | 23,682,064         | 24,989,256         | 1,307,192                            |
| Licenses and permits                  | 4,416,237               | 4,416,237          | 2,697,338          | (1,718,899)                          |
| Charges for services                  | 17,814,497              | 17,826,592         | 14,471,074         | (3,355,518)                          |
| Fines and forfeitures                 | 1,771,331               | 1,771,331          | 1,519,716          | (251,615)                            |
| Use of money and property             | 2,407,669               | 2,407,669          | 2,912,583          | 504,914                              |
| Other                                 | 18,291,532              | 18,894,793         | 19,868,698         | 973,905                              |
| <b>Total revenues</b>                 | <u>157,576,064</u>      | <u>158,531,297</u> | <u>146,886,746</u> | <u>(11,644,551)</u>                  |
| <b>Expenditures:</b>                  |                         |                    |                    |                                      |
| General government                    |                         |                    |                    |                                      |
| City council                          | 1,545,612               | 1,394,480          | 1,283,807          | 110,673                              |
| Boards and commissions                | 14,736                  | 14,736             | 8,864              | 5,872                                |
| City clerk                            | 1,207,648               | 1,296,504          | 1,192,305          | 104,199                              |
| City attorney                         | 2,670,327               | 2,670,327          | 2,527,362          | 142,965                              |
| Administration                        | 3,413,066               | 3,468,682          | 3,151,239          | 317,443                              |
| Management and information            | 4,173,987               | 4,178,487          | 3,842,649          | 335,838                              |
| Human resources                       | 8,494,453               | 8,829,453          | 7,866,293          | 963,160                              |
| Finance                               | 3,183,990               | 3,184,409          | 2,966,578          | 217,831                              |
| Community development                 | 1,912,251               | 1,931,656          | 1,364,036          | 567,620                              |
| Planning and building                 | 9,751,885               | 9,751,885          | 8,829,093          | 922,792                              |
| Public safety:                        |                         |                    |                    |                                      |
| Police                                | 50,512,695              | 50,796,852         | 47,782,785         | 3,014,067                            |
| Fire                                  | 24,703,543              | 25,018,807         | 23,603,741         | 1,415,066                            |
| Public works:                         |                         |                    |                    |                                      |
| Engineering                           | 6,685,044               | 6,698,275          | 5,822,892          | 875,383                              |
| Services                              | 29,252,985              | 29,286,578         | 26,776,025         | 2,510,553                            |
| Parks and recreation                  | 7,876,530               | 7,964,219          | 6,843,070          | 1,121,149                            |
| Library                               | 9,927,389               | 9,963,048          | 8,307,313          | 1,655,735                            |
| <b>Non-departmental:</b>              |                         |                    |                    |                                      |
| Furlough and pension obligation bonds | (2,844,209)             | (2,286,830)        | 323                | (2,287,153)                          |
| Capital outlay                        | 97,000                  | 747,026            | 967,422            | (220,396)                            |
| <b>Total expenditures</b>             | <u>162,578,932</u>      | <u>164,908,594</u> | <u>153,135,797</u> | <u>11,772,797</u>                    |

(Continued)

**CITY OF CHULA VISTA**  
**General Fund**  
**Budgetary Comparison Schedule (Continued)**  
**For the Year Ended June 30, 2008**

|   | <u>Budgeted Amounts</u> |                      | <u>Actual</u>        | <u>Variance</u>                |
|---|-------------------------|----------------------|----------------------|--------------------------------|
|   | <u>Original</u>         | <u>Final</u>         |                      | <u>Positive<br/>(Negative)</u> |
| Excess (deficiency)<br>of revenues<br>over (under) expenditures | <u>(5,002,868)</u>      | <u>(6,377,297)</u>   | <u>(6,249,051)</u>   | <u>128,246</u>                 |
| <b>Other financing sources (uses):</b>                          |                         |                      |                      |                                |
| Issuance of debt  | -                       | -                    | 764,224              | 764,224                        |
| Transfers in  | 10,616,544              | 10,616,544           | 9,736,285            | (880,259)                      |
| Transfers out   | <u>(6,122,839)</u>      | <u>(6,122,839)</u>   | <u>(6,009,889)</u>   | <u>112,950</u>                 |
| Total other financing<br>sources (uses)                         | <u>4,493,705</u>        | <u>4,493,705</u>     | <u>4,490,620</u>     | <u>(3,085)</u>                 |
| Net change in fund balance                                      | (509,163)               | (1,883,592)          | (1,758,431)          | 125,161                        |
| Fund balance, beginning of year                                 | <u>35,502,257</u>       | <u>35,502,257</u>    | <u>35,502,257</u>    |                                |
| Fund balance, end of year<br>(budgetary basis)                  | <u>\$ 34,993,094</u>    | <u>\$ 33,618,665</u> | 33,743,826           | <u>\$ 125,161</u>              |
| Encumbrances outstanding<br>at year end                         |                         |                      | <u>332,316</u>       |                                |
| Fund balance, end of year<br>(GAAP basis)                       |                         |                      | <u>\$ 34,076,142</u> |                                |

See Accompanying Note to Required Supplementary Information.

**CITY OF CHULA VISTA**  
**Sundry Grants Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| <b>Revenues:</b>   |                            |                         |                     |   |
| Intergovernmental  | \$ 8,400,059               | \$ 10,641,381           | \$ 10,402,911       | \$ (238,470)                                |
| Use of money and property                                    | 5,390                      | 5,390                   | 78,890              | 73,500                                      |
| Other  | 900                        | 608,346                 | 37,770              | (570,576)                                   |
| <b>Total revenues</b>  | <u>8,406,349</u>           | <u>11,255,117</u>       | <u>10,519,571</u>   | <u>(735,546)</u>                            |
| <b>Expenditures:</b>   |                            |                         |                     |   |
| Current:   |                            |                         |                     |   |
| General government   | 2,247,964                  | 4,176,976               | 2,797,244           | 1,379,732                                   |
| Public safety  | 3,132,347                  | 3,793,420               | 3,248,670           | 544,750                                     |
| Public works   | 598,575                    | 2,416,774               | 1,192,151           | 1,224,623                                   |
| Parks and recreation   | 1,600                      | 1,600                   | 2,100               | (500)                                       |
| Capital outlay   | 1,021,136                  | 15,488,597              | 4,764,294           | 10,724,303                                  |
| Bond issuance cost   | -                          | -                       | 34,485              | (34,485)                                    |
| <b>Total expenditures</b>                                    | <u>7,001,622</u>           | <u>25,877,367</u>       | <u>12,038,944</u>   | <u>13,838,423</u>                           |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>1,404,727</u>           | <u>(14,622,250)</u>     | <u>(1,519,373)</u>  | <u>13,102,877</u>                           |
| <b>Other Financing Sources (Uses):</b>                       |                            |                         |                     |   |
| Issuance of debt   | -                          | -                       | 9,500,000           | 9,500,000                                   |
| Transfers in   | 30,729                     | 30,729                  | 13,671              | (17,058)                                    |
| Transfers out  | (1,106,940)                | (319,882)               | (170,100)           | 149,782                                     |
| <b>Total other financing<br/>sources (uses)</b>              | <u>(1,076,211)</u>         | <u>(289,153)</u>        | <u>(156,429)</u>    | <u>132,724</u>                              |
| <b>Net change in fund balance</b>                            | <u>328,516</u>             | <u>(14,911,403)</u>     | <u>(1,675,802)</u>  | <u>13,235,601</u>                           |
| Fund balance, beginning of year                              | <u>676,421</u>             | <u>676,421</u>          | <u>676,421</u>      | <u>-</u>                                    |
| Fund balance, end of year<br>(budgetary basis)               | <u>\$ 1,004,937</u>        | <u>\$ (14,234,982)</u>  | <u>(999,381)</u>    | <u>\$ 13,235,601</u>                        |
| Encumbrances outstanding at year end                         |                            |                         | <u>2,140,550</u>    |   |
| Fund balance, end of year<br>(GAAP basis)                    |                            |                         | <u>\$ 1,141,169</u> |   |

**CITY OF CHULA VISTA**  
**Redevelopment Agency Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| <b>Revenues:</b>   |                            |                         |                      |   |
| Taxes  | \$ 2,575,428               | \$ 2,575,428            | \$ 2,758,666         | \$ 183,238                                  |
| Charges for services   | 63,442                     | 63,442                  | 95,450               | 32,008                                      |
| Use of money and property                                    | 100,711                    | 100,711                 | 514,700              | 413,989                                     |
| Other  | 653,603                    | 653,603                 | 809,987              | 156,384                                     |
|  | <u>3,393,184</u>           | <u>3,393,184</u>        | <u>4,178,803</u>     | <u>785,619</u>                              |
| <b>Expenditures:</b>   |                            |                         |                      |   |
| Current:   |                            |                         |                      |   |
| General government   | 2,195,740                  | 7,841,343               | 6,523,605            | 1,317,738                                   |
| Excess (deficiency) of revenues<br>over (under) expenditures | 1,197,444                  | (4,448,159)             | (2,344,802)          | 2,103,357                                   |
| <b>Other financing sources (uses):</b>                       |                            |                         |                      |   |
| Transfers in   | 2,500                      | 2,500                   | -                    | (2,500)                                     |
| Transfers out  | (1,733)                    | (1,733)                 | (1,733)              | -   |
|  | <u>767</u>                 | <u>767</u>              | <u>(1,733)</u>       | <u>(2,500)</u>                              |
| Net change in fund balance                                   | 1,198,211                  | (4,447,392)             | (2,346,535)          | 2,100,857                                   |
| Fund balance, beginning of year                              | 12,624,621                 | 12,624,621              | 12,624,621           | -   |
| Fund balance, end of year<br>(budgetary basis)               | <u>\$ 13,822,832</u>       | <u>\$ 8,177,229</u>     | 10,278,086           | <u>\$ 2,100,857</u>                         |
| Encumbrances outstanding at year end                         |                            |                         | <u>101,539</u>       |   |
| Fund balance, end of year<br>(GAAP basis)                    |                            |                         | <u>\$ 10,379,625</u> |   |

**CITY OF CHULA VISTA**  
**Note to Required Supplementary Information**  
**June 30, 2008**

**(1) 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 up to \$15,000 within a departmental budget. Any appropriation transfers between departments or greater than \$15,000 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, 2008 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.



**SUPPLEMENTARY INFORMATION**

**CITY OF CHULA VISTA**  
**Redevelopment Agency Debt Service Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|   | <u>Final<br/>Budget</u> | <u>Actual</u>          | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|------------------------|---|
| <b>Revenues:</b>  |                         |                        |   |
| Taxes   | \$ 3,226,110            | \$ 3,318,078           | \$ 91,968                                   |
| Use of money and property                                 | 74,000                  | 269,203                | 195,203                                     |
| Other   |                         | 7,664                  | 7,664                                       |
|   | <u>3,300,110</u>        | <u>3,594,945</u>       | <u>294,835</u>                              |
| <b>Expenditures:</b>                                      |                         |                        |   |
| Current:  |                         |                        |   |
| General government  | 14,000                  | 10,790                 | 3,210                                       |
| Debt service:   |                         |                        |   |
| Principal   | 1,240,000               | 1,240,000              | -   |
| Interest and fiscal charges                               | 3,451,112               | 3,437,806              | 13,306                                      |
|   | <u>4,705,112</u>        | <u>4,688,596</u>       | <u>16,516</u>                               |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,405,002)</u>      | <u>(1,093,651)</u>     | <u>311,351</u>                              |
| <b>Other financing sources (uses):</b>                    |                         |                        |   |
| Transfers in  | 884,375                 | 1,492,586              | 608,211                                     |
| Transfers out   | (884,375)               | -                      | 884,375                                     |
|   | <u>-</u>                | <u>1,492,586</u>       | <u>1,492,586</u>                            |
| Net change in fund balance                                | (1,405,002)             | 398,935                | 1,803,937                                   |
| Fund balance, beginning of year                           | <u>(29,726,551)</u>     | <u>(29,726,551)</u>    | <u>-</u>                                    |
| Fund balance, end of year                                 | <u>\$ (31,131,553)</u>  | <u>\$ (29,327,616)</u> | <u>\$ 1,803,937</u>                         |

**CITY OF CHULA VISTA**  
**City Debt Service Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|   | <u>Final<br/>Budget</u> | <u>Actual</u>          | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|------------------------|---|
| <b>Expenditures:</b>                    |                         |                        |   |
| Debt service:                           |                         |                        |   |
| Interest and fiscal charges             | \$ 780,750              | \$ 634,012             | \$ 146,738                                  |
| <b>Other financing sources (uses):</b>  |                         |                        |   |
| Transfers in                            | 1,412,442               | 1,142,538              | (269,904)                                   |
| Transfers out                           | (1,388,987)             | -                      | 1,388,987                                   |
| Total other financing<br>sources (uses) | 23,455                  | 1,142,538              | 1,119,083                                   |
| Net change in<br>fund balance           | (757,295)               | 508,526                | 1,265,821                                   |
| Fund balance, beginning of year         | (14,677,727)            | (14,677,727)           | -   |
| Fund balance, end of year               | <u>\$ (15,435,022)</u>  | <u>\$ (14,169,201)</u> | <u>\$ 1,265,821</u>                         |

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## NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS

### 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.

Developer Deposits - 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.

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.

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

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

Storm Drain - This 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.

## 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

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.

Highway Safety - This fund is a depository for the revenues received from State per Proposition 1B. Funds must be spent for transportation projects to relieve congestion, improve the movement of goods, improve air quality and security of the transportation system.

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 Development 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 Projects - 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.

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.

## NONMAJOR CAPITAL PROJECTS FUNDS (Continued)

Other Transportation Program -- This fund is a depository for the revenues received from the Federal Highway Safety Improvement 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 Governmental Funds**  
**June 30, 2008**

|  | <b>Special Revenue Funds</b>     |                          |                           |                          |
|--|----------------------------------|--------------------------|---------------------------|--------------------------|
|  | <b>Transportation<br/>Grants</b> | <b>Parking<br/>Meter</b> | <b>Traffic<br/>Safety</b> | <b>Town<br/>Centre I</b> |
| <b>Assets:</b>                           |                                  |                          |                           |                          |
| Cash and investments                     | \$ 424,599                       | \$ 158,086               | \$ 770,457                | \$ 45,851                |
| Receivables:                             |                                  |                          |                           |                          |
| Accounts                                 | -                                | -                        | -                         | -                        |
| Taxes                                    | 1,333,525                        | -                        | -                         | -                        |
| Interest                                 | 5,443                            | 1,584                    | 4,641                     | 317                      |
| Loans                                    | -                                | -                        | -                         | -                        |
| Due from other funds                     | -                                | -                        | -                         | -                        |
| Due from other governments               | -                                | -                        | 84,976                    | -                        |
| Advances to other funds                  | -                                | -                        | -                         | -                        |
| Inventory and prepaid items              | -                                | -                        | -                         | -                        |
| Restricted cash and investments:         |                                  |                          |                           |                          |
| Held by City                             | -                                | -                        | -                         | -                        |
| Held by fiscal agent                     | -                                | -                        | -                         | -                        |
| Land held for resale                     | -                                | -                        | -                         | -                        |
| Total assets                             | <u>\$ 1,763,567</u>              | <u>\$ 159,670</u>        | <u>\$ 860,074</u>         | <u>\$ 46,168</u>         |
| <b>Liabilities and fund balances:</b>    |                                  |                          |                           |                          |
| Liabilities:                             |                                  |                          |                           |                          |
| Accounts payable and accrued liabilities | \$ -                             | \$ 6,788                 | \$ 41,171                 | \$ -                     |
| Due to other funds                       | 1,314,523                        | -                        | -                         | -                        |
| Retention payable                        | -                                | -                        | -                         | -                        |
| Developer deposits                       | -                                | -                        | -                         | -                        |
| Deferred revenue                         | -                                | -                        | -                         | -                        |
| Total liabilities                        | <u>1,314,523</u>                 | <u>6,788</u>             | <u>41,171</u>             | <u>-</u>                 |
| Fund balances:                           |                                  |                          |                           |                          |
| Reserved for:                            |                                  |                          |                           |                          |
| Encumbrances                             | -                                | -                        | 264,355                   | -                        |
| Loans receivables and advances           | -                                | -                        | -                         | -                        |
| Land held for resale                     | -                                | -                        | -                         | -                        |
| Debt service                             | -                                | -                        | -                         | -                        |
| Total reserved                           | <u>-</u>                         | <u>-</u>                 | <u>264,355.00</u>         | <u>-</u>                 |
| Unreserved:                              |                                  |                          |                           |                          |
| Designated for:                          |                                  |                          |                           |                          |
| Contingency                              | 31,994                           | 106,028                  | -                         | -                        |
| Capital projects                         | -                                | -                        | -                         | -                        |
| Undesignated:                            |                                  |                          |                           |                          |
| Special revenue                          | 417,050                          | 46,854                   | 554,548                   | 46,168                   |
| Capital projects                         | -                                | -                        | -                         | -                        |
| Total fund balances                      | <u>449,044</u>                   | <u>152,882</u>           | <u>818,903</u>            | <u>46,168</u>            |
| Total liabilities and fund balances      | <u>\$ 1,763,567</u>              | <u>\$ 159,670</u>        | <u>\$ 860,074</u>         | <u>\$ 46,168</u>         |



**Special Revenue Funds**

| <b>Developer Deposits</b> | <b>Open Space Districts</b> | <b>Housing Programs</b> | <b>Traffic Signals</b> | <b>Transportation Sales Tax</b> |
|---------------------------|-----------------------------|-------------------------|------------------------|---------------------------------|
| \$ 11,249,929             | \$ 12,342,254               | \$ -                    | \$ 2,897,555           | \$ 18,122,757                   |
| -                         | -                           | -                       | -                      | -                               |
| -                         | 57,505                      | -                       | -                      | -                               |
| -                         | 95,044                      | -                       | 35,117                 | 149,677                         |
| -                         | -                           | 238,012                 | -                      | -                               |
| -                         | -                           | -                       | 1,314,523              | -                               |
| -                         | -                           | -                       | -                      | -                               |
| -                         | -                           | -                       | -                      | -                               |
| -                         | -                           | 370,184                 | -                      | -                               |
| -                         | -                           | -                       | -                      | -                               |
| -                         | -                           | -                       | -                      | -                               |
| <u>\$ 11,249,929</u>      | <u>\$ 12,494,803</u>        | <u>\$ 608,196</u>       | <u>\$ 4,247,195</u>    | <u>\$ 18,272,434</u>            |
| \$ 601,743                | \$ 1,115,844                | \$ 13,300               | \$ -                   | \$ 1,437,722                    |
| -                         | -                           | -                       | -                      | -                               |
| -                         | -                           | -                       | 329                    | 499,170                         |
| 10,648,186                | -                           | -                       | -                      | -                               |
| -                         | -                           | 72                      | -                      | -                               |
| <u>11,249,929</u>         | <u>1,115,844</u>            | <u>13,372</u>           | <u>329</u>             | <u>1,936,892</u>                |
| -                         | 70,197                      | 4,760                   | 203,288                | 1,097,262                       |
| -                         | -                           | 237,940                 | -                      | -                               |
| -                         | -                           | -                       | -                      | -                               |
| -                         | -                           | -                       | -                      | -                               |
| <u>-</u>                  | <u>70,197</u>               | <u>242,700</u>          | <u>203,288</u>         | <u>1,097,262</u>                |
| -                         | -                           | -                       | -                      | -                               |
| -                         | 657,016                     | -                       | -                      | -                               |
| -                         | 10,651,746                  | 352,124                 | 4,043,578              | 15,238,280                      |
| -                         | -                           | -                       | -                      | -                               |
| <u>-</u>                  | <u>11,378,959</u>           | <u>594,824</u>          | <u>4,246,866</u>       | <u>16,335,542</u>               |
| <u>\$ 11,249,929</u>      | <u>\$ 12,494,803</u>        | <u>\$ 608,196</u>       | <u>\$ 4,247,195</u>    | <u>\$ 18,272,434</u>            |

**CITY OF CHULA VISTA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Continued)**  
**June 30, 2008**

|  | Special<br>Revenue<br>Funds | Debt Service Funds               |                 |                  |
|--|-----------------------------|----------------------------------|-----------------|------------------|
|  | Storm<br>Drain              | Public<br>Financing<br>Authority | 1994<br>POB     | Notes<br>Payable |
| <b>Assets:</b>                           |                             |                                  |                 |                  |
| Cash and investments                     | \$ 793                      | \$ 1,340,515                     | \$ 3,068        | \$ 2             |
| Receivables:                             |                             |                                  |                 |                  |
| Accounts                                 | 86,913                      | -                                | -               | -                |
| Taxes                                    | 341                         | -                                | -               | -                |
| Interest                                 | 242                         | 2,777                            | -               | -                |
| Loans                                    | -                           | -                                | -               | -                |
| Due from other funds                     | -                           | -                                | -               | -                |
| Due from other governments               | -                           | -                                | -               | -                |
| Advances to other funds                  | -                           | -                                | -               | -                |
| Inventory and prepaid items              | -                           | -                                | -               | -                |
| Restricted cash and investments:         |                             |                                  |                 |                  |
| Held by City                             | -                           | -                                | -               | -                |
| Held by fiscal agent                     | -                           | 9,134,610                        | -               | -                |
| Land held for resale                     | -                           | -                                | -               | -                |
| Total assets                             | <u>\$ 88,289</u>            | <u>\$ 10,477,902</u>             | <u>\$ 3,068</u> | <u>\$ 2</u>      |
| <b>Liabilities and fund balances:</b>    |                             |                                  |                 |                  |
| Liabilities:                             |                             |                                  |                 |                  |
| Accounts payable and accrued liabilities | \$ 790                      | \$ -                             | \$ -            | \$ -             |
| Due to other funds                       | -                           | 1,090                            | -               | -                |
| Retention payable                        | -                           | -                                | -               | -                |
| Developer deposits                       | -                           | -                                | -               | -                |
| Deferred revenue                         | -                           | -                                | -               | -                |
| Total liabilities                        | <u>790</u>                  | <u>1,090</u>                     | <u>-</u>        | <u>-</u>         |
| Fund balances:                           |                             |                                  |                 |                  |
| Reserved for:                            |                             |                                  |                 |                  |
| Encumbrances                             | -                           | -                                | -               | -                |
| Loans receivables and advances           | -                           | -                                | -               | -                |
| Land held for resale                     | -                           | -                                | -               | -                |
| Debt service                             | -                           | 10,476,812                       | 3,068           | 2                |
| Total reserved                           | <u>-</u>                    | <u>10,476,812</u>                | <u>3,068</u>    | <u>2</u>         |
| Unreserved:                              |                             |                                  |                 |                  |
| Designated for:                          |                             |                                  |                 |                  |
| Contingency                              | -                           | -                                | -               | -                |
| Capital projects                         | -                           | -                                | -               | -                |
| Undesignated:                            |                             |                                  |                 |                  |
| Special revenue                          | 87,499                      | -                                | -               | -                |
| Capital projects                         | -                           | -                                | -               | -                |
| Total fund balances                      | <u>87,499</u>               | <u>10,476,812</u>                | <u>3,068</u>    | <u>2</u>         |
| Total liabilities and fund balances      | <u>\$ 88,289</u>            | <u>\$ 10,477,902</u>             | <u>\$ 3,068</u> | <u>\$ 2</u>      |

| Debt<br>Service<br>Funds | Capital Projects            |                                    |                   |                     |
|--------------------------|-----------------------------|------------------------------------|-------------------|---------------------|
|                          | SD Regional<br>Comm. System | Residential<br>Construction<br>Tax | Highway<br>Safety | Bicycle<br>Facility |
| \$ 174                   | \$ 1,844,187                | \$ 3,685,875                       | \$ 199,525        | \$ 9,880            |
| -                        | -                           | -                                  | -                 | -                   |
| -                        | 20,504                      | 4,082                              | 1,547             | 74                  |
| -                        | -                           | -                                  | -                 | -                   |
| -                        | -                           | -                                  | -                 | -                   |
| -                        | -                           | -                                  | -                 | -                   |
| -                        | -                           | -                                  | -                 | -                   |
| <u>\$ 174</u>            | <u>\$ 1,864,691</u>         | <u>\$ 3,689,957</u>                | <u>\$ 201,072</u> | <u>\$ 9,954</u>     |
| \$ -                     | \$ 4,096                    | \$ -                               | \$ -              | \$ -                |
| -                        | -                           | -                                  | -                 | -                   |
| -                        | -                           | -                                  | -                 | -                   |
| -                        | -                           | -                                  | -                 | -                   |
| -                        | -                           | -                                  | 201,072           | -                   |
| -                        | 4,096                       | -                                  | 201,072           | -                   |
| -                        | 756,170                     | -                                  | -                 | -                   |
| -                        | -                           | -                                  | -                 | -                   |
| -                        | -                           | -                                  | -                 | -                   |
| 174                      | -                           | -                                  | -                 | -                   |
| <u>174</u>               | <u>756,170</u>              | <u>-</u>                           | <u>-</u>          | <u>-</u>            |
| -                        | 202,555                     | -                                  | -                 | -                   |
| -                        | 901,870                     | 3,689,957                          | -                 | 9,954               |
| -                        | -                           | -                                  | -                 | -                   |
| -                        | -                           | -                                  | -                 | -                   |
| 174                      | 1,860,595                   | 3,689,957                          | -                 | 9,954               |
| <u>\$ 174</u>            | <u>\$ 1,864,691</u>         | <u>\$ 3,689,957</u>                | <u>\$ 201,072</u> | <u>\$ 9,954</u>     |

(Continued)

**CITY OF CHULA VISTA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Continued)**  
**June 30, 2008**

|  | <b>Capital Projects Funds</b>                 |  |  |                                       |
|--|---|--|--|---------------------------------------|
|  | <b>Redevelopment<br/>Capital<br/>Projects</b> | <b>Assessment<br/>District<br/>Improvement</b> | <b>Capital<br/>Improvement<br/>Program</b> | <b>Transportation<br/>Partnership</b> |
| <b>Assets:</b>                             |   |  |  |                                       |
| Cash and investments                       | \$ 4,977,396                                  | \$ 2,363,018                                   | \$ -                                       | \$ 52,379                             |
| Receivables:                               |   |  |  |                                       |
| Accounts                                   | -   | -  | -  | -                                     |
| Taxes                                      | 252,382                                       | 295  | -  | -                                     |
| Interest                                   | 28,295  | 18,025   | -  | 466                                   |
| Loans                                      | -   | -  | -  | -                                     |
| Due from other funds                       | 597,957                                       | -  | -  | -                                     |
| Due from other governments                 | 246,758                                       | -  | -  | -                                     |
| Advances to other funds                    | 4,493,789                                     | -  | -  | -                                     |
| Inventory and prepaid items                | 1,816   | -  | -  | -                                     |
| Restricted cash and investments:           |   |  |  |                                       |
| Held by City                               | -   | -  | -  | -                                     |
| Held by fiscal agent                       | 3,235,105                                     | -  | 1,797,996                                  | -                                     |
| Land held for resale                       | 2,260,925                                     | -  | -  | -                                     |
| <b>Total assets</b>                        | <b>\$ 16,094,423</b>                          | <b>\$ 2,381,338</b>                            | <b>\$ 1,797,996</b>                        | <b>\$ 52,845</b>                      |
| <b>Liabilities and fund balances:</b>      |   |  |  |                                       |
| Liabilities:                               |   |  |  |                                       |
| Accounts payable and accrued liabilities   | \$ 5,108,568                                  | \$ 1,696                                       | \$ -                                       | \$ -                                  |
| Due to other funds                         | 597,957                                       | -  | -  | -                                     |
| Retention payable                          | -   | -  | -  | -                                     |
| Developer deposits                         | -   | -  | -  | -                                     |
| Deferred revenue                           | 1,081,034                                     | -  | -  | -                                     |
| <b>Total liabilities</b>                   | <b>6,787,559</b>                              | <b>1,696</b>                                   | <b>-</b>                                   | <b>-</b>                              |
| Fund balances:                             |   |  |  |                                       |
| Reserved for:                              |   |  |  |                                       |
| Encumbrances                               | 554,999                                       | 6,084  | -  | -                                     |
| Loans receivables and advances             | 3,616,388                                     | -  | -  | -                                     |
| Land held for resale                       | 2,260,925                                     | -  | -  | -                                     |
| Debt service                               | -   | -  | -  | -                                     |
| <b>Total reserved</b>                      | <b>6,432,312</b>                              | <b>6,084</b>                                   | <b>-</b>                                   | <b>-</b>                              |
| Unreserved:                                |   |  |  |                                       |
| Designated for:                            |   |  |  |                                       |
| Contingency                                | -   | -  | -  | -                                     |
| Capital projects                           | 2,874,552                                     | 2,373,558                                      | 1,797,996                                  | 52,845                                |
| Undesignated:                              |   |  |  |                                       |
| Special revenue                            | -   | -  | -  | -                                     |
| Capital projects                           | -   | -  | -  | -                                     |
| <b>Total fund balances</b>                 | <b>9,306,864</b>                              | <b>2,379,642</b>                               | <b>1,797,996</b>                           | <b>52,845</b>                         |
| <b>Total liabilities and fund balances</b> | <b>\$ 16,094,423</b>                          | <b>\$ 2,381,338</b>                            | <b>\$ 1,797,996</b>                        | <b>\$ 52,845</b>                      |

| Other<br>Transportation<br>Program | Capital Projects                |                                 | Total<br>Other<br>Governmental<br>Funds |
|------------------------------------|---------------------------------|---------------------------------|---|
|                                    | Transportation<br>Equity<br>Act | Traffic<br>Congestion<br>Relief |   |
| \$ 1,263,401                       | \$ -                            | \$ -                            | \$ 61,751,701                           |
| -                                  | -                               | -                               | 86,913                                  |
| -                                  | -                               | -                               | 1,644,048                               |
| 12,395                             | -                               | -                               | 380,230                                 |
| -                                  | -                               | -                               | 238,012                                 |
| 24,672                             | -                               | -                               | 1,937,152                               |
| 61,054                             | 24,672                          | -                               | 417,460                                 |
| -                                  | -                               | -                               | 4,493,789                               |
| -                                  | -                               | -                               | 1,816                                   |
| -                                  | -                               | -                               | 370,184                                 |
| -                                  | -                               | -                               | 14,167,711                              |
| -                                  | -                               | -                               | 2,260,925                               |
| <u>\$ 1,361,522</u>                | <u>\$ 24,672</u>                | <u>\$ -</u>                     | <u>\$ 87,749,941</u>                    |
| \$ 39,289                          | \$ -                            | \$ -                            | \$ 8,371,007                            |
| -                                  | 24,672                          | -                               | 1,938,242                               |
| -                                  | -                               | -                               | 499,499                                 |
| -                                  | -                               | -                               | 10,648,186                              |
| -                                  | -                               | -                               | 1,282,178                               |
| <u>39,289</u>                      | <u>24,672</u>                   | <u>-</u>                        | <u>22,739,112</u>                       |
| 232,779                            | -                               | -                               | 3,189,894                               |
| -                                  | -                               | -                               | 3,854,328                               |
| -                                  | -                               | -                               | 2,260,925                               |
| -                                  | -                               | -                               | 10,480,056                              |
| <u>232,779</u>                     | <u>-</u>                        | <u>-</u>                        | <u>19,785,203</u>                       |
| -                                  | -                               | -                               | 340,577                                 |
| -                                  | -                               | -                               | 12,357,748                              |
| -                                  | -                               | -                               | 31,437,847                              |
| 1,089,454                          | -                               | -                               | 1,089,454                               |
| <u>1,322,233</u>                   | <u>-</u>                        | <u>-</u>                        | <u>65,010,829</u>                       |
| <u>\$ 1,361,522</u>                | <u>\$ 24,672</u>                | <u>\$ -</u>                     | <u>\$ 87,749,941</u>                    |

**CITY OF CHULA VISTA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2008**

|   | <u>Special Revenue Funds</u>     |                          |                           |                          |
|---|----------------------------------|--------------------------|---------------------------|--------------------------|
|   | <u>Transportation<br/>Grants</u> | <u>Parking<br/>Meter</u> | <u>Traffic<br/>Safety</u> | <u>Town<br/>Center I</u> |
| <b>Revenues:</b>  |                                  |                          |                           |                          |
| Taxes   | \$ -                             | \$ -                     | \$ -                      | \$ -                     |
| Intergovernmental   | 4,036,861                        | -                        | -                         | -                        |
| Licenses and permits                                      | -                                | 23,209                   | -                         | -                        |
| Developer fees  | -                                | -                        | -                         | -                        |
| Charges for services                                      | -                                | -                        | -                         | 16,160                   |
| Fines and forfeitures                                     | -                                | 73,339                   | 1,056,790                 | -                        |
| Use of money and property                                 | 386                              | 247,790                  | 30,572                    | 1,872                    |
| Other   | 1,351                            | -                        | -                         | -                        |
| Total revenues  | <u>4,038,598</u>                 | <u>344,338</u>           | <u>1,087,362</u>          | <u>18,032</u>            |
| <b>Expenditures:</b>                                      |                                  |                          |                           |                          |
| Current:  |                                  |                          |                           |                          |
| General government  | -                                | -                        | -                         | -                        |
| Public safety   | -                                | 330,810                  | 63,259                    | -                        |
| Public works  | -                                | -                        | -                         | -                        |
| Parks and recreation                                      | -                                | -                        | -                         | -                        |
| Library   | -                                | -                        | -                         | -                        |
| Capital outlay  | 120,457                          | -                        | -                         | 169                      |
| Debt service:   |                                  |                          |                           |                          |
| Principal   | -                                | -                        | -                         | -                        |
| Interest and fiscal charges                               | -                                | -                        | -                         | -                        |
| Bond issuance cost  | -                                | -                        | -                         | -                        |
| Total expenditures  | <u>120,457</u>                   | <u>330,810</u>           | <u>63,259</u>             | <u>169</u>               |
| Excess (deficiency) revenues<br>over (under) expenditures | <u>3,918,141</u>                 | <u>13,528</u>            | <u>1,024,103</u>          | <u>17,863</u>            |
| <b>Other financing sources (uses):</b>                    |                                  |                          |                           |                          |
| Issuance of debt  | -                                | -                        | -                         | -                        |
| Transfers in  | -                                | -                        | -                         | -                        |
| Transfer out  | (3,840,359)                      | (1,358)                  | (534,144)                 | -                        |
| Total other financing<br>sources (uses)                   | <u>(3,840,359)</u>               | <u>(1,358)</u>           | <u>(534,144)</u>          | <u>-</u>                 |
| Net change in fund balances                               | 77,782                           | 12,170                   | 489,959                   | 17,863                   |
| Fund balances, beginning of year, as restated             | <u>371,262</u>                   | <u>140,712</u>           | <u>328,944</u>            | <u>28,305</u>            |
| Fund balances, end of year                                | <u>\$ 449,044</u>                | <u>\$ 152,882</u>        | <u>\$ 818,903</u>         | <u>\$ 46,168</u>         |

**Special Revenue Funds**

| <b>Developer Deposits</b> | <b>Open Space Districts</b> | <b>Housing Programs</b> | <b>Traffic Signals</b> | <b>Transportation Sales Tax</b> |
|---------------------------|-----------------------------|-------------------------|------------------------|---------------------------------|
| \$ -                      | \$ -                        | \$ -                    | \$ -                   | \$ 9,171,000                    |
| -                         | -                           | -                       | 238,500                | -                               |
| -                         | -                           | -                       | -                      | -                               |
| 12,244,884                | -                           | -                       | -                      | -                               |
| -                         | -                           | -                       | 499,457                | -                               |
| -                         | -                           | -                       | -                      | -                               |
| 249,790                   | 552,997                     | 985                     | 197,634                | 884,483                         |
| -                         | 7,571,090                   | 25                      | -                      | -                               |
| <u>12,494,674</u>         | <u>8,124,087</u>            | <u>1,010</u>            | <u>935,591</u>         | <u>10,055,483</u>               |
| -                         | -                           | -                       | -                      | -                               |
| -                         | -                           | -                       | -                      | -                               |
| 12,494,674                | 7,668,076                   | -                       | 50,629                 | -                               |
| -                         | -                           | -                       | -                      | -                               |
| -                         | -                           | -                       | -                      | -                               |
| -                         | -                           | -                       | 470,660                | 8,900,277                       |
| -                         | -                           | -                       | -                      | -                               |
| -                         | -                           | -                       | -                      | -                               |
| -                         | -                           | -                       | -                      | -                               |
| <u>12,494,674</u>         | <u>7,668,076</u>            | <u>-</u>                | <u>521,289</u>         | <u>8,900,277</u>                |
| -                         | 456,011                     | 1,010                   | 414,302                | 1,155,206                       |
| -                         | -                           | -                       | -                      | -                               |
| -                         | -                           | -                       | -                      | -                               |
| -                         | -                           | -                       | (5,077)                | -                               |
| -                         | -                           | -                       | (5,077)                | -                               |
| -                         | 456,011                     | 1,010                   | 409,225                | 1,155,206                       |
| -                         | 10,922,948                  | 593,814                 | 3,837,641              | 15,180,336                      |
| <u>\$ -</u>               | <u>\$ 11,378,959</u>        | <u>\$ 594,824</u>       | <u>\$ 4,246,866</u>    | <u>\$ 16,335,542</u>            |

**CITY OF CHULA VISTA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds (Continued)**  
**For the Year Ended June 30, 2008**

|  | <b>Special Revenue Funds</b> |                                   |                    |                      |
|--|------------------------------|-----------------------------------|--------------------|----------------------|
|  | <b>Debt Service Funds</b>    |                                   |                    |                      |
|  | <b>Storm Drain</b>           | <b>Public Financing Authority</b> | <b>1994 POB</b>    | <b>Notes Payable</b> |
| <b>Revenues:</b>                                       |                              |                                   |                    |                      |
| Taxes  | \$ -                         | \$ -                              | \$ -               | \$ -                 |
| Intergovernmental                                      | -                            | -                                 | -                  | -                    |
| Licenses and permits                                   | 47,303                       | -                                 | -                  | -                    |
| Developer fees   | -                            | -                                 | -                  | -                    |
| Charges for services                                   | 570,070                      | -                                 | -                  | -                    |
| Fines and forfeitures                                  | 21,700                       | -                                 | -                  | -                    |
| Use of money and property                              | 1,268                        | 579,478                           | -                  | -                    |
| Other  | -                            | -                                 | -                  | -                    |
| Total revenues   | <u>640,341</u>               | <u>579,478</u>                    | <u>-</u>           | <u>-</u>             |
| <b>Expenditures:</b>                                   |                              |                                   |                    |                      |
| Current:   |                              |                                   |                    |                      |
| General government                                     | -                            | 10,405                            | 2,475              | -                    |
| Public safety  | -                            | 8,246                             | -                  | -                    |
| Public works   | 285,193                      | -                                 | -                  | -                    |
| Parks and recreation                                   | -                            | -                                 | -                  | -                    |
| Library  | -                            | -                                 | -                  | -                    |
| Capital outlay   | 82,202                       | -                                 | -                  | -                    |
| Debt service:  |                              |                                   |                    |                      |
| Principal  | -                            | 4,800,000                         | 1,595,000          | 25,570               |
| Interest and fiscal charges                            | -                            | 7,125,587                         | 774,280            | 19,781               |
| Bond issuance cost                                     | -                            | -                                 | -                  | -                    |
| Total expenditures                                     | <u>367,395</u>               | <u>11,944,238</u>                 | <u>2,371,755</u>   | <u>45,351</u>        |
| Excess (deficiency) revenues over (under) expenditures | <u>272,946</u>               | <u>(11,364,760)</u>               | <u>(2,371,755)</u> | <u>(45,351)</u>      |
| <b>Other financing sources (uses):</b>                 |                              |                                   |                    |                      |
| Issuance of debt                                       | -                            | -                                 | -                  | -                    |
| Transfers in   | -                            | 9,904,895                         | 2,371,725          | 45,351               |
| Transfer out   | <u>(269,801)</u>             | <u>(1,102,129)</u>                | <u>-</u>           | <u>-</u>             |
| Total other financing sources (uses)                   | <u>(269,801)</u>             | <u>8,802,766</u>                  | <u>2,371,725</u>   | <u>45,351</u>        |
| Net change in fund balances                            | 3,145                        | (2,561,994)                       | (30)               | -                    |
| Fund balances, beginning of year, as restated          | 84,354                       | 13,038,806                        | 3,098              | 2                    |
| Fund balances, end of year                             | <u>\$ 87,499</u>             | <u>\$ 10,476,812</u>              | <u>\$ 3,068</u>    | <u>\$ 2</u>          |



| Debt<br>Service<br>Funds    | Capital Projects Funds             |                     |                     |  |
|-----------------------------|------------------------------------|---------------------|---------------------|--|
|                             | Residential<br>Construction<br>Tax | Highway<br>Safety   | Bicycle<br>Facility | Industrial<br>Development<br>Authority |
| SD Regional<br>Comm. System |                                    |                     |                     |  |
| \$ -                        | \$ 151,325                         | \$ -                | \$ -                | \$ -                                   |
| -                           | -                                  | 3,662,769           | 42,430              | -                                      |
| -                           | -                                  | -                   | -                   | -                                      |
| -                           | -                                  | -                   | -                   | -                                      |
| -                           | -                                  | -                   | -                   | -                                      |
| 8                           | 103,029                            | 28,289              | 8,496               | 470                                    |
| -                           | -                                  | -                   | -                   | -                                      |
| <u>8</u>                    | <u>254,354</u>                     | <u>3,691,058</u>    | <u>50,926</u>       | <u>470</u>                             |
| -                           | -                                  | -                   | -                   | -                                      |
| -                           | -                                  | -                   | -                   | -                                      |
| -                           | -                                  | -                   | -                   | -                                      |
| -                           | -                                  | -                   | -                   | -                                      |
| -                           | 657,736                            | 1,101               | 50,926              | -                                      |
| 201,287                     | -                                  | -                   | -                   | -                                      |
| 94,447                      | -                                  | -                   | -                   | -                                      |
| -                           | -                                  | -                   | -                   | -                                      |
| <u>295,734</u>              | <u>657,736</u>                     | <u>1,101</u>        | <u>50,926</u>       | <u>-</u>                               |
| <u>(295,726)</u>            | <u>(403,382)</u>                   | <u>3,689,957</u>    | <u>-</u>            | <u>470</u>                             |
| -                           | -                                  | -                   | -                   | -                                      |
| 295,734                     | -                                  | -                   | -                   | -                                      |
| -                           | (718,405)                          | -                   | -                   | -                                      |
| <u>295,734</u>              | <u>(718,405)</u>                   | <u>-</u>            | <u>-</u>            | <u>-</u>                               |
| 8                           | (1,121,787)                        | 3,689,957           | -                   | 470                                    |
| 166                         | 2,982,382                          | -                   | -                   | 9,484                                  |
| <u>\$ 174</u>               | <u>\$ 1,860,595</u>                | <u>\$ 3,689,957</u> | <u>\$ -</u>         | <u>\$ 9,954</u>                        |

(Continued)

**CITY OF CHULA VISTA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds (Continued)**  
**For the Year Ended June 30, 2008**

|   | <u>Capital Projects Funds</u>                 |  |  |                                       |
|---|---|--|--|---------------------------------------|
|   | <u>Redevelopment<br/>Capital<br/>Projects</u> | <u>Assessment<br/>District<br/>Improvement</u> | <u>Capital<br/>Improvement<br/>Program</u> | <u>Transportation<br/>Partnership</u> |
| <b>Revenues:</b>  |   |  |  |                                       |
| Taxes   | \$ 7,716,585                                  | \$ -   | \$ -                                       | \$ -                                  |
| Intergovernmental   | -   | -  | -  | -                                     |
| Licenses and permits                                      | -   | -  | -  | -                                     |
| Developer fees  | -   | -  | -  | -                                     |
| Charges for services                                      | 27,542  | -  | -  | -                                     |
| Fines and forfeitures                                     | -   | -  | -  | -                                     |
| Use of money and property                                 | 381,522                                       | 103,734  | 123,485                                    | 612                                   |
| Other   | 764,630                                       | 28,873   | -  | -                                     |
| Total revenues  | <u>8,890,279</u>                              | <u>132,607</u>                                 | <u>123,485</u>                             | <u>612</u>                            |
| <b>Expenditures:</b>                                      |   |  |  |                                       |
| Current:  |   |  |  |                                       |
| General government  | 6,689,189                                     | -  | 1,019,145                                  | -                                     |
| Public safety   | -   | -  | -  | -                                     |
| Public works  | -   | -  | -  | -                                     |
| Parks and recreation                                      | -   | 16,419   | -  | -                                     |
| Library   | -   | -  | -  | -                                     |
| Capital outlay  | 104,419                                       | -  | 3,797,366                                  | 3,883                                 |
| Debt service:   |   |  |  |                                       |
| Principal   | -   | -  | -  | -                                     |
| Interest and fiscal charges                               | -   | -  | -  | -                                     |
| Bond issuance cost  | -   | -  | -  | -                                     |
| Total expenditures  | <u>6,793,608</u>                              | <u>16,419</u>                                  | <u>4,816,511</u>                           | <u>3,883</u>                          |
| Excess (deficiency) revenues<br>over (under) expenditures | <u>2,096,671</u>                              | <u>116,188</u>                                 | <u>(4,693,026)</u>                         | <u>(3,271)</u>                        |
| <b>Other financing sources (uses):</b>                    |   |  |  |                                       |
| Issuance of debt  | -   | -  | -  | -                                     |
| Transfers in  | -   | -  | 1,102,129                                  | -                                     |
| Transfer out  | (2,554,978)                                   | (8,937)  | -  | (1,027)                               |
| Total other financing<br>sources (uses)                   | <u>(2,554,978)</u>                            | <u>(8,937)</u>                                 | <u>1,102,129</u>                           | <u>(1,027)</u>                        |
| Net change in fund balances                               | <u>(458,307)</u>                              | <u>107,251</u>                                 | <u>(3,590,897)</u>                         | <u>(4,298)</u>                        |
| Fund balances, beginning of year, as restated             | <u>9,765,171</u>                              | <u>2,272,391</u>                               | <u>5,388,893</u>                           | <u>57,143</u>                         |
| Fund balances, end of year                                | <u>\$ 9,306,864</u>                           | <u>\$ 2,379,642</u>                            | <u>\$ 1,797,996</u>                        | <u>\$ 52,845</u>                      |

**Capital Projects**

| <b>Other<br/>Transportation<br/>Program</b> | <b>Transportation<br/>Equity<br/>Act</b> | <b>Traffic<br/>Congestion<br/>Relief</b> | <b>Total Other<br/>Governmental<br/>Funds</b> |
|---|--|--|---|
| \$ -  | \$ -                                     | \$ -                                     | \$ 17,038,910                                 |
| 205,143                                     | -  | 384,965                                  | 8,570,668                                     |
| -   | -  | -  | 70,512  |
| -   | -  | -  | 12,244,884                                    |
| -   | -  | -  | 1,113,229                                     |
| -   | -  | -  | 1,151,829                                     |
| 73,007                                      | -  | 5,219                                    | 3,575,126                                     |
| -   | -  | -  | 8,365,969                                     |
| <u>278,150</u>                              | <u>-</u>                                 | <u>390,184</u>                           | <u>52,131,127</u>                             |
| -   | -  | -  | 7,721,214                                     |
| -   | -  | -  | 402,315                                       |
| -   | -  | -  | 20,498,572                                    |
| -   | -  | -  | 16,419  |
| -   | -  | -  | -   |
| 256,315                                     | -  | 94,364                                   | 14,539,875                                    |
| -   | -  | -  | 6,621,857                                     |
| -   | -  | -  | 8,014,095                                     |
| -   | -  | -  | -   |
| <u>256,315</u>                              | <u>-</u>                                 | <u>94,364</u>                            | <u>57,814,347</u>                             |
| <u>21,835</u>                               | <u>-</u>                                 | <u>295,820</u>                           | <u>(5,683,220)</u>                            |
| -   | -  | -  | -   |
| -   | -  | -  | 13,719,834                                    |
| -   | -  | (428,699)                                | (9,464,914)                                   |
| -   | -  | (428,699)                                | 4,254,920                                     |
| 21,835                                      | -  | (132,879)                                | (1,428,300)                                   |
| 1,300,398                                   | -  | 132,879                                  | 66,439,129                                    |
| <u>\$ 1,322,233</u>                         | <u>\$ -</u>                              | <u>\$ -</u>                              | <u>\$ 65,010,829</u>                          |

**CITY OF CHULA VISTA**  
**Transportation Grants Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | <u>Final<br/>Budget</u> | <u>Actual</u>      | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|--------------------|---|
| <b>Revenues:</b>   |                         |                    |   |
| Intergovernmental  | \$ 4,231,271            | \$ 4,036,861       | \$ (194,410)                                |
| Use of money and property                                    | 37,787                  | 386                | (37,401)                                    |
| Other  | -                       | 1,351              | 1,351                                       |
|  | <u>4,269,058</u>        | <u>4,038,598</u>   | <u>(230,460)</u>                            |
| <b>Expenditures:</b>   |                         |                    |   |
| Capital outlay   | <u>395,646</u>          | <u>120,457</u>     | <u>275,189</u>                              |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>3,873,412</u>        | <u>3,918,141</u>   | <u>44,729</u>                               |
| <b>Other financing sources (uses):</b>                       |                         |                    |   |
| Transfers out  | <u>(4,269,058)</u>      | <u>(3,840,359)</u> | <u>428,699</u>                              |
| Net change in fund balance                                   | (395,646)               | 77,782             | 473,428                                     |
| Fund balance, beginning of year                              | <u>371,262</u>          | <u>371,262</u>     | <u>-</u>                                    |
| Fund balance, end of year                                    | <u>\$ (24,384)</u>      | <u>\$ 449,044</u>  | <u>\$ 473,428</u>                           |

**CITY OF CHULA VISTA**  
**Parking Meter Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|-------------------|---|
| <b>Revenues:</b>   |                         |                   |   |
| Licenses and permits   | \$ 30,500               | \$ 23,209         | \$ (7,291)                                  |
| Fines and forfeitures  | 79,683                  | 73,339            | (6,344)                                     |
| Use of money and property                                    | 254,460                 | 247,790           | (6,670)                                     |
| Total revenues   | <u>364,643</u>          | <u>344,338</u>    | <u>(20,305)</u>                             |
| <b>Expenditures:</b>   |                         |                   |   |
| Current:   |                         |                   |   |
| Public safety  | <u>363,199</u>          | <u>330,810</u>    | <u>32,389</u>                               |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>1,444</u>            | <u>13,528</u>     | <u>12,084</u>                               |
| <b>Other financing sources (uses):</b>                       |                         |                   |   |
| Transfers out  | <u>(1,358)</u>          | <u>(1,358)</u>    | <u>-</u>                                    |
| Net change in fund balance                                   | 86                      | 12,170            | 12,084                                      |
| Fund balance, beginning of year                              | <u>140,712</u>          | <u>140,712</u>    | <u>-</u>                                    |
| Fund balance, end of year                                    | <u>\$ 140,798</u>       | <u>\$ 152,882</u> | <u>\$ 12,084</u>                            |

**CITY OF CHULA VISTA**  
**Traffic Safety Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|---------------|---|
| <b>Revenues:</b>   |                         |               |   |
| Fines and forfeitures  | \$ 532,920              | \$ 1,056,790  | \$ 523,870                                  |
| Use of money and property                                    | 1,224                   | 30,572        | 29,348                                      |
| Total revenues   | 534,144                 | 1,087,362     | 553,218                                     |
| <b>Expenditures:</b>   |                         |               |   |
| Current:   |                         |               |   |
| Public safety  | 325,000                 | 327,614       | (2,614)                                     |
| Excess (deficiency) of revenues<br>over (under) expenditures | 209,144                 | 759,748       | 550,604                                     |
| <b>Other financing sources (uses):</b>                       |                         |               |   |
| Transfers out  | (534,144)               | (534,144)     | -   |
| Net change in fund balance                                   | (325,000)               | 225,604       | 550,604                                     |
| Fund balance, beginning of year                              | 328,944                 | 328,944       | -   |
| Fund balance, end of year<br>(budgetary basis)               | \$ 3,944                | \$ 554,548    | \$ 550,604                                  |
| Encumbrance outstanding at year end                          |                         | 264,355       |   |
| Fund balance, end of year<br>(GAAP basis)                    |                         | \$ 818,903    |   |

**CITY OF CHULA VISTA  
Town Centre I Special Revenue Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2008**

|                                 | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---------------------------------|-------------------------|------------------|---|
| <b>Revenues:</b>                |                         |                  |   |
| Charges for services            | \$ -                    | 16,160           | \$ 16,160                                   |
| Use of money and property       | 806                     | \$ 1,872         | 1,066                                       |
| <br>Total revenues              | <br>806                 | <br>18,032       | <br>17,226                                  |
| <b>Expenditures:</b>            |                         |                  |   |
| Capital outlay                  | 10,288                  | 169              | 10,119                                      |
| <br>Net change in fund balance  | <br>(9,482)             | <br>17,863       | <br>27,345                                  |
| Fund balance, beginning of year | 28,305                  | 28,305           | -   |
| Fund balance, end of year       | <u>\$ 18,823</u>        | <u>\$ 46,168</u> | <u>\$ 27,345</u>                            |

**CITY OF CHULA VISTA**  
**Open Space Districts Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|---------------|---|
| <b>Revenues:</b>                               |                         |               |   |
| Use of money and property                      | \$ -                    | \$ 552,997    | \$ 552,997                                  |
| Other  | 10,155,500              | 7,571,090     | (2,584,410)                                 |
| Total revenues                                 | 10,155,500              | 8,124,087     | (2,031,413)                                 |
| <b>Expenditures:</b>                           |                         |               |   |
| Current:                                       |                         |               |   |
| Public works                                   | 10,155,599              | 7,738,273     | 2,417,326                                   |
| Net change in fund balance                     | (99)                    | 385,814       | 385,913                                     |
| Fund balance, beginning of year                | 10,922,948              | 10,922,948    | -   |
| Fund balance, end of year<br>(budgetary basis) | \$ 10,922,849           | 11,308,762    | \$ 385,913                                  |
| Encumbrances outstanding at year end           |                         | 70,197        |   |
| Fund balance, end of year<br>(GAAP basis)      |                         | \$ 11,378,959 |   |



**CITY OF CHULA VISTA**  
**Housing Programs Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | Final<br>Budget   | Actual            | Variance<br>Positive<br>(Negative) |
|--|-------------------|-------------------|------------------------------------|
| <b>Revenues:</b>   |                   |                   |                                    |
| Use of money and property                                    | \$ 500            | \$ 985            | \$ 485                             |
| Other  | -                 | 25                | 25                                 |
| <b>Total revenues</b>  | <b>500</b>        | <b>1,010</b>      | <b>510</b>                         |
| <b>Expenditures:</b>   |                   |                   |                                    |
| Current:   |                   |                   |                                    |
| General government   | 426,609           | 4,760             | 421,849                            |
| Excess (deficiency) of revenues<br>over (under) expenditures | (426,109)         | (3,750)           | 422,359                            |
| <b>Other financing sources (uses):</b>                       |                   |                   |                                    |
| Transfers out  | (2,500)           | -                 | 2,500                              |
| <b>Net change in fund balance</b>                            | <b>(428,609)</b>  | <b>(3,750)</b>    | <b>424,859</b>                     |
| Fund balance, beginning of year                              | 593,814           | 593,814           | -                                  |
| Fund balance, end of year                                    | <u>\$ 165,205</u> | 590,064           | <u>\$ 424,859</u>                  |
| Encumbrance outstanding at year end                          |                   | <u>4,760</u>      |                                    |
| Fund balance, end of year<br>(GAAP basis)                    |                   | <u>\$ 594,824</u> |                                    |

**CITY OF CHULA VISTA**  
**Traffic Signals Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|---------------------|---|
| <b>Revenues:</b>   |                         |                     |   |
| Intergovernmental  | \$ -                    | \$ 238,500          | \$ 238,500                                  |
| Charges for services   | 733,989                 | 499,457             | (234,532)                                   |
| Use of money and property                                    | 72,425                  | 197,634             | 125,209                                     |
|  | <u>806,414</u>          | <u>935,591</u>      | <u>129,177</u>                              |
| <b>Expenditures:</b>   |                         |                     |   |
| Current:   |                         |                     |   |
| Public works   | 64,913                  | 50,629              | 14,284                                      |
| Capital outlay   | 4,346,046               | 673,948             | 3,672,098                                   |
|  | <u>4,410,959</u>        | <u>724,577</u>      | <u>3,686,382</u>                            |
| Total expenditures   |                         |                     |   |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(3,604,545)</u>      | <u>211,014</u>      | <u>3,815,559</u>                            |
| <b>Other financing sources (uses):</b>                       |                         |                     |   |
| Transfers out  | <u>(5,077)</u>          | <u>(5,077)</u>      | <u>-</u>                                    |
| Net change in fund balance                                   | (3,609,622)             | 205,937             | 3,815,559                                   |
| Fund balance, beginning of year                              | <u>3,837,641</u>        | <u>3,837,641</u>    | <u>-</u>                                    |
| Fund balance, end of year<br>(budgetary basis)               | <u>\$ 228,019</u>       | 4,043,578           | <u>\$ 3,815,559</u>                         |
| Encumbrances outstanding at year end                         |                         | <u>203,288</u>      |   |
| Fund balance, end of year<br>(GAAP basis)                    |                         | <u>\$ 4,246,866</u> |   |

**CITY OF CHULA VISTA**  
**Transportation Sales Tax Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | <u>Final<br/>Budget</u>      | <u>Actual</u>               | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|------------------------------|-----------------------------|---|
| <b>Revenues:</b>                               |                              |                             |   |
| Taxes  | \$ 5,583,000                 | \$ 9,171,000                | \$ 3,588,000                                |
| Use of money and property                      | 291,155                      | 884,483                     | 593,328                                     |
| Total revenues                                 | <u>5,874,155</u>             | <u>10,055,483</u>           | <u>4,181,328</u>                            |
| <b>Expenditures:</b>                           |                              |                             |   |
| Current:                                       |                              |                             |   |
| Capital outlay                                 | <u>23,630,946</u>            | <u>9,997,539</u>            | <u>13,633,407</u>                           |
| Net change in fund balance                     | (17,756,791)                 | 57,944                      | 17,814,735                                  |
| Fund balance, beginning of year                | <u>15,180,336</u>            | <u>15,180,336</u>           | <u>-</u>                                    |
| Fund balance, end of year<br>(budgetary basis) | <u><u>\$ (2,576,455)</u></u> | 15,238,280                  | <u><u>\$ 17,814,735</u></u>                 |
| Encumbrances outstanding at year end           |                              | <u>1,097,262</u>            |   |
| Fund balance, end of year<br>(GAAP basis)      |                              | <u><u>\$ 16,335,542</u></u> |   |

**CITY OF CHULA VISTA**  
**Storm Drain Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|------------------|---|
| <b>Revenues:</b>   |                         |                  |   |
| Licenses and permits   | \$ 277,890              | \$ 47,303        | \$ (230,587)                                |
| Charges for services   | 519,665                 | 570,070          | 50,405                                      |
| Fines and forfeitures  | -                       | 21,700           | 21,700                                      |
| Use of money and property                                    | -                       | 1,268            | 1,268                                       |
|  | <u>797,555</u>          | <u>640,341</u>   | <u>(157,214)</u>                            |
| <b>Expenditures:</b>   |                         |                  |   |
| Current:   |                         |                  |   |
| Public works   | 321,354                 | 285,193          | 36,161                                      |
| Capital outlay   | 115,569                 | 82,202           | 33,367                                      |
|  | <u>436,923</u>          | <u>367,395</u>   | <u>69,528</u>                               |
|  |                         |                  |   |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>360,632</u>          | <u>272,946</u>   | <u>(87,686)</u>                             |
| <b>Other financing sources (uses):</b>                       |                         |                  |   |
| Transfers out  | <u>(539,705)</u>        | <u>(269,801)</u> | <u>269,904</u>                              |
|  |                         |                  |   |
| Net change in fund balance                                   | (179,073)               | 3,145            | 182,218                                     |
|  |                         |                  |   |
| Fund balance, beginning of year, as restated                 | <u>84,354</u>           | <u>84,354</u>    | <u>-</u>                                    |
|  |                         |                  |   |
| Fund balance, end of year                                    | <u>\$ (94,719)</u>      | <u>\$ 87,499</u> | <u>\$ 182,218</u>                           |

**CITY OF CHULA VISTA**  
**Public Financing Authority Debt Service Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | <u>Final<br/>Budget</u> | <u>Actual</u>        | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|----------------------|---|
| <b>Revenues:</b>   |                         |                      |   |
| Use of money and property                                    | \$ -                    | \$ 579,478           | \$ 579,478                                  |
| <b>Expenditures:</b>   |                         |                      |   |
| Current:   |                         |                      |   |
| General government   | 18,500                  | 10,405               | 8,095                                       |
| Public safety  | 10,800                  | 8,246                | 2,554                                       |
| Debt service:  |                         |                      |   |
| Principal  | 4,800,000               | 4,800,000            | -   |
| Interest   | 6,195,966               | 7,125,587            | (929,621)                                   |
| Total expenditures   | <u>11,025,266</u>       | <u>11,944,238</u>    | <u>(918,972)</u>                            |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(11,025,266)</u>     | <u>(11,364,760)</u>  | <u>(339,494)</u>                            |
| <b>Other financing sources (uses):</b>                       |                         |                      |   |
| Transfers in   | 10,272,158              | 9,904,895            | (367,263)                                   |
| Transfers out  | -                       | (1,102,129)          | (1,102,129)                                 |
| Total other financing sources (uses)                         | 10,272,158              | 8,802,766            | (1,469,392)                                 |
| Net change in fund balance                                   | (753,108)               | (2,561,994)          | (1,808,886)                                 |
| Fund balance, beginning of year                              | <u>13,058,806</u>       | <u>13,038,806</u>    | <u>-</u>                                    |
| Fund balance, end of year                                    | <u>\$ 12,305,698</u>    | <u>\$ 10,476,812</u> | <u>\$ (1,808,886)</u>                       |

**CITY OF CHULA VISTA**  
**1994 POB Debt Service Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|------------------|---|
| <b>Expenditures:</b>   |                         |                  |   |
| Current:   |                         |                  |   |
| General government   | 2,500                   | 2,475            | 25  |
| Debt service:  |                         |                  |   |
| Principal  | 1,595,000               | 1,595,000        | -   |
| Interest   | 774,280                 | 774,280          | -   |
| Total expenditures   | <u>2,371,780</u>        | <u>2,371,755</u> | <u>25</u>                                   |
| Excess (deficiency) of revenues<br>over (under) expenditures | (2,371,780)             | (2,371,755)      | 25  |
| <b>Other financing sources (uses):</b>                       |                         |                  |   |
| Transfers in   | <u>2,371,780</u>        | <u>2,371,725</u> | <u>(55)</u>                                 |
| Net change in fund balance                                   | -                       | (30)             | (30)  |
| Fund balance, beginning of year                              | <u>3,098</u>            | <u>3,098</u>     | <u>-</u>                                    |
| Fund balance, end of year                                    | <u>\$ 3,098</u>         | <u>\$ 3,068</u>  | <u>\$ (30)</u>                              |

**CITY OF CHULA VISTA**  
**Notes Payable Debt Service Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|---------------|---|
| <b>Expenditures:</b>                   |                         |               |   |
| Debt service:                          |                         |               |   |
| Principal                              | \$ 25,570               | \$ 25,570     | \$ -  |
| Interest                               | 19,781                  | 19,781        | -   |
|  | <u>45,351</u>           | <u>45,351</u> | <u>-</u>                                    |
| Total expenditures                     |                         |               |   |
|  | 45,351                  | 45,351        | -   |
| <b>Other financing sources (uses):</b> |                         |               |   |
| Transfers in                           | 45,351                  | 45,351        | -   |
|  | <u>-</u>                | <u>-</u>      | <u>-</u>                                    |
| Net change in fund balance             |                         |               |   |
|  | -                       | -             | -   |
| Fund balance, beginning of year        | <u>2</u>                | <u>2</u>      | <u>-</u>                                    |
| Fund balance, end of year              | <u>\$ 2</u>             | <u>\$ 2</u>   | <u>\$ -</u>                                 |

**CITY OF CHULA VISTA**  
**SD County Regional Communication System Debt Service Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2008**

|  | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|---------------|---|
| <b>Revenues:</b>   |                         |               |   |
| Use of money and property                                    | \$ -                    | \$ 8          | \$ 8  |
| <b>Expenditures:</b>   |                         |               |   |
| Debt service:  |                         |               |   |
| Principal  | 201,287                 | 201,287       | -   |
| Interest   | 94,447                  | 94,447        | -   |
| Total expenditures   | 295,734                 | 295,734       | -   |
| Excess (deficiency) of revenues<br>over (under) expenditures | (295,734)               | (295,726)     | 8   |
| <b>Other financing sources (uses):</b>                       |                         |               |   |
| Transfers in   | 376,869                 | 295,734       | (81,135)                                    |
| Net change in fund balance                                   | 81,135                  | 8             | (81,127)                                    |
| Fund balance, beginning of year                              | 166                     | 166           | -   |
| Fund balance, end of year                                    | <u>\$ 81,301</u>        | <u>\$ 174</u> | <u>\$ (81,127)</u>                          |



## NONMAJOR ENTERPRISE FUNDS DESCRIPTIONS

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

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

Sewer DIFS Funds - 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.

**CITY OF CHULA VISTA**  
**Combining Statement of Net Assets**  
**Enterprise Funds**  
**June 30, 2008**

|   | <u>Transit<br/>Fund</u> | <u>Bayfront<br/>Trolley<br/>Station</u> | <u>Sewer<br/>DIFS Fund</u> | <u>Total</u>         |
|---|-------------------------|---|----------------------------|----------------------|
| <b>Assets:</b>                              |                         |   |                            |                      |
| Current assets:                             |                         |   |                            |                      |
| Cash and investments                        | \$ 3,810,991            | \$ 159,975                              | \$ 8,739,985               | \$ 12,710,951        |
| Receivables:                                |                         |   |                            |                      |
| Interest                                    | 31,035                  | 913                                     | 80,449                     | 112,397              |
| Other                                       | 125,634                 | -                                       | -                          | 125,634              |
| Total current assets                        | <u>3,967,660</u>        | <u>160,888</u>                          | <u>8,820,434</u>           | <u>12,948,982</u>    |
| Noncurrent assets:                          |                         |   |                            |                      |
| Capital assets, net                         | <u>4,873,955</u>        | <u>-</u>                                | <u>2,280,000</u>           | <u>7,153,955</u>     |
| Total assets                                | <u>8,841,615</u>        | <u>160,888</u>                          | <u>11,100,434</u>          | <u>20,102,937</u>    |
| <b>Liabilities and net assets:</b>          |                         |   |                            |                      |
| Current liabilities:                        |                         |   |                            |                      |
| Accounts payable<br>and accrued liabilities | 23,532                  | 1,312                                   | 7,511                      | 32,355               |
| Advances from other funds                   | -                       | -                                       | 3,850,661                  | 3,850,661            |
| Unearned revenue                            | <u>3,698,640</u>        | <u>157,508</u>                          | <u>-</u>                   | <u>3,856,148</u>     |
| Total current liabilities                   | <u>3,722,172</u>        | <u>158,820</u>                          | <u>3,858,172</u>           | <u>7,739,164</u>     |
| Net assets:                                 |                         |   |                            |                      |
| Invested in capital assets                  | 4,873,955               | -                                       | 2,280,000                  | 7,153,955            |
| Unrestricted                                | <u>245,488</u>          | <u>2,068</u>                            | <u>4,962,262</u>           | <u>5,209,818</u>     |
| Total net assets                            | <u>\$ 5,119,443</u>     | <u>\$ 2,068</u>                         | <u>\$ 7,242,262</u>        | <u>\$ 12,363,773</u> |

**CITY OF CHULA VISTA**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Enterprise Funds**  
**For the Year Ended June 30, 2008**

|  | <u>Transit<br/>Fund</u> | <u>Bayfront<br/>Trolley<br/>Station</u> | <u>Sewer<br/>DIFS Fund</u> | <u>Total</u>         |
|--|-------------------------|---|----------------------------|----------------------|
| <b>Operating revenues:</b>                 |                         |   |                            |                      |
| Charges for services                       | \$ 1,660,821            | \$ -                                    | \$ 539,136                 | \$ 2,199,957         |
| Other                                      | 316,059                 | -                                       | -                          | 316,059              |
| Total operating revenues                   | <u>1,976,880</u>        | <u>-</u>                                | <u>539,136</u>             | <u>2,516,016</u>     |
| <b>Operating expenses:</b>                 |                         |   |                            |                      |
| Operations and administration              | 7,436,362               | 98,406                                  | 21,770                     | 7,556,538            |
| Maintenance                                | -                       | -                                       | 121,730                    | 121,730              |
| Depreciation                               | 864,719                 | -                                       | 60,000                     | 924,719              |
| Total operating expenses                   | <u>8,301,081</u>        | <u>98,406</u>                           | <u>203,500</u>             | <u>8,602,987</u>     |
| Operating income (loss)                    | <u>(6,324,201)</u>      | <u>(98,406)</u>                         | <u>335,636</u>             | <u>(6,086,971)</u>   |
| <b>Nonoperating revenues (expenses):</b>   |                         |   |                            |                      |
| Intergovernmental                          | 5,285,292               | 93,226                                  | -                          | 5,378,518            |
| Interest income                            | 179,573                 | 5,180                                   | 465,133                    | 649,886              |
| Interest expense                           | -                       | -                                       | (62,927)                   | (62,927)             |
| Total nonoperating revenues                | <u>5,464,865</u>        | <u>98,406</u>                           | <u>402,206</u>             | <u>5,965,477</u>     |
| Income (loss) before transfers             | (859,336)               | -                                       | 737,842                    | (121,494)            |
| Transfers out                              | (13,410)                | -                                       | (1,000,083)                | (1,013,493)          |
| Changes in net assets                      | (872,746)               | -                                       | (262,241)                  | (1,134,987)          |
| Net assets, beginning of year, as restated | <u>5,992,189</u>        | <u>2,068</u>                            | <u>7,504,503</u>           | <u>13,498,760</u>    |
| Net assets, end of year                    | <u>\$ 5,119,443</u>     | <u>\$ 2,068</u>                         | <u>\$ 7,242,262</u>        | <u>\$ 12,363,773</u> |

**CITY OF CHULA VISTA**  
**Combining Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2008**

|  | <u>Transit<br/>Fund</u> | <u>Bayfront<br/>Trolley<br/>Station</u> | <u>Sewer<br/>DIFS</u> | <u>Total</u>         |
|--|-------------------------|---|-----------------------|----------------------|
| <b>Cash flows from operating activities:</b>                         |                         |   |                       |                      |
| Cash received from customers   | \$ 1,623,724            | \$ -                                    | \$ 539,136            | \$ 2,162,860         |
| Cash received from other funds                                       | -                       | -                                       | -                     | -                    |
| Cash payments to suppliers<br>for goods and services                 | (7,641,818)             | (97,594)                                | (114,220)             | (7,853,632)          |
| Cash payments to employee for services                               | -                       | -                                       | (21,770)              | (21,770)             |
| Other revenue  | 316,059                 | -                                       | -                     | 316,059              |
| Net cash provided (used)<br>by operating activities                  | <u>(5,702,035)</u>      | <u>(97,594)</u>                         | <u>403,146</u>        | <u>(5,396,483)</u>   |
| <b>Cash flows from capital<br/>and related financing activities:</b> |                         |   |                       |                      |
| Acquisition of capital assets  | <u>(81,051)</u>         | <u>-</u>                                | <u>-</u>              | <u>(81,051)</u>      |
| <b>Cash flows from noncapital financing activities:</b>              |                         |   |                       |                      |
| Intergovernmental  | 6,772,347               | 102,676                                 | -                     | 6,875,023            |
| Transfers out  | <u>(13,410)</u>         | <u>-</u>                                | <u>(1,000,083)</u>    | <u>(1,013,493)</u>   |
| Net cash provided (used)<br>by noncapital financing activities       | <u>6,758,937</u>        | <u>102,676</u>                          | <u>(1,000,083)</u>    | <u>5,861,530</u>     |
| <b>Cash flows from investing activities:</b>                         |                         |   |                       |                      |
| Interest revenue   | <u>184,375</u>          | <u>5,379</u>                            | <u>477,790</u>        | <u>667,544</u>       |
| Net increase (decrease)<br>in cash and cash equivalents              | 1,160,226               | 10,461                                  | (119,147)             | 1,051,540            |
| Cash and cash equivalents,<br>beginning of year                      | <u>2,650,765</u>        | <u>149,514</u>                          | <u>8,859,132</u>      | <u>11,659,411</u>    |
| Cash and cash equivalents, end of year                               | <u>\$ 3,810,991</u>     | <u>\$ 159,975</u>                       | <u>\$ 8,739,985</u>   | <u>\$ 12,710,951</u> |

**CITY OF CHULA VISTA**  
**Combining Statement of Cash Flows**  
**Enterprise Funds (Continued)**  
**For the Year Ended June 30, 2008**

|   | <u>Transit<br/>Fund</u> | <u>Bayfront<br/>Trolley<br/>Station</u> | <u>Sewer<br/>DIFS Fund</u> | <u>Total</u>          |
|---|-------------------------|---|----------------------------|-----------------------|
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |                         |   |                            |                       |
| Operating income (loss)   | \$ (6,324,201)          | \$ (98,406)                             | \$ 335,636                 | \$ (6,086,971)        |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                         |   |                            |                       |
| Depreciation  | 864,719                 | -                                       | 60,000                     | 924,719               |
| (Increase) in accounts receivables  | (37,097)                | -                                       | -                          | (37,097)              |
| Increase (decrease) in accounts payable and, accrued liabilities                                      | (205,456)               | 812                                     | 7,510                      | (197,134)             |
| Total adjustments   | <u>622,166</u>          | <u>812</u>                              | <u>67,510</u>              | <u>690,488</u>        |
| Net cash provided (used) by operating activities  | <u>\$ (5,702,035)</u>   | <u>\$ (97,594)</u>                      | <u>\$ 403,146</u>          | <u>\$ (5,396,483)</u> |

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## INTERNAL SERVICE FUNDS DESCRIPTIONS

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, 2008**

|  | <u>Fleet<br/>Management</u> | <u>Technology<br/>Replacement</u> | <u>Stores<br/>Inventory</u> | <u>Total</u>        |
|--|-----------------------------|-----------------------------------|-----------------------------|---------------------|
| <b>Assets:</b>                           |                             |                                   |                             |                     |
| Current assets:                          |                             |                                   |                             |                     |
| Cash and investments                     | \$ 1,646,356                | \$ 72,959                         | \$ -                        | \$ 1,719,315        |
| Receivables:                             |                             |                                   |                             |                     |
| Interest receivable                      | 17,093                      | 522                               | -                           | 17,615              |
| Other receivable                         | 39,393                      | -                                 | -                           | 39,393              |
|  | <u>1,702,842</u>            | <u>73,481</u>                     | <u>-</u>                    | <u>1,776,323</u>    |
| Total current assets                     |                             |                                   |                             |                     |
| Noncurrent assets:                       |                             |                                   |                             |                     |
| Capital assets, net                      | <u>2,586,151</u>            | <u>-</u>                          | <u>-</u>                    | <u>2,586,151</u>    |
| Total assets                             | <u>4,288,993</u>            | <u>73,481</u>                     | <u>-</u>                    | <u>4,362,474</u>    |
| <b>Liabilities:</b>                      |                             |                                   |                             |                     |
| Current liability:                       |                             |                                   |                             |                     |
| Accounts payable and accrued liabilities | 373,885                     | 42,179                            | -                           | 416,064             |
| Noncurrent liability:                    |                             |                                   |                             |                     |
| Compensated absences                     | <u>59,241</u>               | <u>-</u>                          | <u>-</u>                    | <u>59,241</u>       |
| Total liabilities                        | <u>433,126</u>              | <u>42,179</u>                     | <u>-</u>                    | <u>475,305</u>      |
| <b>Net assets:</b>                       |                             |                                   |                             |                     |
| Invested in capital assets               | 2,586,151                   | -                                 | -                           | 2,586,151           |
| Unrestricted                             | <u>1,269,716</u>            | <u>31,302</u>                     | <u>-</u>                    | <u>1,301,018</u>    |
| Total net assets                         | <u>\$ 3,855,867</u>         | <u>\$ 31,302</u>                  | <u>\$ -</u>                 | <u>\$ 3,887,169</u> |



**CITY OF CHULA VISTA**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2008**

|  | <u>Fleet<br/>Management</u> | <u>Technology<br/>Replacement</u> | <u>Stores<br/>Inventory</u> | <u>Total</u>        |
|--|-----------------------------|-----------------------------------|-----------------------------|---------------------|
| <b>Operating revenues:</b>                 |                             |                                   |                             |                     |
| Charges for services                       | \$ 4,528,402                | \$ 49,697                         | \$ 109,951                  | \$ 4,688,050        |
| Other                                      | 25,212                      | -                                 | -                           | 25,212              |
| Total operating revenues                   | <u>4,553,614</u>            | <u>49,697</u>                     | <u>109,951</u>              | <u>4,713,262</u>    |
| <b>Operating expenses:</b>                 |                             |                                   |                             |                     |
| Operations and administration              | 4,450,635                   | 196,555                           | 106,671                     | 4,753,861           |
| Depreciation                               | 1,015,242                   | -                                 | -                           | 1,015,242           |
| Total operating expenses                   | <u>5,465,877</u>            | <u>196,555</u>                    | <u>106,671</u>              | <u>5,769,103</u>    |
| Operating income (loss)                    | <u>(912,263)</u>            | <u>(146,858)</u>                  | <u>3,280</u>                | <u>(1,055,841)</u>  |
| <b>Nonoperating revenues:</b>              |                             |                                   |                             |                     |
| Gain on sale of capital assets             | 60,885                      | -                                 | -                           | 60,885              |
| Interest income                            | 92,548                      | 2,072                             | 2,174                       | 96,794              |
| Total nonoperating revenues                | <u>153,433</u>              | <u>2,072</u>                      | <u>2,174</u>                | <u>157,679</u>      |
| Income (loss) before transfers             | <u>(758,830)</u>            | <u>(144,786)</u>                  | <u>5,454</u>                | <u>(898,162)</u>    |
| Transfer out                               | <u>(38,228)</u>             | <u>-</u>                          | <u>(71,313)</u>             | <u>(109,541)</u>    |
| Change in net assets                       | <u>(797,058)</u>            | <u>(144,786)</u>                  | <u>(65,859)</u>             | <u>(1,007,703)</u>  |
| Net assets, beginning of year, as restated | <u>4,652,925</u>            | <u>176,088</u>                    | <u>65,859</u>               | <u>4,894,872</u>    |
| Net assets, end of year                    | <u>\$ 3,855,867</u>         | <u>\$ 31,302</u>                  | <u>\$ -</u>                 | <u>\$ 3,887,169</u> |

**CITY OF CHULA VISTA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2008**

|   | <b>Fleet<br/>Management</b> | <b>Technology<br/>Replacement</b> |
|---|-----------------------------|-----------------------------------|
| <b>Cash flows from operating activities:</b>  |                             |                                   |
| Cash received from other funds  | \$ 4,496,619                | \$ 49,697                         |
| Cash payments to suppliers for goods and services   | (3,440,340)                 | 21,966                            |
| Cash payments to employee for services  | (1,069,220)                 | (196,555)                         |
| Other   | 25,212                      | -                                 |
| Net cash provided (used) by operating activities  | 12,271                      | (124,892)                         |
| <br><b>Cash flows from capital and Related Financing Activities:</b>                                      |                             |                                   |
| Acquisition on capital assets   | (1,605,276)                 | -                                 |
| Proceeds received from sale of capital assets   | 101,674                     | -                                 |
| Net cash (used) by<br>noncapital financing activities   | (1,503,602)                 | -                                 |
| <b>Cash flows from noncapital financing activities:</b>   |                             |                                   |
| Intergovernmental   | 34,145                      |                                   |
| Transfers out   | (38,228)                    | -                                 |
| Net cash provided (used) by<br>noncapital financing activities  | (4,083)                     | -                                 |
| <b>Cash flows from investing activities:</b>  |                             |                                   |
| Interest revenue  | 101,475                     | 3,111                             |
| Net (decrease) in cash and cash equivalents   | (1,393,939)                 | (121,781)                         |
| Cash and cash equivalents, beginning of year, as restated   | 3,040,295                   | 194,740                           |
| Cash and cash equivalents, end of year  | \$ 1,646,356                | \$ 72,959                         |
| <b>Reconciliation of operating income (loss) to net cash<br/>provided (used) by operating activities:</b> |                             |                                   |
| Operating income (loss)   | \$ (912,263)                | \$ (146,858)                      |
| Adjustments to reconcile operating income (loss) to<br>net cash provided (used) by operating activities:  |                             |                                   |
| Depreciation  | 1,015,242                   | -                                 |
| (Increase) in other receivables   | (31,783)                    | -                                 |
| Decrease in inventories   | -                           | -                                 |
| Increase (decrease) in accounts payable and,<br>accrued liabilities                                       | (35,414)                    | 21,966                            |
| (Decrease) in compensated absences  | (23,511)                    | -                                 |
| Total adjustments   | 924,534                     | 21,966                            |
| Net cash provided (used) by operating activities  | \$ 12,271                   | \$ (124,892)                      |

| <u>Stores<br/>Inventory</u> | <u>Total</u>   |
|-----------------------------|----------------|
| \$ 109,951                  | \$ 4,656,267   |
| 18,272                      | (3,400,102)    |
| (106,671)                   | (1,372,446)    |
| -                           | 25,212         |
| 21,552                      | (91,069)       |
| -                           | (1,605,276)    |
| -                           | 101,674        |
| -                           | (1,503,602)    |
|                             | 34,145         |
| (71,313)                    | (109,541)      |
| (71,313)                    | (75,396)       |
| 2,694                       | 107,280        |
| (47,067)                    | (1,562,787)    |
| 47,067                      | 3,282,102      |
| \$ -                        | \$ 1,719,315   |
| \$ 3,280                    | \$ (1,055,841) |
| -                           | 1,015,242      |
| -                           | (31,783)       |
| 20,669                      | 20,669         |
| (2,397)                     | (15,845)       |
| -                           | (23,511)       |
| 18,272                      | 964,772        |
| \$ 21,552                   | \$ (91,069)    |

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## AGENCY FUND DESCRIPTIONS

The Agency Fund is 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 Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended June 30, 2008**

| <u>Special Assessment District</u>                       | <u>Balance<br/>July 1, 2007</u> | <u>Additions</u>     | <u>Deletions</u>     | <u>Balance<br/>June 30, 2008</u> |
|--|---------------------------------|----------------------|----------------------|----------------------------------|
| <b>Assets:</b>   |                                 |                      |                      |                                  |
| Cash and investments                                     | \$ 7,239,933                    | \$ 23,325,624        | \$ 23,119,278        | \$ 7,446,279                     |
| Restricted cash and investments<br>held by fiscal agents | <u>171,370,947</u>              | <u>19,087,042</u>    | <u>33,923,971</u>    | <u>156,534,018</u>               |
| Total assets   | <u>\$ 178,610,880</u>           | <u>\$ 42,412,666</u> | <u>\$ 57,043,249</u> | <u>\$ 163,980,297</u>            |
| <b>Liabilities:</b>                                      |                                 |                      |                      |                                  |
| Due to bondholders                                       | <u>\$ 178,610,880</u>           | <u>\$ 42,412,666</u> | <u>\$ 57,043,249</u> | <u>\$ 163,980,297</u>            |

**CITY OF CHULA VISTA**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2008**  
**Statistical Section**

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

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

|  | Fiscal Year           |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
|  | 2002                  | 2003                  | 2004                  |
| Governmental activities:                           |                       |                       |                       |
| Invested in capital assets,<br>net of related debt | \$ 382,552,076        | \$ 456,096,957        | \$ 537,716,998        |
| Restricted   | 27,640,955            | 55,203,919            | 55,283,141            |
| Unrestricted                                       | 77,110,077            | 103,843,928           | 110,825,189           |
| <b>Total governmental activities net assets</b>    | <b>\$ 487,303,108</b> | <b>\$ 615,144,804</b> | <b>\$ 703,825,328</b> |
| Business-type activities:                          |                       |                       |                       |
| Invested in capital assets,<br>net of related debt | \$ 7,951,380          | \$ 7,156,534          | \$ 6,217,348          |
| Restricted   | -                     | -                     | -                     |
| Unrestricted                                       | 1,424,557             | 362,007               | 381,697               |
| <b>Total business-type activities net assets</b>   | <b>\$ 9,375,937</b>   | <b>\$ 7,518,541</b>   | <b>\$ 6,599,045</b>   |
| Primary government:                                |                       |                       |                       |
| Invested in capital assets,<br>net of related debt | \$ 390,763,965        | \$ 463,253,491        | \$ 543,934,346        |
| Restricted   | 27,640,955            | 55,203,919            | 55,283,141            |
| Unrestricted                                       | 70,214,464            | 104,205,935           | 111,206,886           |
| <b>Total primary government net assets</b>         | <b>\$ 488,619,384</b> | <b>\$ 622,663,345</b> | <b>\$ 710,424,373</b> |

*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. Sewer funds were converted to an enterprise fund in fiscal year 2008.*



| Fiscal Year           |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2005                  | 2006                  | 2007                  | 2008                  |
| \$ 600,317,974        | \$ 662,230,041        | \$ 715,090,838        | \$ 621,878,119        |
| 72,468,247            | 75,916,972            | 69,516,915            | 55,166,660            |
| 111,448,751           | 95,782,921            | 126,026,156           | 91,683,171            |
| <u>\$ 784,234,972</u> | <u>\$ 833,929,934</u> | <u>\$ 910,633,909</u> | <u>\$ 768,727,950</u> |
| <br>                  |                       |                       |                       |
| \$ 7,423,479          | \$ 6,540,514          | \$ 5,658,433          | \$ 150,004,170        |
| -                     | -                     | -                     | -                     |
| 580,735               | 500,299               | 335,824               | 55,294,988            |
| <u>\$ 8,004,214</u>   | <u>\$ 7,040,813</u>   | <u>\$ 5,994,257</u>   | <u>\$ 205,299,158</u> |
| <br>                  |                       |                       |                       |
| \$ 607,741,453        | \$ 668,770,555        | \$ 720,749,271        | \$ 771,882,289        |
| 72,468,247            | 75,916,972            | 69,516,915            | 55,166,660            |
| 112,029,486           | 96,283,220            | 126,361,980           | 146,978,159           |
| <u>\$ 792,239,186</u> | <u>\$ 840,970,747</u> | <u>\$ 916,628,166</u> | <u>\$ 974,027,108</u> |

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

|   | Fiscal Year         |                     |                     |
|---|---------------------|---------------------|---------------------|
|   | 2002                | 2003                | 2004                |
| <b>Expenses:</b>                                |                     |                     |                     |
| <b>Governmental activities:</b>                 |                     |                     |                     |
| General government                              | \$ 36,023,946       | \$ 36,112,144       | \$ 37,542,162       |
| Public safety                                   | 44,047,317          | 46,795,935          | 54,974,182          |
| Public works                                    | 60,084,674          | 60,981,126          | 71,482,668          |
| Parks and recreation                            | 8,976,959           | 7,213,329           | 5,854,495           |
| Library   | 7,205,111           | 8,110,316           | 8,845,277           |
| Interest on long-term debt                      | 10,438,706          | 9,322,463           | 12,827,332          |
| Total governmental activities expenses          | <u>166,776,713</u>  | <u>168,535,313</u>  | <u>191,526,116</u>  |
| <b>Business-type activities:</b>                |                     |                     |                     |
| Transit   | 7,073,358           | 7,797,769           | 7,257,722           |
| Bayfront Trolley Station                        | 102,583             | 79,593              | 85,567              |
| Sewer funds                                     | -                   | -                   | -                   |
| Sewer DIFs                                      | -                   | -                   | -                   |
| Interest on long-term debt                      | -                   | -                   | -                   |
| Total business-type activities expenses         | <u>7,175,941</u>    | <u>7,877,362</u>    | <u>7,343,289</u>    |
| Total primary government expenses               | <u>173,952,654</u>  | <u>176,412,675</u>  | <u>198,869,405</u>  |
| <b>Program revenues:</b>                        |                     |                     |                     |
| <b>Governmental activities:</b>                 |                     |                     |                     |
| <b>Charges for services:</b>                    |                     |                     |                     |
| General government                              | 23,990,385          | 29,530,624          | 35,075,023          |
| Public safety                                   | 4,465,958           | 5,003,310           | 9,991,565           |
| Public works                                    | 31,651,057          | 34,193,401          | 46,862,521          |
| Parks and recreation                            | 1,559,120           | 1,534,116           | 25,000,748          |
| Library   | 290,393             | 603,136             | 2,751,059           |
| Operating grants and contributions              | 24,516,560          | 23,272,659          | 17,426,744          |
| Capital grants and contributions                | 1,627,819           | 2,190,909           | 1,783,068           |
| Total governmental activities program revenues  | <u>88,101,292</u>   | <u>96,328,155</u>   | <u>138,890,728</u>  |
| <b>Business-type activities:</b>                |                     |                     |                     |
| <b>Charges for services:</b>                    |                     |                     |                     |
| Transit   | 2,289,591           | 2,319,322           | 2,525,349           |
| Sewer funds                                     | -                   | -                   | -                   |
| Sewer DIFs                                      | -                   | -                   | -                   |
| Operating grants and contributions              | 2,621,995           | 3,610,307           | 3,805,056           |
| Capital grants and contributions                | 3,248,226           | -                   | -                   |
| Total business-type activities program revenues | <u>8,159,812</u>    | <u>5,929,629</u>    | <u>6,330,405</u>    |
| Total primary government program revenues       | <u>96,261,104</u>   | <u>102,257,784</u>  | <u>145,221,133</u>  |
| <b>Net revenues (expenses):</b>                 |                     |                     |                     |
| Governmental activities                         | (78,675,421)        | (72,207,158)        | (52,635,388)        |
| Business-type activities                        | 983,871             | (1,947,733)         | (1,012,884)         |
| Total net revenues (expenses)                   | <u>(77,691,550)</u> | <u>(74,154,891)</u> | <u>(53,648,272)</u> |

| Fiscal Year        |                     |                     |                     |
|--------------------|---------------------|---------------------|---------------------|
| 2005               | 2006                | 2007                | 2008                |
| \$ 42,591,851      | \$ 53,566,425       | \$ 45,249,650       | \$ 51,609,403       |
| 63,368,815         | 72,887,220          | 77,136,782          | 78,633,467          |
| 79,723,824         | 102,122,564         | 103,117,608         | 86,410,082          |
| 7,757,251          | 8,085,160           | 9,353,280           | 9,650,399           |
| 8,890,126          | 10,412,973          | 10,320,817          | 8,532,621           |
| 12,656,986         | 12,263,808          | 12,032,833          | 13,656,534          |
| <u>214,988,853</u> | <u>259,338,150</u>  | <u>257,210,970</u>  | <u>248,492,506</u>  |
| 7,475,184          | 7,447,393           | 7,330,560           | 8,301,081           |
| 98,900             | 86,595              | 103,691             | 98,406              |
| -                  | -                   | -                   | 30,323,015          |
| -                  | -                   | -                   | 203,500             |
| -                  | -                   | -                   | 62,927              |
| <u>7,574,084</u>   | <u>7,533,988</u>    | <u>7,434,251</u>    | <u>38,988,929</u>   |
| <u>222,562,937</u> | <u>266,872,138</u>  | <u>264,645,221</u>  | <u>287,481,435</u>  |
| 37,464,481         | 52,310,629          | 45,255,716          | 38,563,085          |
| 9,555,756          | 11,598,587          | 7,311,407           | 8,148,817           |
| 40,020,387         | 52,749,415          | 45,520,978          | 23,112,265          |
| 15,702,515         | 26,935,981          | 19,106,017          | 11,881,147          |
| 2,220,368          | 2,693,087           | 818,285             | 561,948             |
| 22,226,690         | 19,464,389          | 16,646,713          | 34,498,639          |
| 79,419,189         | 57,074,381          | 85,608,765          | 50,632,109          |
| <u>206,609,386</u> | <u>222,826,469</u>  | <u>220,267,881</u>  | <u>167,398,010</u>  |
| 2,425,531          | 2,526,487           | 2,433,008           | 1,660,821           |
| -                  | -                   | -                   | 29,138,449          |
| -                  | -                   | -                   | 539,136             |
| 4,231,445          | -                   | -                   | 5,378,518           |
| 1,971,311          | -                   | -                   | -                   |
| <u>8,628,287</u>   | <u>2,526,487</u>    | <u>2,433,008</u>    | <u>36,716,924</u>   |
| <u>215,237,673</u> | <u>225,352,956</u>  | <u>222,700,889</u>  | <u>204,114,934</u>  |
| (8,379,467)        | (36,511,681)        | (36,943,089)        | (81,094,496)        |
| 1,054,203          | (5,007,501)         | (5,001,243)         | (2,272,005)         |
| <u>(7,325,264)</u> | <u>(41,519,182)</u> | <u>(41,944,332)</u> | <u>(83,366,501)</u> |

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

|   | Fiscal Year          |                       |                      |
|---|----------------------|-----------------------|----------------------|
|   | 2002                 | 2003                  | 2004                 |
| General revenues and other changes in net assets: |                      |                       |                      |
| Governmental activities:                          |                      |                       |                      |
| Taxes:  |                      |                       |                      |
| Property taxes                                    | 20,101,086           | 22,472,649            | 26,674,527           |
| Sales tax   | 18,812,328           | 19,612,779            | 21,421,090           |
| Other taxes                                       | 24,842,617           | 14,844,449            | 25,826,828           |
| Investment income                                 | 18,215,420           | 14,372,650            | 5,651,048            |
| Other general revenues                            | 18,188,635           | 155,683,692           | 58,912,431           |
| Transfers   | 45,626               | 45,626                | 42,876               |
| Total governmental activities                     | <u>100,205,712</u>   | <u>227,031,845</u>    | <u>138,528,800</u>   |
| Business-type activities:                         |                      |                       |                      |
| Investment income                                 | 316,569              | 118,056               | 20,715               |
| Miscellaneous                                     | (6,423)              | 17,907                | 115,549              |
| Transfers   | (45,626)             | (45,626)              | (42,876)             |
| Total business-type activities                    | <u>264,520</u>       | <u>90,337</u>         | <u>93,388</u>        |
| Total primary government                          | <u>100,470,232</u>   | <u>227,122,182</u>    | <u>138,622,188</u>   |
| Changes in net assets                             |                      |                       |                      |
| Governmental activities                           | 21,530,291           | 154,824,687           | 85,893,412           |
| Business-type activities                          | 1,248,391            | (1,857,396)           | (919,496)            |
| Total primary government                          | <u>\$ 22,778,682</u> | <u>\$ 152,967,291</u> | <u>\$ 84,973,916</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. Sewer funds were converted to an enterprise fund in fiscal year 2008.*

| Fiscal Year          |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|
| 2005                 | 2006                 | 2007                 | 2008                 |
| 27,074,211           | 32,597,672           | 38,882,122           | 43,388,023           |
| 23,600,000           | 30,915,515           | 32,817,351           | 29,062,355           |
| 23,373,749           | 22,218,942           | 21,400,961           | 21,922,357           |
| 11,678,930           | 10,195,710           | 13,386,872           | 8,663,014            |
| 4,887,489            | 5,261,428            | 7,137,140            | 8,165,247            |
| 34,900               | 122,588              | 22,618               | 5,594,536            |
| <u>90,649,279</u>    | <u>101,311,855</u>   | <u>113,647,064</u>   | <u>116,795,532</u>   |
| 56,485               | 78,605               | 167,734              | 6,740,155            |
| 329,381              | 4,088,083            | 3,809,571            | 670,170              |
| (34,900)             | (122,588)            | (22,618)             | (5,594,536)          |
| <u>350,966</u>       | <u>4,044,100</u>     | <u>3,954,687</u>     | <u>1,815,789</u>     |
| <u>91,000,245</u>    | <u>105,355,955</u>   | <u>117,601,751</u>   | <u>118,611,321</u>   |
| 82,269,812           | 64,800,174           | 76,703,975           | 35,701,036           |
| 1,405,169            | (963,401)            | (1,046,556)          | (456,216)            |
| <u>\$ 83,674,981</u> | <u>\$ 63,836,773</u> | <u>\$ 75,657,419</u> | <u>\$ 35,244,820</u> |

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

|                                    | Fiscal Year           |                       |                       |
|------------------------------------|-----------------------|-----------------------|-----------------------|
|                                    | 2002                  | 2003                  | 2004                  |
| General fund:                      |                       |                       |                       |
| Reserved                           | \$ 21,978,726         | \$ 21,358,332         | \$ 20,096,238         |
| Unreserved                         | 34,340,826            | 28,694,894            | 25,191,333            |
| Total general fund                 | <u>56,319,552</u>     | <u>50,053,226</u>     | <u>45,287,571</u>     |
| All other governmental funds:      |                       |                       |                       |
| Reserved                           | 73,298,604            | 106,439,367           | 98,145,262            |
| Unreserved, reported in:           |                       |                       |                       |
| Debt service funds                 | (41,639,285)          | (28,318,787)          | (39,678,141)          |
| Capital projects funds             | 129,796,298           | 73,977,363            | 81,760,701            |
| Special revenue funds              | 46,650,553            | 38,423,739            | 41,395,612            |
| Total all other governmental funds | <u>\$ 208,106,170</u> | <u>\$ 190,521,682</u> | <u>\$ 181,623,434</u> |

*The City of Chula Vista implemented GASB 34 for the fiscal year ended June 30, 2002. Information*

| Fiscal Year           |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2005                  | 2006                  | 2007                  | 2008                  |
| \$ 22,214,965         | \$ 21,771,010         | \$ 22,249,346         | \$ 22,258,951         |
| 19,287,213            | 18,114,943            | 13,252,911            | 11,817,191            |
| <u>41,502,178</u>     | <u>39,885,953</u>     | <u>35,502,257</u>     | <u>34,076,142</u>     |
| 98,226,224            | 64,859,111            | 65,710,720            | 26,305,432            |
| (40,817,038)          | (42,861,708)          | (44,404,278)          | (43,496,817)          |
| 94,472,902            | 113,659,937           | 92,093,271            | 79,153,680            |
| <u>48,987,258</u>     | <u>57,893,321</u>     | <u>64,843,682</u>     | <u>48,033,348</u>     |
| <u>\$ 200,869,346</u> | <u>\$ 193,550,661</u> | <u>\$ 178,243,395</u> | <u>\$ 109,995,643</u> |

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

|  | Fiscal Year          |                        |                        |
|--|----------------------|------------------------|------------------------|
|  | 2002                 | 2003                   | 2004                   |
| <b>Revenues:</b>   |                      |                        |                        |
| Taxes  | \$ 64,314,781        | \$ 58,729,882          | \$ 72,842,579          |
| Licenses and permits   | 3,484,799            | 4,596,975              | 5,533,743              |
| Fines and forfeitures  | 1,452,879            | 1,507,652              | 1,568,585              |
| Investment income  | 20,519,517           | 13,874,221             | 5,113,371              |
| Developer fees   | 10,639,125           | 25,613,027             | 44,032,302             |
| Intergovernmental  | 31,307,984           | 31,868,289             | 24,600,541             |
| Charges for services   | 35,194,542           | 38,994,778             | 44,940,117             |
| Other  | 22,812,525           | 21,862,659             | 25,318,879             |
| <b>Total revenues</b>  | <u>189,726,152</u>   | <u>197,047,483</u>     | <u>223,950,117</u>     |
| <b>Expenditures</b>  |                      |                        |                        |
| <b>Current:</b>  |                      |                        |                        |
| General government   | 34,016,579           | 35,884,084             | 38,239,086             |
| Public safety  | 40,871,945           | 45,781,808             | 52,491,410             |
| Public works   | 39,375,210           | 49,118,238             | 54,430,850             |
| Parks and recreation   | 7,978,726            | 4,820,255              | 4,824,714              |
| Library  | 6,932,684            | 7,803,208              | 7,583,333              |
| Capital outlay   | 54,614,051           | 66,522,243             | 56,039,237             |
| <b>Debt service:</b>   |                      |                        |                        |
| Principal retirement   | 4,516,442            | 7,046,207              | 13,362,073             |
| Interest and fiscal charges                                    | 10,217,834           | 9,817,072              | 10,910,758             |
| Bond issuance cost   | -                    | -                      | -                      |
| <b>Total expenditures</b>                                      | <u>198,523,471</u>   | <u>226,793,115</u>     | <u>237,881,461</u>     |
| Excess (deficiency) of revenues over (under) expenditures      | <u>(8,797,319)</u>   | <u>(29,745,632)</u>    | <u>(13,931,344)</u>    |
| <b>Other financing sources (uses):</b>                         |                      |                        |                        |
| Transfers in   | 44,485,931           | 43,317,265             | 26,894,272             |
| Transfers out  | (44,357,179)         | (43,178,867)           | (26,789,382)           |
| Proceeds from long-term debt                                   | -                    | -                      | -                      |
| Proceeds from bond sale  | 60,145,000           | 11,320,000             | -                      |
| Bond premium/(bond discount)                                   | -                    | -                      | -                      |
| Proceeds from sale of capital assets                           | -                    | -                      | 162,551                |
| <b>Total other financing sources (uses)</b>                    | <u>60,273,752</u>    | <u>11,458,398</u>      | <u>267,441</u>         |
| <b>Extraordinary item:</b>                                     |                      |                        |                        |
| Forgiveness of debt  | -                    | (5,635,850)            | -                      |
| <b>Total extraordinary item</b>                                | <u>-</u>             | <u>(5,635,850)</u>     | <u>-</u>               |
| <b>Net change in fund balances</b>                             | <u>\$ 51,476,433</u> | <u>\$ (23,923,084)</u> | <u>\$ (13,663,903)</u> |
| <b>Debt service as a percentage of noncapital expenditures</b> | 10.2%                | 10.5%                  | 13.3%                  |

*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*



| Fiscal Year |                     |                       |                        |                       |
|-------------|---------------------|-----------------------|------------------------|-----------------------|
|             | 2005                | 2006                  | 2007                   | 2008                  |
| \$          | 81,190,971          | \$ 86,509,678         | \$ 92,821,711          | \$ 103,543,735        |
|             | 3,946,733           | 3,441,613             | 2,870,424              | 2,767,850             |
|             | 1,398,146           | 1,724,862             | 2,226,822              | 2,671,545             |
|             | 10,199,902          | 7,946,878             | 13,570,315             | 10,890,132            |
|             | 22,625,331          | 50,551,528            | 24,058,397             | 17,318,134            |
|             | 43,647,460          | 41,847,938            | 36,385,796             | 43,962,835            |
|             | 41,850,292          | 43,823,886            | 52,694,312             | 15,679,753            |
|             | 28,232,712          | 30,012,125            | 23,567,613             | 30,427,119            |
|             | <u>233,091,547</u>  | <u>265,858,508</u>    | <u>248,195,390</u>     | <u>227,261,103</u>    |
|             | 46,054,981          | 49,628,483            | 46,904,990             | 49,596,883            |
|             | 61,673,449          | 67,913,584            | 73,245,978             | 74,781,055            |
|             | 56,220,867          | 72,296,203            | 75,720,582             | 57,789,303            |
|             | 5,369,192           | 6,210,040             | 7,503,259              | 6,869,089             |
|             | 8,957,574           | 9,734,444             | 9,660,809              | 8,224,897             |
|             | 61,134,157          | 72,988,853            | 36,472,182             | 29,525,186            |
|             | 4,936,247           | 6,054,618             | 30,892,802             | 7,884,493             |
|             | 12,059,211          | 12,260,244            | 12,289,908             | 12,224,973            |
|             | -                   | -                     | 514,994                | 34,485                |
|             | <u>256,405,678</u>  | <u>297,086,469</u>    | <u>293,205,504</u>     | <u>246,930,364</u>    |
|             | <u>(23,314,131)</u> | <u>(31,227,961)</u>   | <u>(45,010,114)</u>    | <u>(19,669,261)</u>   |
|             | 84,773,947          | 55,698,112            | 53,900,545             | 26,104,914            |
|             | (84,678,601)        | (52,132,246)          | (53,835,509)           | (20,400,837)          |
|             | 765,000             | -                     | -                      | -                     |
|             | 37,240,000          | 21,255,000            | 25,760,000             | 10,264,224            |
|             | 35,254              | -                     | (505,884)              | -                     |
|             | 639,050             | -                     | -                      | -                     |
|             | <u>38,774,650</u>   | <u>24,820,866</u>     | <u>25,319,152</u>      | <u>15,968,301</u>     |
|             | -                   | -                     | -                      | -                     |
|             | -                   | -                     | -                      | -                     |
| \$          | <u>15,460,519</u>   | <u>\$ (6,407,095)</u> | <u>\$ (19,690,962)</u> | <u>\$ (3,700,960)</u> |
|             | 8.7%                | 8.2%                  | 17.0%                  | 9.3%                  |

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

| Fiscal Year<br>Ended<br>June 30 | City             |                |                     | Taxable<br>Assessed<br>Value <sup>1</sup> |
|---------------------------------|------------------|----------------|---------------------|---|
|                                 | Secured          | Unsecured      | Less:<br>Exemptions |   |
| 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                            |
| 2007                            | 21,254,352,374   | 582,720,155    | (496,479,594)       | 21,340,592,935                            |
| 2008                            | 24,381,647,068   | 544,113,016    | (567,257,524)       | 24,358,502,560                            |

<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:<br>Exemptions <sup>2</sup> | Taxable<br>Assessed<br>Value | Total<br>Direct Tax<br>Rate |
|----------------|---------------|----------------------------------|------------------------------|-----------------------------|
| \$ 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%                      |
| 846,124,571    | 202,760,284   |                                  | 1,048,884,855                | 0.144%                      |
| 1,058,205,677  | 94,614,761    |                                  | 1,152,820,438                | 0.144%                      |

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

|  | <u>1999</u>         | <u>2000</u>         | <u>2001</u>         | <u>2002</u>         | <u>2003</u>         | <u>2004</u>         |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| City Direct Rates:                           |                     |                     |                     |                     |                     |                     |
| City basic rate                              | 0.144               | 0.144               | 0.144               | 0.144               | 0.144               | 0.144               |
| Overlapping Rates:                           |                     |                     |                     |                     |                     |                     |
| Chula Vista Elementary School District Bonds | -                   | 0.025               | 0.025               | 0.024               | 0.026               | 0.027               |
| Sweetwater Union High School District Bonds  | -                   | -                   | -                   | 0.025               | 0.022               | 0.020               |
| Southwestern Community College Bonds         | -                   | -                   | -                   | 0.015               | 0.013               | 0.007               |
| MWD D/S Remainder of SDCWA 15019999          | 0.009               | 0.009               | 0.009               | 0.008               | 0.007               | 0.006               |
| CWA South Bay Irrigation Debt Service        | 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>        |
| Total Direct Rate                            | <u><u>1.010</u></u> | <u><u>1.035</u></u> | <u><u>1.035</u></u> | <u><u>1.073</u></u> | <u><u>1.069</u></u> | <u><u>1.061</u></u> |

**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. The data listed in this table is representative of tax rate area 001001.

Source: County of San Diego Property Tax Services

| <u>2005</u>  | <u>2006</u>  | <u>2007</u>  | <u>2008</u>  |
|--------------|--------------|--------------|--------------|
| 0.144        | 0.144        | 0.144        | 0.144        |
| 0.028        | 0.027        | 0.027        | 0.020        |
| 0.018        | 0.023        | 0.020        | 0.047        |
| 0.013        | 0.015        | 0.014        | 0.013        |
| 0.006        | 0.005        | 0.005        | 0.005        |
| -            | -            | -            | -            |
| <u>1.000</u> | <u>1.000</u> | <u>1.000</u> | <u>1.000</u> |
| <u>1.065</u> | <u>1.070</u> | <u>1.066</u> | <u>1.084</u> |

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

| Taxpayer                     | 2008                         |      | Percent of<br>Total City<br>Taxable<br>Assessed<br>Value |
|------------------------------|------------------------------|------|--|
|                              | Taxable<br>Assessed<br>Value | Rank |  |
| Village II of Otay HB Sub GP | \$ 350,954,456               | 1    | 1.44%  |
| GGP-Otay Ranch LP            | 259,573,098                  | 2    | 1.07%  |
| Rohr Inc.                    | 177,103,974                  | 3    | 0.73%  |
| Shea Homes Ltd Partnership   | 173,481,320                  | 4    | 0.71%  |
| Rancho Mesa LP               | 164,892,023                  | 5    | 0.68%  |
| Village II of Otay LP        | 163,433,695                  | 6    | 0.67%  |
| Gateway Chula Vista 2 LLC    | 140,210,419                  | 7    | 0.58%  |
| Otay Ranch II Sun 12 LLC     | 129,711,974                  | 8    | 0.53%  |
| Otay Ranch Twenty-Two LLC    | 109,644,058                  | 9    | 0.45%  |
| Winding Walk Residential LLC | 90,273,611                   | 10   | 0.37%  |
|                              | <u>\$ 1,759,278,628</u>      |      | <u>7.22%</u>   |

The amounts shown above include assessed value data for both the City and the Redevelopment Agency. 1999 data is not available from the County of San Diego.

Source: County of San Diego Property Tax Services

| 1999                   |      |  |
|------------------------|------|--|
| Taxable Assessed Value | Rank | Percent of Total City Taxable Assessed Value |
| n/a                    | n/a  | n/a  |
| n/a                    | n/a  | n/a  |
| n/a                    | n/a  | n/a  |
| n/a                    | n/a  | n/a  |
| n/a                    | n/a  | n/a  |
| n/a                    | n/a  | n/a  |
| n/a                    | n/a  | n/a  |
| n/a                    | n/a  | n/a  |
| n/a                    | n/a  | n/a  |
| n/a                    | n/a  | n/a  |
| n/a                    | n/a  | n/a  |

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

| Fiscal<br>Year Ended<br>June 30 | Taxes Levied<br>for the<br>Fiscal Year <sup>1</sup> | Collected within the<br>Fiscal Year of Levy |                    | Collections in<br>Subsequent<br>Years <sup>2</sup> | Total Collections to Date |                    |
|---------------------------------|---|---|--------------------|--|---------------------------|--------------------|
|                                 |   | Amount                                      | Percent<br>of Levy |  | Amount                    | Percent<br>of Levy |
| 1999                            | \$ 9,257,814  | \$ 9,104,045                                | 98.34%             | \$ 129,600   | \$ 9,233,645              | 99.74%             |
| 2000                            | 10,133,358  | 9,936,521                                   | 98.06%             | 106,647  | 10,043,167                | 99.11%             |
| 2001                            | 11,254,079  | 11,069,156                                  | 98.36%             | 125,706  | 11,194,861                | 99.47%             |
| 2002                            | 12,806,109  | 12,597,591                                  | 98.37%             | 96,550   | 12,694,141                | 99.13%             |
| 2003                            | 14,293,880  | 14,061,319                                  | 98.37%             | 112,257  | 14,173,576                | 99.16%             |
| 2004                            | 16,200,005  | 15,959,723                                  | 98.52%             | 116,784  | 16,076,507                | 99.24%             |
| 2005                            | 18,652,193  | 18,324,623                                  | 98.24%             | 106,497  | 18,431,120                | 98.81%             |
| 2006                            | 22,096,604  | 21,617,022                                  | 97.83%             | 162,806  | 21,779,829                | 98.57%             |
| 2007                            | 25,159,692  | 24,409,063                                  | 97.02%             | 209,442  | 24,618,505                | 97.85%             |
| 2008                            | 28,641,734  | 27,506,299                                  | 96.04%             | 460,875  | 27,967,173                | 97.64%             |

<sup>1</sup> Levy amounts do not include supplemental taxes.

<sup>2</sup> Collection amounts represent delinquencies collected for all 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<br>Ended<br>June 30 | Governmental Activities        |                            |               |                                  | Total<br>Governmental<br>Activities | Percentage<br>of Personal<br>Income <sup>1</sup> | Debt<br>Per<br>Capita <sup>1</sup> |
|---------------------------------|--------------------------------|----------------------------|---------------|----------------------------------|-------------------------------------|--|------------------------------------|
|                                 | Pension<br>Obligation<br>Bonds | Tax<br>Allocation<br>Bonds | Loans         | Certificates of<br>Participation |                                     |  |                                    |
| 1999                            | \$ 16,757,351                  | \$ 27,625,000              | \$ 41,742,571 | \$ 14,390,000                    | \$ 100,514,922                      | 1.78%  | 630                                |
| 2000                            | 16,419,851                     | 27,255,000                 | 46,726,701    | 13,215,000                       | 103,616,552                         | 1.73%  | 631                                |
| 2001                            | 15,971,354                     | 43,855,000                 | 55,689,108    | 37,240,000                       | 152,755,462                         | 2.38%  | 880                                |
| 2002                            | 15,456,449                     | 43,330,000                 | 10,397,443    | 95,245,000                       | 164,428,892                         | 2.49%  | 906                                |
| 2003                            | 14,799,025                     | 42,750,000                 | 7,462,505     | 104,225,000                      | 169,236,530                         | 2.48%  | 886                                |
| 2004                            | 13,985,870                     | 42,125,000                 | 7,315,971     | 92,920,000                       | 156,346,841                         | 2.22%  | 780                                |
| 2005                            | 12,991,962                     | 41,240,000                 | 8,193,481     | 127,599,255                      | 190,024,698                         | 2.52%  | 910                                |
| 2006                            | 11,795,000                     | 40,295,000                 | 9,811,786     | 144,240,000                      | 206,141,786                         | 2.61%  | 950                                |
| 2007                            | 10,415,000                     | 41,275,000                 | 10,054,806    | 139,845,000                      | 201,589,806                         | 2.44%  | 902                                |
| 2008                            | 8,820,000                      | 40,185,000                 | 19,304,342    | 135,045,000                      | 203,354,342                         | 2.37%  | 892                                |

<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.

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

| Fiscal Year<br>Ended<br>June 30 | Outstanding General Bonded Debt |                            |           | Percent of<br>Assessed<br>Value <sup>1</sup> | Per<br>Capita |
|---------------------------------|---------------------------------|----------------------------|-----------|--|---------------|
|                                 | Pension<br>Obligation<br>Bonds  | Tax<br>Allocation<br>Bonds | Total     |  |               |
|                                 | 1999                            | \$ 16,757                  | \$ 27,625 |  |               |
| 2000                            | 16,420                          | 27,255                     | 43,675    | 0.54%  | 266           |
| 2001                            | 15,971                          | 43,855                     | 59,826    | 0.68%  | 345           |
| 2002                            | 15,456                          | 43,330                     | 58,786    | 0.58%  | 324           |
| 2003                            | 14,799                          | 42,750                     | 57,549    | 0.50%  | 301           |
| 2004                            | 13,986                          | 42,125                     | 56,111    | 0.42%  | 280           |
| 2005                            | 12,992                          | 41,240                     | 54,232    | 0.35%  | 260           |
| 2006                            | 11,795                          | 40,295                     | 52,090    | 0.28%  | 240           |
| 2007                            | 10,415                          | 41,275                     | 51,690    | 0.24%  | 231           |
| 2008                            | 8,820                           | 40,185                     | 49,005    | 0.20%  | 215           |

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, 2008**

|                                      |                   |
|--------------------------------------|-------------------|
| 2007-08 Assessed Valuation:          | \$ 24,358,502,560 |
| Redevelopment Incremental Valuation: | 1,152,946,158     |
| Adjusted Assessed Valuation:         | \$ 23,205,556,402 |

| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>                         | Total Debt<br>6/30/08 | % Applicable (1) | City's Share of<br>Debt 6/30/08 |
|---|-----------------------|------------------|---------------------------------|
| Metropolitan Water District   | \$ 327,215,000        | 1.313%           | \$ 4,296,333                    |
| Otay Municipal Water District, I.D. No. 27                          | 8,810,000             | 99.998           | 8,809,824                       |
| Southwestern Community College District                             | 86,458,580            | 58.026           | 50,168,456                      |
| Sweetwater Union High School District                               | 356,614,415           | 67.411           | 240,397,343                     |
| Chula Vista City School District                                    | 83,065,000            | 87.446           | 72,637,020                      |
| City of Chula Vista Community Facilities Districts                  | 245,035,000           | 100.             | 245,035,000                     |
| Sweetwater Union High School District Community Facilities District | 204,656,814           | 3.978-100.       | 190,481,994                     |
| Chula Vista City School District Community Facilities Districts     | 7,125,000             | 100.             | 7,125,000                       |
| City of Chula Vista 1915 Act Bonds                                  | 36,971,802            | 100.             | 36,971,802                      |
| <b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>                    |                       |                  | <b>\$ 855,922,772</b>           |

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

|   |                    |             |                       |
|---|--------------------|-------------|-----------------------|
| San Diego County General Fund Obligations                             | \$ 357,645,000     | 6.765%      | \$ 24,194,684         |
| San Diego County Pension Obligations                                  | 1,153,187,916      | 6.765       | 78,013,163            |
| San Diego County Superintendent of Schools Obligations                | 17,267,500         | 6.765       | 1,168,146             |
| Southwestern Community College District Certificates of Participation | 1,770,000          | 58.026      | 1,027,060             |
| Sweetwater Union High School District Certificates of Participation   | 15,030,000         | 67.411      | 10,131,873            |
| Chula Vista City School District Certificates of Participation        | 131,565,000        | 87.446      | 115,048,330           |
| <b>City of Chula Vista Certificates of Participation</b>              | <b>135,045,000</b> | <b>100.</b> | <b>135,045,000</b>    |
| <b>City of Chula Vista Pension Obligations</b>                        | <b>8,820,000</b>   | <b>100.</b> | <b>8,820,000</b>      |
| Otay Municipal Water District Certificates of Participation           | 65,335,000         | 67.271      | 43,951,508            |
| <b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>           |                    |             | <b>\$ 417,399,764</b> |
| Less: Otay Municipal Water District Certificates of Participation     |                    |             | 43,951,508            |
| <b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>             |                    |             | <b>\$ 373,448,256</b> |

|                           |                      |
|---------------------------|----------------------|
| GROSS COMBINED TOTAL DEBT | \$ 1,273,322,536 (2) |
| NET COMBINED TOTAL DEBT   | \$ 1,229,371,029     |

- (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 lease obligations.

Ratios to 2007-08 Assessed Valuation:

Total Overlapping Tax and Assessment Debt..... 3.51%

Ratios to Adjusted Assessed Valuation:

**Combined Direct Debt (\$143,865,000)..... 0.62%**  
Gross Combined Total Debt..... 5.49%  
Net Combined Total Debt..... 5.30%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 06/30/08: \$0

Source: California Municipal Statistics, Inc.

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

|   | Fiscal Year           |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 1999                  | 2000                  | 2001                  | 2002                  |
| Assessed valuation  | \$ 7,112,344,330      | \$ 8,088,272,068      | \$ 8,842,004,135      | \$ 10,128,896,888     |
| Conversion percentage   | 25%                   | 25%                   | 25%                   | 25%                   |
| Adjusted assessed valuation   | 1,778,086,083         | 2,022,068,017         | 2,210,501,034         | 2,532,224,222         |
| Debt limit percentage   | 15%                   | 15%                   | 15%                   | 15%                   |
| Debt limit  | 266,712,912           | 303,310,203           | 331,575,155           | 379,833,633           |
| Total net debt applicable to limit:                                 |                       |                       |                       |                       |
| Pension obligation bonds  | <u>16,757,351</u>     | <u>16,419,851</u>     | <u>15,971,354</u>     | <u>15,456,449</u>     |
| Legal debt margin   | <u>\$ 249,955,561</u> | <u>\$ 286,890,352</u> | <u>\$ 315,603,801</u> | <u>\$ 364,377,184</u> |
| Total debt applicable to the limit<br>as a percentage of debt limit | 6.3%                  | 5.4%                  | 4.8%                  | 4.1%                  |

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           |                       |                       |                       |                       |                       |     |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----|
| 2003                  | 2004                  | 2005                  | 2006                  | 2007                  | 2008                  |     |
| \$ 11,545,381,810     | \$ 13,224,121,249     | \$ 15,366,255,050     | \$ 18,472,433,685     | \$ 21,340,592,935     | \$ 24,358,502,560     |     |
| 25%                   | 25%                   | 25%                   | 25%                   | 25%                   | 25%                   | 25% |
| 2,886,345,453         | 3,306,030,312         | 3,841,563,763         | 4,618,108,421         | 5,335,148,234         | 6,089,625,640         |     |
| 15%                   | 15%                   | 15%                   | 15%                   | 15%                   | 15%                   | 15% |
| 432,951,818           | 495,904,547           | 576,234,564           | 692,716,263           | 800,272,235           | 913,443,846           |     |
| 14,799,025            | 13,985,870            | 12,991,962            | 11,795,000            | 10,415,000            | 8,820,000             |     |
| <u>\$ 418,152,793</u> | <u>\$ 481,918,677</u> | <u>\$ 563,242,602</u> | <u>\$ 680,921,263</u> | <u>\$ 789,857,235</u> | <u>\$ 904,623,846</u> |     |
| 3.4%                  | 2.8%                  | 2.3%                  | 1.7%                  | 1.3%                  | 1.0%                  |     |

**CITY OF CHULA VISTA**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

| Fiscal Year<br>Ended<br>June 30 | Tax Allocation Bonds |              |             |          |
|---------------------------------|----------------------|--------------|-------------|----------|
|                                 | Tax<br>Increment     | Debt Service |             | Coverage |
|                                 |                      | Principal    | Interest    |          |
| 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                            | 10,404,880           | 945,000      | 2,797,726   | 2.78     |
| 2007                            | 11,935,618           | 995,000      | 2,735,150   | 3.20     |
| 2008                            | 13,793,329           | 1,090,000    | 1,965,103   | 4.51     |

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

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

| <u>Year</u> | <u>Total<br/>Population</u> | <u>Pct. of S.D.<br/>County<br/>Population</u> | <u>Pct. Change<br/>from Previous<br/>Year</u> | <u>Median<br/>Age</u> | <u>Avg.<br/>Household<br/>Size</u> |
|-------------|-----------------------------|---|---|-----------------------|------------------------------------|
| 1998        | 159,500                     | 5.9%  | 3.2%  | n/a                   | n/a                                |
| 1999        | 164,200                     | 6.0%  | 2.9%  | n/a                   | n/a                                |
| 2000        | 173,556                     | 6.2%  | 5.7%  | 33.0                  | 2.99                               |
| 2001        | 181,453                     | 6.3%  | 4.6%  | 32.9                  | 3.01                               |
| 2002        | 191,033                     | 6.5%  | 5.3%  | 32.9                  | 3.05                               |
| 2003        | 200,378                     | 6.7%  | 4.9%  | 33.0                  | 3.09                               |
| 2004        | 208,768                     | 6.9%  | 4.2%  | 33.4                  | 3.03                               |
| 2005        | 216,961                     | 7.1%  | 3.9%  | 33.6                  | 3.03                               |
| 2006        | 223,604                     | 7.3%  | 3.1%  | 33.8                  | 3.05                               |
| 2007        | 227,863                     | 7.4%  | 1.9%  | 33.8                  | 3.04                               |

Sources: SANDAG, Current Estimates (Oct. 2008)  
California Department of Finance  
California Employment Development Department  
U.S. Census Bureau, Census 2000 and American Community Survey  
U.S. Bureau of Economic Analysis



| <u>Educational Attainment</u>     |  |                               |                              |   |  | Per<br>Capita<br>Personal<br>Income |
|-----------------------------------|--|-------------------------------|------------------------------|---|--|-------------------------------------|
| <u>% High School<br/>Graduate</u> | <u>% Bachelor's<br/>Degree or<br/>Higher</u> | <u>Pct. Below<br/>Poverty</u> | <u>Unemployment<br/>Rate</u> | <u>Personal Income<br/>(In Thousands)</u> |  | <u>Personal<br/>Income</u>          |
| n/a                               | n/a  | n/a                           | n/a                          | \$ 5,654,900                              |  | 35,450                              |
| n/a                               | n/a  | n/a                           | n/a                          | 5,976,200                                 |  | 36,400                              |
| 79%                               | 22%  | 11%                           | 4.6%                         | 6,412,800                                 |  | 36,950                              |
| n/a                               | n/a  | n/a                           | 4.9%                         | 6,594,500                                 |  | 36,340                              |
| n/a                               | n/a  | n/a                           | 6.1%                         | 6,825,500                                 |  | 35,730                              |
| n/a                               | n/a  | n/a                           | 6.1%                         | 7,048,800                                 |  | 35,180                              |
| n/a                               | n/a  | n/a                           | 5.6%                         | 7,555,100                                 |  | 36,190                              |
| 79%                               | 25%  | 9%                            | 5.1%                         | 7,888,300                                 |  | 36,360                              |
| 82%                               | 24%  | 11%                           | 4.7%                         | 8,278,800                                 |  | 37,020                              |
| 80%                               | 25%  | 9%                            | 5.4%                         | 8,575,200                                 |  | 37,630                              |

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

| <u>Employer</u>                        | <u>2008</u>                |                                    | <u>1999<sup>1</sup></u>    |                                    |
|--|----------------------------|------------------------------------|----------------------------|------------------------------------|
|  | <u>Number of Employees</u> | <u>Percent of Total Employment</u> | <u>Number of Employees</u> | <u>Percent of Total Employment</u> |
| Sweetwater Union High School District  | 4,598                      | 9.17%                              | n/a                        | n/a                                |
| Chula Vista Elementary School District | 2,669                      | 5.32%                              | n/a                        | n/a                                |
| Southwestern Community College         | 2,100                      | 4.19%                              | n/a                        | n/a                                |
| Rohr Inc/Goodrich Aerospace            | 1,903                      | 3.79%                              | n/a                        | n/a                                |
| City of Chula Vista                    | 1,481                      | 2.95%                              | n/a                        | n/a                                |
| Sharp Chula Vista Medical Center       | 1,410                      | 2.81%                              | n/a                        | n/a                                |
| Scripps Mercy Hospital Chula Vista     | 1,032                      | 2.06%                              | n/a                        | n/a                                |
| Wal-Mart                               | 950                        | 1.89%                              | n/a                        | n/a                                |
| United Parcel Service                  | 656                        | 1.31%                              | n/a                        | n/a                                |
| CostCo Wholesale Corp.                 | 623                        | 1.24%                              | n/a                        | n/a                                |

<sup>1</sup> 1999 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 Finance Department  
Sweetwater Union High School District Human Resources Department  
Chula Vista Elementary School District Human Resources Department  
Southwestern Community College Human Resources Department

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

| Function              | Full-Time and Part-time Employees as of June 30 |                   |                   |                   |              |                   |              |              |              |              |
|-----------------------|---|-------------------|-------------------|-------------------|--------------|-------------------|--------------|--------------|--------------|--------------|
|                       | 1999 <sup>1</sup>                               | 2000 <sup>1</sup> | 2001 <sup>1</sup> | 2002 <sup>1</sup> | 2003         | 2004 <sup>2</sup> | 2005         | 2006         | 2007         | 2008         |
| General government    | 216   | 103               | 105               | 98                | 225          | 465               | 193          | 380          | 324          | 302          |
| Public safety         | 353   | 309               | 327               | 362               | 413          | 480               | 528          | 518          | 548          | 504          |
| Public works/engr     | 217   | 230               | 249               | 269               | 295          | 249               | 335          | 198          | 237          | 188          |
| Parks and recreation  | 297   | 495               | 529               | 559               | 162          | -                 | 175          | 230          | 242          | 223          |
| Library               | -   | -                 | -                 | -                 | 216          | 182               | 217          | 252          | 227          | 196          |
| Planning and building | 70  | 74                | 84                | 92                | 92           | 99                | 91           | 97           | 83           | 68           |
| <b>Total</b>          | <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> | <u>1,661</u> | <u>1,481</u> |

<sup>1</sup> Library employee count included in Parks and Recreation count

<sup>2</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 |           |           |           |           |
|--|-------------|-----------|-----------|-----------|-----------|
|  | 1999        | 2000      | 2001      | 2002      | 2003      |
| <b>Police:</b>   |             |           |           |           |           |
| Citizen-initiated calls for service <sup>1</sup>             | 74,405      | 76,738    | 73,977    | 71,859    | 71,268    |
| <b>Fire:</b>   |             |           |           |           |           |
| Number of emergency calls <sup>2</sup>                       | 6,344       | 6,654     | 7,128     | 7,626     | 8,088     |
| Inspections  | n/a         | n/a       | n/a       | n/a       | n/a       |
| <b>Public works:</b>   |             |           |           |           |           |
| Street resurfacing/maintenance <sup>3</sup><br>(square feet) | n/a         | 142,622.2 | 307,619.5 | 151,576.5 | 218,632.1 |
| <b>Parks and recreation:</b>                                 |             |           |           |           |           |
| Number of recreation classes                                 | n/a         | 1,076     | 1,136     | 1,126     | 2,261     |
| Number of facility rentals                                   | n/a         | n/a       | 762       | 1,096     | 897       |
| <b>Library:</b>  |             |           |           |           |           |
| Circulation  | 1,246,433   | 1,198,645 | 1,192,670 | 1,268,587 | 1,308,148 |
| Attendance   | 811,470     | 965,406   | 1,209,986 | 1,009,061 | 1,044,755 |
| <b>Sewer:</b>  |             |           |           |           |           |
| New connections  | n/a         | 1,633     | 2,314     | 2,464     | 2,652     |
| Average daily sewage treatment<br>(millions of gallons)      | 13.0        | 14.3      | 15.0      | 15.2      | 16.3      |

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

<sup>2</sup> Figures for 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 |           |           |           |           |
|-------------|-----------|-----------|-----------|-----------|
| 2004        | 2005      | 2006      | 2007      | 2008      |
| 71,000      | 74,106    | 73,075    | 74,277    | 74,192    |
| 8,420       | 9,907     | n/a       | 14,853    | 14,548    |
| n/a         | n/a       | 1,780     | 2,119     | n/a       |
| 252,788.5   | 142,863.8 | 230,598.4 | 157,903.0 | 96,976.7  |
| 1,819       | 1,709     | 1,821     | 2,231     | 2,575     |
| 402         | 680       | 610       | 855       | 1,217     |
| 1,308,709   | 1,414,295 | 1,467,799 | 1,344,115 | 1,265,720 |
| 1,070,560   | 1,121,119 | 1,170,168 | 1,148,024 | 1,296,245 |
| 2,480       | 1,934     | 488       | 529       | 165       |
| 15.8        | 17.0      | 16.9      | 17.0      | 16.8      |

**CITY OF CHULA VISTA**  
**Capital Asset Statistics**  
**by Function**  
**Last Ten Fiscal Years**

|   | Fiscal Year |      |       |       |
|---|-------------|------|-------|-------|
|   | 1999        | 2001 | 2002  | 2003  |
| Police:   |             |      |       |       |
| Stations  | 1           | 1    | 1     | 1     |
| Fire:   |             |      |       |       |
| Fire stations   | 6           | 6    | 7     | 7     |
| Public works:   |             |      |       |       |
| Streets (miles)   | n/a         | n/a  | 356.2 | 358.8 |
| Streetlights  | n/a         | n/a  | 7,107 | 7,547 |
| Traffic signals   | 144         | 152  | 161   | 170   |
| Parks and recreation:                                     |             |      |       |       |
| Community parks   | 6           | 6    | 6     | 6     |
| Recreation facilities                                     | 8           | 8    | 8     | 9     |
| Library:  |             |      |       |       |
| Libraries   | 2           | 2    | 2     | 2     |
| Sewer:  |             |      |       |       |
| Sewer pipes (miles)                                       | n/a         | n/a  | 338.6 | 428.2 |
| Storm drains (miles)                                      | n/a         | n/a  | 173.0 | 182.3 |
| Maximum daily treatment capacity<br>(millions of gallons) | 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 |       |       |       |       |
|-------------|-------|-------|-------|-------|
| 2004        | 2005  | 2006  | 2007  | 2008  |
| 1           | 1     | 1     | 1     | 1     |
| 7           | 8     | 9     | 9     | 9     |
| 370.9       | 373.8 | 387.3 | 403.3 | 416.9 |
| 8,047       | 8,368 | 8,501 | 8,953 | 9,013 |
| 188         | 199   | 220   | 238   | 253   |
| 6           | 6     | 9     | 9     | 9     |
| 9           | 9     | 12    | 12    | 12    |
| 2           | 2     | 2     | 2     | 2     |
| 448.1       | 455.8 | 471.3 | 484.2 | 493.8 |
| 191.9       | 219.9 | 228.6 | 234.0 | 244.7 |
| 19.8        | 20.9  | 20.9  | 20.9  | 20.9  |

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