

Comprehensive Annual  
Financial Report  
for Fiscal Year Ended  
June 30, 2016

CITY OF  
**REDDING**  
CALIFORNIA





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# **INTRODUCTORY SECTION**

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**City of Redding**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2016**

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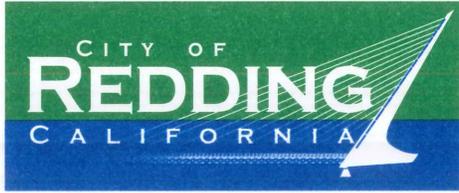
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**CITY OF REDDING**

777 CYPRESS AVENUE, REDDING, CA 96001

P.O. BOX 496071, REDDING, CA 96049-6071

**FINANCE DEPARTMENT**

530.225.4079

530.225.4324 FAX

December 19, 2016

Honorable Mayor, Members of  
City Council, and City Manager  
City of Redding, California 96001

Honorable Members:

In accordance with State and local statutes, the City of Redding hereby submits the Comprehensive Annual Financial Report for the year ended June 30, 2016. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and result of operations of the City in accordance with generally accepted accounting principles; and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been made.

The Pun Group, a firm of licensed certified public accountants has issued an unqualified ("clean") opinion on the City of Redding's financial statements for fiscal year ended June 30, 2016.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A.) This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

**PROFILE OF THE CITY**

The City of Redding is a general law city, incorporated under the laws of the State of California in 1887. A council of five members elected at large for alternating four-year



terms governs the City. The Mayor, Vice-Mayor, City Manager, and City Attorney are appointed by the City Council. The City Clerk and City Treasurer are also elected officials and serve four-year terms.

Redding is the county seat for Shasta County and is located on the Sacramento River approximately 160 miles north of Sacramento, the state capital, and 150 miles east of the Pacific Ocean at the northernmost end of the Sacramento Valley. The City has an estimated population of 90,230 and encompasses approximately 60 square miles within the corporate limits. Extracting timber and the processing of wood by products along with agriculture, tourism and government have historically been the pillars of the local economy. Over the past few decades, there has been a general shift toward a service-based economy.

### **REPORTING ENTITY AND ITS SERVICES**

This report includes all of the funds of the City. Financial information for separate legal entities related to the City of Redding includes the Redding Housing Authority, Redding Area Bus Authority, the Redding Joint Powers Financing Authority and the Redding Capital Services Corporation. All are accounted for in the City's financial statements in accordance with Governmental Accounting and Financial Reporting Standards. Component unit financial reports are on file with the City. Under California State law all redevelopment agencies were dissolved as of January 31, 2012. The Redding Redevelopment Agency was dissolved on January 31, 2012 and all excess assets were transferred to a private purpose trust fund.

City Council members in separate sessions serve as the governing board of the Redding Joint Powers Financing Authority and the Redding Capital Services Corporation. All five members of the City Council sit on the eight-member governing board of the Redding Area Bus Authority and the six member Housing Authority's board. City staff provides accounting and administrative services to all four agencies. Additional detail is provided in Note 1, Subparagraph A of the financial statements.

Redding is a full-service city. This includes public safety (police and fire), highways and streets, public improvements, planning and zoning, recreation and parks, library, airports, convention and auditorium facility, utilities (electric, water, wastewater, storm drainage, and solid waste collection and disposal), and general administrative services.

### **LOCAL ECONOMY**

The growth and health of an area's economy can be determined by monitoring a wide variety of indicators. Listed below are some of these indicators in the Redding area.

**Population Characteristics** - The City was one of the fastest growing cities in California between 1970 and 1990, growing to 66,432 residents in 1990 from 16,659 in 1970. However, lately the City's population growth has slowed. From 2000 to 2010 the City's population grew by an average of 1.11 percent. During the last year the City's population growth was -.07 percent. The City's population of 90,230 has increased 0.4% over the 2010 U.S. Census tabulation. The City's population represents approximately 50% of Shasta County's population. The following table indicates population growth for the City and Shasta County from 1970 to 2016:

Year	City of Redding		Shasta County	
	Population	Annualized Percent Change over Interval	Population	Annualized Percent Change over Interval
1970	16,659	---	77,640	---
1980	41,995	9.69%	119,449	4.40%
1990	66,432	4.69%	147,036	2.10%
2000	80,865	1.99%	163,256	1.05%
2010	89,878	1.11%	177,248	0.85%
2011	90,050	0.19%	177,516	0.15%
2012	90,342	0.32%	178,107	0.33%
2013	90,848	0.56%	178,953	0.47%
2014	90,950	0.11%	178,742	-0.12%
2015	* 90,293	-0.72%	179,036	0.16%
2016	90,230	-0.07%	178,592	-0.25%

Source: 1970-2010 data from U.S. Census; 2011-2016 estimates from the California State Department of Finance as of January 1 (\*2015 revised estimate, May 1, 2016 report)

The City's population, over the next 10 years, is projected to grow by approximately 3,626 an increase of approximately 4.0%. The Redding area is expected to maintain approximately 50% of the total Shasta County population because of a variety of factors that will support urban development, including utilities (wastewater, storm drainage, water, electric, and solid waste), employment, regional shopping, transportation services, and reduced commuting.

**Housing Costs** - Housing in the City is less costly than in many other urban areas in the State of California and on the West Coast. The following table sets forth the median price of housing in other urban areas of California as compared to Shasta County, in which Redding is the largest city, as of June 2016:

Region	Median Home Price
Shasta County	\$ 243,670
Sacramento	\$ 332,580
Los Angeles	\$ 502,190
Orange County	\$ 759,490
San Francisco	\$1,350,000

Source: California Association of Realtors

**Industry and Employment** - Extracting timber and the processing of wood by-products, together with agriculture, tourism, and government, have historically been the major sectors of employment in the City. However, the City's economic base has diversified to a regional service economy supported by retail and wholesale trade plus educational, recreational, medical, and government services for an area covering several counties.

The major non-local government employers in the City and the County include those in medical services, and retail services. Major employers in the City of Redding, their products or services, and the approximate number of their respective full-time employees as of June 2016 are listed in the following table:

<u>Employer</u>	<u>Product/Services</u>	<u>Employees</u>
Mercy Medical Center	Medical Facilities/Services	1,832
Shasta County (*)	County Services	1,750
City of Redding (**)	City Services	1,129
Shasta Regional Medical Center	Medical Facilities/Services	856
CA Transportation Department	Highways, Freeways, etc.	663
Redding Rancheria	Casino/Redding Rancheria	523
Walmart	Retail	450
Shasta Union High School District	Education	406
Shasta Community College	Education	352
Blue Shield of California	Health Care Insurance	330

(\*) Full-time equivalent positions. This includes employees who work outside of the City.

(\*\*) Full-time budgeted positions. In 2015-16 there were 722 full-time and 398 part-time/temporary positions filled.

Source: Derived from the Employment Development Department's (EDD) listing of the top employers in Shasta County.

According to the State Employment Development Department, the unemployment rate of the City's metropolitan area was 7.2 percent on June 30, 2016. The following table sets forth the number and rate (expressed as a percentage) of unemployed persons living within the City's metropolitan area for the month of June 2007 through June 2016:

Fiscal Year Ending June 30	Labor Force	Unemployment	
		Number	Rate
2007	83,000	5,800	7.0%
2008	83,000 *	7,300 *	8.9%
2009	85200	12,000	14.1%
2010	* 78800	12,700	16.2%
2011	77400	12300	15.9%
2012	* 77100	10900 *	14.1%
2013	76300 *	9000	11.7%
2014	75500 *	6900 *	9.2%
2015	* 75600 *	5600 *	7.5%
2016	75400	5400	7.2%

Source: State Department of Employment  
(\*Years 2007-2015 Revised)

**Construction Activity** - For the past ten calendar years ending December 2015, the City issued building permits valued at a total of \$846,933,528. New construction over the ten-year period represents 61.26% of the total construction activity. For the 2015 calendar year 3,822 building permits were issued, with a total permit valuation of \$86,828,511. After a number of years of declining permit activity, year 2012 saw an upturn in permit and related construction activity (with the exception of Multi-family dwellings). This trend is expected to continue in the current calendar year.

The following table sets forth the value and number of permits for new single and multiple family dwellings and businesses located in the City for the last four calendar years:

	2012	2013***	2014***	2015
Value Single Family*	\$20,059,325	\$21,036,822	\$24,064,841	\$41,841,967
Number of Units	115	107	111	190
Value Multi-dwellings	\$2,480,077	\$0	\$0	\$4,462,681
Number of Permits(1)	6	0	0	8
Number of Units	19	0	0	54
Value Business	\$3,063,200	\$20,245,363	\$17,070,606	\$10,572,308
Number of Permits	13	9	11	26
Value Total all Permits	\$55,766,847	\$77,690,439	\$69,433,538	\$86,828,511
Total Permits**	2,947	3,295	3,132	3,822

\* Value of new construction only.

\*\* Does not include number of units for multi-dwellings.

\*\*\* Numbers Revised

(1) Includes hotel and apartment units - "R" occupancies.

Source: City of Redding Development Services Department

**Commerce** - The City is a regional center of commerce for several Northern California counties. This is evidenced by its many shopping centers and malls. Support for retail sales is derived from a retail trade area population of approximately 125,000 in the primary trade area and approximately 256,000 in the secondary trade area. The primary trade area consists of the metropolitan urban area, including the cities of Redding, Shasta Lake, Anderson, and Red Bluff. The secondary trade area consists of Shasta, Trinity, and Tehama counties.

Taxable transactions in the City were approximately \$1.9 billion in calendar year 2015, a 1.0% increase over the same period for 2013.

<u>Year</u>	<u>Taxable Transactions (in Thousands)</u>	<u>Taxable Transactions Percentage Increase (Decrease)</u>
2005	\$ 2,046,597	7.8%
2006	\$ 2,104,055	2.8%
2007	\$ 1,983,496	-5.7%
2008	\$ 1,835,601	-7.5%
2009	\$ 1,603,079	-12.7%
2010	\$ 1,614,631	0.7%
2011	\$ 1,732,786	7.3%
2012	\$ 1,840,953	6.2%
2013	\$ 1,924,122	4.5%
2014	\$ 1,943,607	1.0%

Source: California State Board of Equalization

**Transportation** - The City enjoys a strategic location on U.S. Interstate Highway 5, the principal transportation artery running north-south from Mexico to Canada. The City is also bisected by State Highway 299 and State Route 44, key east-west transportation arteries in Northern California.

The City is served by the Union Pacific Railroad and Amtrak for rail transportation. Greyhound serves the City with bus service. United Express Airlines provides air service from Redding Municipal Airport to San Francisco, California.

Redding Area Bus Authority (RABA) is the City's multi-bus transportation system and offers thirteen different fixed routes, rural service and demand response (curb-to-curb) services. RABA had an average total monthly ridership of approximately 59,872 for fiscal year 2015-16.

**Utilities** - Electricity, solid waste collection and disposal, water, storm drainage, and wastewater services are provided by enterprise operations owned and operated by the City. Natural gas is provided by Pacific Gas and Electric Company (PG&E); basic telephone service by AT&T.

**Community Services** - Youth in the area attend school at one of 39 elementary schools, 9 middle/junior high schools, 12 charter schools, 2 regional occupation programs and 14 high schools. There are several higher educational institutions in the immediate area offering bachelor and master's degrees: Chico State University Center for Regional and Continuing Education (located in the Health Science & University Center, downtown Redding), National University, Simpson University, and Shasta Bible College & Graduate School. Shasta Community College, a two-year institution, offers both day and evening courses to over 13,530 students. In addition, there are several Vocational & Technical schools offering a diverse range of programs.

The City's parks system includes 67 developed parks and facilities, encompassing over 635 developed acres. Included in this total acreage are 175 acres of natural area parks (improved open space), 63.46 miles of trails, and 15 special purpose facilities. Among these special purpose facilities are the Redding Civic Auditorium, which hosts cultural/performing arts programs, conferences, and conventions; the Redding Aquatic Center; the Redding Big League Dreams Sports Park; the Redding Soccer Park; the Senior Citizens Center; the Benton Dog Park; three boat ramp facilities that provide access to the Sacramento River; and various community centers and special event venues such as the Martin Luther King, Jr. Community Center, and the Caldwell Recreation Center.

The City serves as the primary medical center for Northern California. The City's two general care hospitals serve approximately 332,000 people in Shasta, Tehama, Trinity, Siskiyou, and Lassen counties. The two largest hospitals have a total of 513 beds and employ approximately 2,688 full-time staff members. In addition, the City also has several specialized hospitals.

## **LONG-TERM FINANCIAL PLANNING**

The City has long range financial plans (typically ten years) for all of its major funds. It is the policy of the City Council that all funds except Electric maintain a minimum of 5% of expenditures in cash reserves in all years of their financial plans. Due to the dynamic industry, it is Council policy that the Electric Fund maintain a minimum of 20% of expenditures in cash reserve. All of the City's long range financial plans meet these criteria.

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

The City's accounting records are maintained on the modified accrual basis for governmental fund types and on the accrual basis for proprietary fund types. In developing the City's accounting system, consideration is given to the adequacy of internal accounting controls which are designed to provide reasonable, but not absolute, assurance regarding:

1. The safeguarding of assets against losses from unauthorized use or disposition.
2. The reliability of financial records for preparing financial statements and maintaining accountability of assets.

The concept of reasonable assurance recognized that the cost of a control procedure should not exceed the benefits likely to be derived and that the evaluation of costs and benefits require estimates and judgments of management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the department and fund level. The City Manager may transfer appropriations between divisions within a department within a fund; however, any revision that increases total fund expenditures without providing additional revenue to cover the total expenditure must be approved by City Council.

The City utilizes the encumbrance system as a management control technique to assist in controlling expenditures.

### **FEDERAL GRANTS SINGLE AUDIT APPROACH**

The City of Redding is required to undergo a single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. This report has been prepared under the "single audit" concept. Under this approach, one agency is recognized as the cognizant agency or oversight agency of the Office of Management and Budget. In the case of the City of Redding, the State of California acts as the single audit oversight agency. The financial report will be reviewed by the oversight agency for compliance with all Federal grant requirements, and notification of the results will be provided to other Federal agencies. A separate schedule of Federal financial assistance is available upon request.

As a recipient of Federal, State, and County financial assistance, the City of Redding is responsible for implementing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. The results of the City of Redding's single audit for the fiscal year ended June 30, 2016, provided no instances of material weaknesses in the internal control structure or significant violation of applicable laws and regulations.

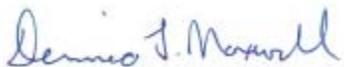
## CERTIFICATE OF ACHIEVEMENT

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 Redding for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the 32nd consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGMENTS

I would like to take this opportunity to thank the members of the Audit Committee and the City Council for their cooperation and support in conducting the financial operations of the City in a responsible and progressive manner. Appreciation is also expressed to all City departments who contributed information provided in this financial report and the Finance Department's staff who made this presentation possible. It is the combined effort of all participants that resulted in the issuance of this document.



Dennice L. Maxwell  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

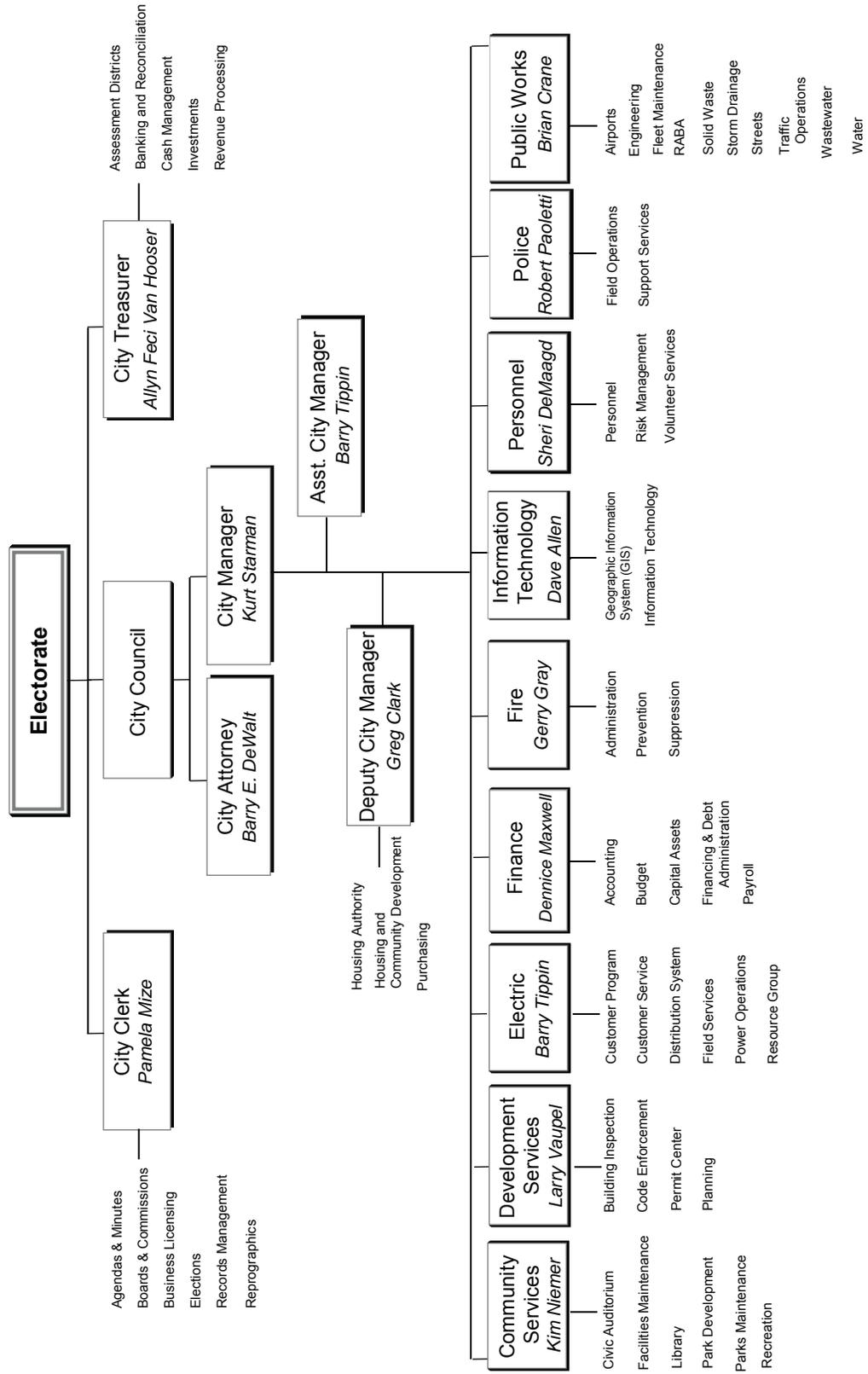
**City of Redding  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

# City of Redding Organization Chart



# MUNICIPAL OFFICIALS

## City Council

Mayor . . . . . Missy McArthur  
Vice Mayor . . . . . Brent Weaver  
Council Member . . . . . Gary Cadd  
Council Member . . . . . Kristen Schreder  
Council Member . . . . . Francie Sullivan

## Administrative Personnel

City Manager . . . . . Kurt Starman  
Assistant City Manager . . . . . Barry Tippin  
Deputy City Manager . . . . . Greg Clark  
City Attorney . . . . . Barry DeWalt  
City Clerk . . . . . Pam Mize  
City Treasurer . . . . . Allyn Van Hooser  
Director of Community Services . . . . . Kim Niemer  
Director of Development Services . . . . . Larry Vaupel  
Director of Electric . . . . . Barry Tippin  
Director of Finance . . . . . Dennice Maxwell  
Director of Information Technology . . . . . David Allen  
Director of Personnel . . . . . Sheri DeMaagd  
Director of Public Works . . . . . Brian Crane  
Fire Chief . . . . . Gerry Gray  
Police Chief . . . . . Robert Paoletti

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# **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

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 Redding, California (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Investments in Joint Ventures which represent 0.19 percent, 0.35 percent and 0.42 percent of the assets, net position, and expenses, respectively, of the City. The financial statements of these agencies, as listed in Note 14 to the basic financial statements, were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Investments in Other Agencies, is based solely on the report of the other auditors. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, based on our audit and the report of other auditors, 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 as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedules of Changes in Net Pension Liability and Related Ratios, Schedules of Contributions, and Schedules of Funding Progress on pages 7 through 24 and 135 through 144 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Passenger Facility Charges Collected and Expended and Interest Collected is presented for purposes of additional analysis as specified in the *Passenger Facility Chare Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements, Budgetary Comparison Schedules, and Schedule of Passenger Facility Charges Collected and Expended and Interest Collected, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements, Budgetary Comparison Schedules, and Schedule of Passenger Facility Charges Collected and Expended and Interest Collected, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

To the Honorable Mayor and Members of the City Council  
of the City of Redding  
Redding, California  
Page 3

**Other Reporting Required by *Government Auditing Standards*  
and the Transportation Development Act**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Transportation Development Act in considering the City's internal control over financial reporting and compliance.

*The PwC Group, LLP*

Walnut Creek, California  
December 19, 2016

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redding, California (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and Members of the City Council  
of the City of Redding  
Redding, California  
Page 2

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the California Code of Regulations, and the rules and regulations and allocation instructions of the Shasta Regional Transportation Agency, for the year ended June 30, 2016. In connection with our audit, we performed, to the extent applicable, the compliance audit tasks set forth in Sections 6666 and 6667 of the California Code of Regulations.

In our opinion, the funds allocated pursuant to the Transportation Development Act were accounted for and expended in conformance with the Transportation Development Act, the California Code of Regulations, and the rules and regulations and allocation instructions of the Shasta Regional Transportation Agency.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards and the Transportation Development Act.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and Transportation Development Act in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California  
December 19, 2016

**City of Redding**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

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As management of the City of Redding (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2016. The management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address future challenges), (d) identify any material deviations from the financial plan (approved budget), and (e) identify individual fund issues or concerns.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (beginning on page v) and the financial statements (beginning on page 28).

**USING THIS FINANCIAL REPORT/OVERVIEW OF REPORT**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist 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 to provide the reader further understanding of the City.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements consist of the following parts:

**Statement of Net Position:** The Statement of Net position presents information on all of the City's Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources with the difference reported as Net Position.

$$\text{Net Position} = (\text{Assets} + \text{Deferred Outflows of Resources}) - (\text{Liabilities} + \text{Deferred Inflows of Resources})$$

Over time, the change in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**Statement of Activities:** This statement presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

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Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police, fire, public works, planning, recreation and culture, and community development. The business-type activities of the City include electric, water, wastewater, transportation (airport and bus), storm drainage, solid waste, and convention center. Also included in the government-wide financial statements are the Redding Housing Authority, Redding Area Bus Authority (RABA), and the Redding Joint Power Financing Authority. While these agencies are legally separate agencies, their governing boards consist entirely of City Council members or in the case of RABA, the majority of the board members are members of the City Council. They function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 28-31 of this report.

**Fund Financial Statements**

A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories as follows:

**Governmental Funds:** These funds are used to account for essentially the same functions reported as government 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 financing requirements.

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

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and General Capital Project Fund, which are considered to be major funds. Data from the other nine governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 36-41 of this report.

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

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**Proprietary Funds:** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric Utility, Water Utility, Wastewater Utility, Solid Waste Utility, Airport Fund, Storm Drainage Utility, Redding Area Bus Authority, and the Convention Center Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for centralized activities and services performed by certain departments for other departments of the City. The City has five internal service funds: the Equipment Fund to account for all maintenance of the motorized fleet and communication system; the Information Systems Fund to account for the data processing activities of the City; the Risk Management Fund to account for the self-insurance activities of the City; the General Support Services Fund which accounts for mail, printing, records management and building maintenance activities; and the Municipal Utilities Support Fund, which accounts for the administrative management function of the municipal utilities and some public works. Because these services predominantly benefit governmental rather than business-type functions, they have been included within government activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric Utility, Water Utility, Wastewater Utility and Solid Waste Utility, which are considered to be major funds of the City. Data from the other enterprise funds is combined into a single aggregated presentation. The internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 44-53 of this report.

**Fiduciary Funds:** The City maintains agency funds and a Private-purpose Trust Fund (Successor Agency to the Redding Redevelopment Agency). These funds are used to account for resources held for other parties outside the government. These funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statements can be found on pages 58-59 of this report.

**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 65-132 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information, supplementary information, statistical information and certain other supplemental historical information that may be useful to the users of the City's financial statements. This information can be found in the last four sections of this report.

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

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**FINANCIAL HIGHLIGHTS**

**Government-wide Financial Analysis**

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$556 million (See Summary of Net Position and analysis on page 28).

- \$588.8 million represents the City's investment in capital assets, less (1) accumulated depreciation, (2) related outstanding debt used to acquire those assets, and (3) related deferred inflows of resources.
- \$58.6 million is available for the City's ongoing obligations related to program with external restrictions.
- -\$92.4 million is primarily the result of the City's unfunded pension and Other Postemployment Benefits (OPEB) obligations.
- The City's total debt decreased by \$3.3 million (net of bond premiums and discount and excluding deferred charges) during the year ending June 30, 2016. In addition the City made \$16.5 million in regular scheduled debt payments. The City borrowed \$4.4 million in State loans for wastewater treatment plant upgrades and the Electric Utility issued \$37.9 million in Revenue Bonds which in part refunded \$30.7 million in Certificates of Participation.

The City's total net position increased by \$19.9 million over the prior year:

- The \$1.4 million increase in net position invested in capital assets, net of related debt, represents the change in capital expenditures less depreciation, the retirement of related long-term debt, and amortization of related deferred inflows of resources.
- The \$2.6 million decrease in restricted net position represents the change in resources that are subject to external restrictions on their use.
- The \$21 million increase in unrestricted net position is the change in resources available to fund City programs to citizens and debt obligations to creditors.

**Financial Analysis of the City's Funds**

The City's governmental funds' combined ending fund balance of \$74.8 million was a increase of \$5.0 million from the prior year ending fund balance of \$69.8 million. Amounts available for spending include Restricted, Assigned and Unassigned Fund Balances; these totaled \$72.9 million, or 97.5 percent of fund balance. Of this amount:

- \$54.0 million is restricted by law or externally imposed requirements,
- \$7.2 million is assigned or constrained by the City Council's "intent" to be used for specific purposes, but are neither restricted nor committed.
- \$11.7 is unassigned fund balance.

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Summary of Net Position  
(in thousands)

	Governmental		Business-Type		Total		Total	
	Activities		Activities		Total		Dollar	Percent
	2016	2015	2016	2015	2016	2015	Change	Change
<b>Assets:</b>								
Current and Other Assets	\$118,792	\$116,512	\$210,696	\$192,092	\$329,488	\$308,604	\$20,884	6.8%
Capital Assets, net	338,269	336,175	529,476	532,127	867,745	868,302	(557)	-0.1%
<b>Total Assets</b>	<b>457,061</b>	<b>452,687</b>	<b>740,172</b>	<b>724,219</b>	<b>1,197,233</b>	<b>1,176,906</b>	<b>20,327</b>	<b>1.7%</b>
<b>Deferred Outflows of Resources:</b>	<b>26,805</b>	<b>14,271</b>	<b>26,143</b>	<b>21,411</b>	<b>52,948</b>	<b>35,682</b>	<b>17,266</b>	<b>48.4%</b>
<b>Liabilities:</b>								
Current Liabilities	15,339	15,498	42,880	44,917	58,219	60,415	(2,196)	-3.6%
Long Term Liabilities	243,069	231,563	359,495	353,276	602,564	584,839	17,725	3.0%
<b>Total Liabilities</b>	<b>258,408</b>	<b>247,061</b>	<b>402,375</b>	<b>398,193</b>	<b>660,783</b>	<b>645,254</b>	<b>15,529</b>	<b>2.4%</b>
<b>Deferred Inflows of Resources:</b>	<b>24,420</b>	<b>22,209</b>	<b>10,014</b>	<b>10,016</b>	<b>34,434</b>	<b>32,225</b>	<b>2,209</b>	<b>6.9%</b>
<b>Net Position:</b>								
Net investment in Capital Assets	304,441	300,971	284,347	286,402	588,788	587,373	1,415	0.2%
Restricted	43,496	42,893	15,155	18,326	58,651	61,219	(2,568)	-4.2%
Unrestricted	(146,839)	(146,176)	54,364	32,693	(92,475)	(113,483)	21,008	-18.5%
<b>Total Net Position</b>	<b>\$201,098</b>	<b>\$197,688</b>	<b>\$353,866</b>	<b>\$337,421</b>	<b>\$554,964</b>	<b>\$535,109</b>	<b>\$ 19,855</b>	<b>3.7%</b>

As noted earlier, over time, increases or decreases in Net Position may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$555 million at the close of the current fiscal year.

**Analysis of Net Position**

The City's total net position increased by 3.7% from a year ago, increasing from \$535.1 million to \$555 million. Net position from governmental activities increased by \$3.4 million or 3% and net position from business activities increased by \$16.4 million or 4.9%. The \$19.9 million increase in net position is primarily due to changes in unrestricted net position from business-type activities. The negative unrestricted net position at June 30, 2016 is primarily the result of the City's unfunded pension and OPEB obligations.

The \$16.4 million increase in net position from business-type activities is primarily due to funds being accumulated for current and future capital projects, especially in the Electric Utility Fund and Waste Water Utility Fund.

Most of the City's net position is invested in capital assets (i.e., land, buildings, utility plants, machinery, and equipment) less any related debt used to acquire those assets that is 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 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 Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

The restricted net position of \$58.6 million represents resources that are subject to external restrictions as to how they may be used. The remaining negative unrestricted net position of \$92.4 million, a positive change of \$22 million, or 18.5%, from the prior year, is the change in resources available to fund the City's ongoing obligations to its citizens and creditors. The majority negative unrestricted net position is primarily the result of the City's unfunded pension and OPEB obligations.

**Analysis of Governmental Activities**

**Changes in Net Position**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Total		Total	
	2016	2015	2016	2015	2016	2015	Dollar Change	Percent Change
<b>Revenues</b>								
Program Revenues								
Charges for services	\$ 12,894	\$ 13,040	\$ 227,414	\$ 231,668	\$ 240,308	\$ 244,708	\$ (4,400)	-1.8%
Operating grants	18,663	18,015	4,301	4,405	22,964	22,420	544	2.4%
Capital grants and contributions	18,961	5,505	5,639	6,079	24,600	11,584	13,016	112.4%
Total Program revenues	<u>50,518</u>	<u>36,560</u>	<u>237,354</u>	<u>242,152</u>	<u>287,872</u>	<u>278,712</u>	<u>9,160</u>	<u>3.3%</u>
General Revenues								
Sales Tax	22,586	22,054	-	-	22,586	22,054	532	2.4%
Property Tax	17,358	16,293	-	-	17,358	16,293	1,065	6.5%
Investment earnings	780	583	2,516	1,834	3,296	2,417	879	36.4%
Other	8,368	6,734	5	2	8,373	6,736	1,637	24.3%
Total general revenues	<u>49,092</u>	<u>45,664</u>	<u>2,521</u>	<u>1,836</u>	<u>51,613</u>	<u>47,500</u>	<u>4,113</u>	<u>8.7%</u>
<b>Total Revenue</b>	<u>99,610</u>	<u>82,224</u>	<u>239,875</u>	<u>243,988</u>	<u>339,485</u>	<u>326,212</u>	<u>13,273</u>	<u>4.1%</u>
<b>Expenses:</b>								
General Government	8,077	7,113	-	-	8,077	7,113	964	13.6%
Police	30,752	34,477	-	-	30,752	34,477	(3,725)	-10.8%
Fire	20,467	20,559	-	-	20,467	20,559	(92)	-0.4%
Public Works	14,955	7,262	-	-	14,955	7,262	7,693	105.9%
Planning	4,014	3,933	-	-	4,014	3,933	81	2.1%
Recreation and Culture	10,791	9,367	-	-	10,791	9,367	1,424	15.2%
Community Development	9,992	9,503	-	-	9,992	9,503	489	5.1%
Interest on Long-Term Debt	1,720	1,841	-	-	1,720	1,841	(121)	-6.6%
Electric	-	-	144,525	152,786	144,525	152,786	(8,261)	-5.4%
Water	-	-	17,023	16,921	17,023	16,921	102	0.6%
Wastewater	-	-	23,872	22,542	23,872	22,542	1,330	5.9%
Storm Drainage	-	-	2,095	1,920	2,095	1,920	175	9.1%
Solid Waste	-	-	20,210	20,411	20,210	20,411	(201)	-1.0%
Transportation	-	-	9,949	9,570	9,949	9,570	379	4.0%
Convention Center	-	-	1,187	1,229	1,187	1,229	(42)	-3.4%
<b>Total Expenses</b>	<u>100,768</u>	<u>94,055</u>	<u>218,861</u>	<u>225,379</u>	<u>319,629</u>	<u>319,434</u>	<u>195</u>	<u>0.1%</u>
<b>Increase in net position before transfers</b>	(1,158)	(11,831)	21,014	18,609	19,856	6,778	13,078	192.9%
Transfers	4,569	5,020	(4,569)	(5,013)	-	7	(7)	-100.0%
<b>Change in net position</b>	<u>3,411</u>	<u>(6,811)</u>	<u>16,445</u>	<u>13,596</u>	<u>19,856</u>	<u>6,785</u>	<u>13,071</u>	<u>192.6%</u>
<b>Net position - beginning</b>	<u>197,688</u>	<u>355,867</u>	<u>337,421</u>	<u>399,081</u>	<u>535,109</u>	<u>754,948</u>	<u>(219,839)</u>	<u>-29.1%</u>
<b>Restatement</b>	-	(151,368)	-	(75,256)	-	(226,624)	226,624	-100.0%
<b>Net position - beginning, as restated</b>	<u>197,688</u>	<u>204,499</u>	<u>337,421</u>	<u>323,825</u>	<u>535,109</u>	<u>528,324</u>	<u>6,785</u>	<u>1.3%</u>
<b>Net position - ending</b>	<u>\$ 201,099</u>	<u>\$ 197,688</u>	<u>\$ 353,866</u>	<u>\$ 337,421</u>	<u>\$ 554,965</u>	<u>\$ 535,109</u>	<u>\$ 19,856</u>	<u>3.7%</u>

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

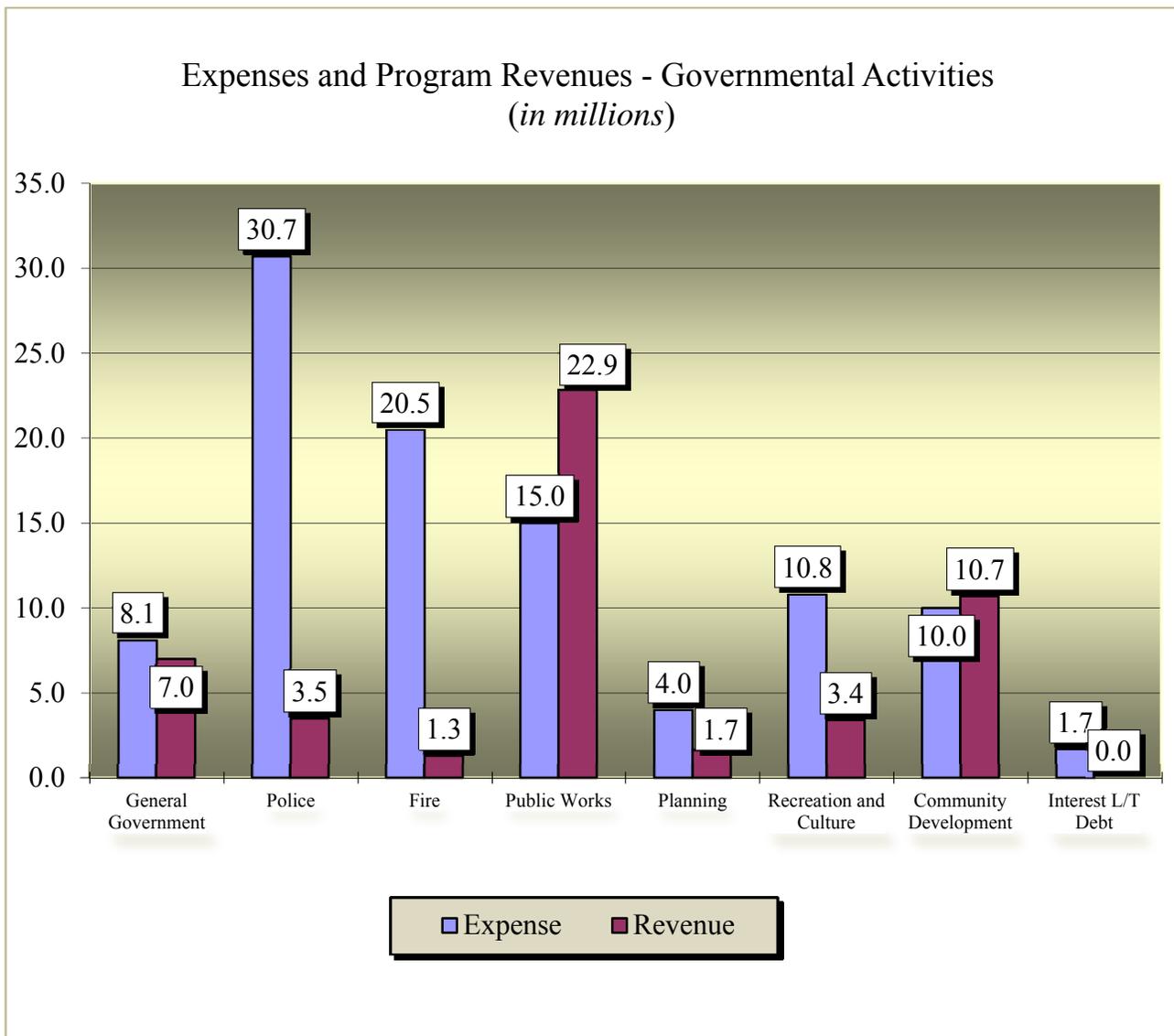
**Governmental Activities**

The governmental activities program expenses exceed program revenues by \$50.3 million; however, general revenues and transfers were \$53.7 million resulting in an increase in governmental activities net position of \$3.4 million.

Property taxes increased by 6.5% from the prior year. The \$1.1 million increase is due to the increase in property values.

Operating grants and contributions and Capital grants and contributions increased by \$14.1 million primarily due to an increase in Capital grants for Public Works.

The largest increase in expenses was in the Public Works category, which increased by \$7.7 million. The increase in Public Works was due to an increase in capital projects.



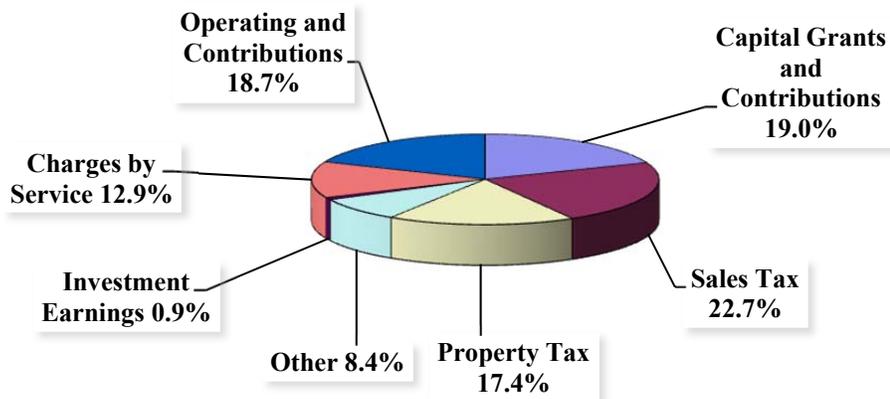
**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

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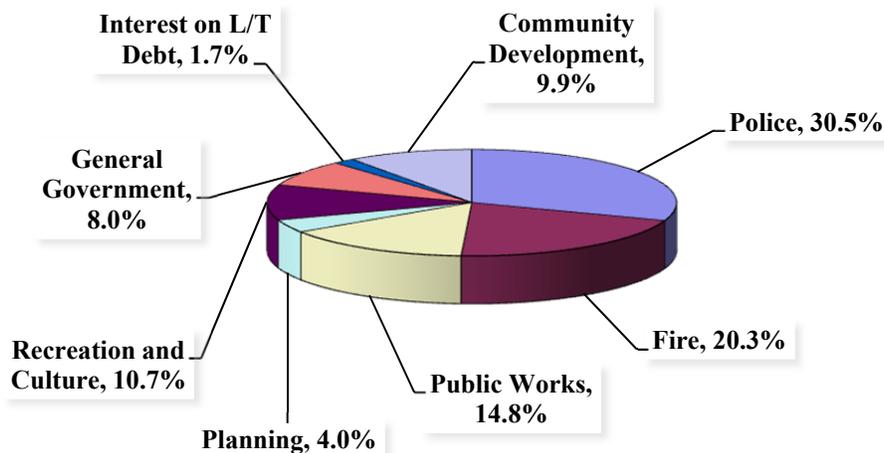
As shown in the expenses and program revenue graph above, Public Works program revenues exceeded expenses by \$7.9 million. The reason revenues are more than expenses pertains the grant revenues received. Public Works received \$4.5 million in operating grants and contributions and \$17.8 million in capital grants and contributions. The capital grants and contributions were used for capital assets as they could not be used to cover operating expenses.

The following graphs show an illustrative picture of where the City funds come from and where they are spent.

**Revenues by Source - Governmental Activities**



**Expense by Source - Governmental Activities**



**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

**Business-Type Activities**

Business-type activities increased the City's net position by \$16.4 million. Key elements of this increase are as follows:

- Revenues exceed expenses for electric, water, wastewater and solid waste and transportation as funds are being accumulated for current and future capital projects. Electric revenues overall decreased by \$5.3 million primarily as a result of a decrease in user fees and charges and Electric overall operating expenses decreased \$8.3 million primarily as a result of a decrease in the cost of power.

The following schedule shows business-type activities revenues and expenses.

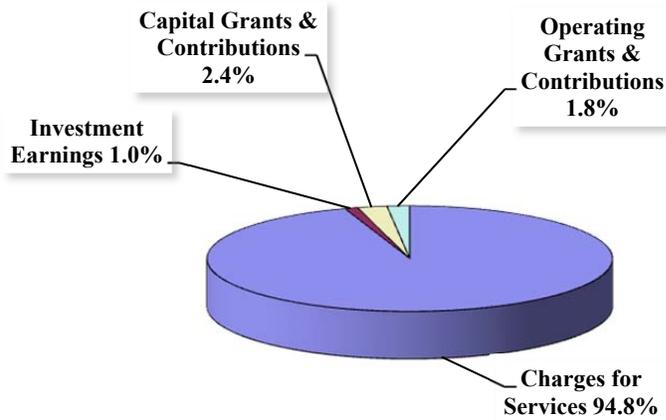
**Revenues, Transfers and Expenditures - Business - Type Activities**  
**(in thousands)**

	Revenue		Expense		Changes in net position	
	2016	2015	2016	2015	2016	2015
Electric	\$ 158,538	\$ 163,829	\$ 144,526	\$ 152,787	\$ 14,012	\$ 11,042
Water	18,324	18,815	17,023	16,921	1,301	1,894
Wastewater	27,112	25,723	23,872	22,542	3,240	3,181
Storm Drainage	1,797	1,671	2,095	1,920	(298)	(249)
Solid Waste	21,260	20,512	20,209	20,411	1,051	101
Transportation	10,068	11,318	9,949	9,570	119	1,748
Convention Center	255	285	1,187	1,229	(932)	(944)
Investment Earnings	2,516	1,834	-	-	2,516	1,834
Transfers	(4,569)	(5,013)	-	-	(4,569)	(5,013)
Other	5	2	-	-	5	2
<b>Total</b>	<b>\$ 235,306</b>	<b>\$ 238,976</b>	<b>\$ 218,861</b>	<b>\$ 225,380</b>	<b>\$ 16,445</b>	<b>\$ 13,596</b>

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

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**Revenues by Source - Business-Type Activities**



Typically business-type activities charge customers for the services provided and the related necessary capital costs. As can be seen from the above graph, charges for services make up the vast majority (94.8%) of the revenues of the business-type activities.

**Financial Analysis of the Government's Fund Balances**

**Fund Balances (in thousands)**

	<b>Nonspendable</b>	<b>Restricted</b>	<b>Assigned</b>	<b>Unassigned</b>	<b>Total</b>
<b>General Fund</b>	\$ 1,875	\$ 757	\$ 7,170	\$ 12,042	\$ 21,844
<b>Major Funds</b>					
Capital Projects	-	8,299	-	-	8,299
<b>Other Governmental Funds</b>	21	44,938	-	(307)	44,652
	<u>\$ 1,896</u>	<u>\$ 53,994</u>	<u>\$ 7,170</u>	<u>\$ 11,735</u>	<u>\$ 74,795</u>

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources (modified accrual basis of accounting). Such information is useful in assessing the City's financing requirements. In particular, total fund balance less the nonspendable portion is a useful measure of a government's resources available for spending at the end of the fiscal year.

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

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At June 30, 2016, the City's governmental funds reported total fund balance of \$74.8 million, an increase of \$5.0 million in comparison with the prior year's total ending fund balance. The components of total fund balance are as follows (for more information see Note 19 – Fund Balances):

- Nonspendable Fund Balance, \$1,896, are amounts that are not spendable in form, or are legally or contractually required to be maintained intact, and are made up of (1) prepaid expenses, (2) inventories, and (3) endowments.
- Restricted Fund Balance, \$53,994, consists of amounts with constraints put on their use by creditors, grantors, contributors, laws, regulations or enabling legislation. Examples of restrictions on funds are those for (1) purpose of fund, (2) reserves associated with issued bonds, and (3) grants for capital outlay.
- Assigned Fund Balance, \$7,170 are resources that are set aside for a particular purpose, and are made up of amounts that reflect resources for specific purposes such as (1) encumbrances, and (2) future expenditures/contingencies.
- Unassigned Fund Balance, \$11,735, represents the residual balance for the City's governmental funds.

**General Fund**

The General Fund is the chief operating fund of the City. At June 30, 2016, unassigned fund balance was \$12.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16.1% of the total General Fund expenditures, while total fund balance represents 29.2% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$.3 million during the year ended June 30, 2016.

General Fund revenues increased \$4.4 million, and expenditures increased by \$4.7 million from FYE 2015 to 2016. The increase in revenue was primarily due to increases in property tax revenue of \$1 million (6.1%) and an increase in sales tax revenue of \$1.6 million (7.2%). Tax rates were not changed during the year.

The \$4.7 million increase in expenditures is due to an increase in overall expenditures for police of \$2.4 million and fire \$.6 million, and an increase in public works expenditures of \$2.3 million. These were partially offset by a decrease in capital outlay of \$1.5 million.

Other financing sources decreased by \$1.0 million. The decrease is due primarily to a decrease in net transfers of \$2.4 million offset by an increase in the sale of assets of \$1.4 million.

The Capital Project Fund accounts for the financing and construction activities of the City. On June 30, 2016, the restricted fund balance was \$8.3 million. Both restricted fund balance and total fund balance represent 56.5% of the total Capital Project Funds expenditures.

The fund balance of the City's Capital Project Fund increased \$4.8 million during the year ended June 30, 2016.

Capital Project Fund revenues increased \$13.5 million and expenditures increased \$.2 million. The increase in revenue was due to an increase in intergovernmental grant revenue for capital projects.

**Proprietary Funds:** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following schedule shows the changes in net position of the major proprietary funds and restricted and unrestricted portions of net position of the major proprietary funds of the City.

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

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**Changes in Net Position Major Proprietary Funds**  
(in thousands)

	Net Position July 1, 2015	Changes in Net Position	Net Position June 30, 2016
Electric Utility	\$75,342	9,677	\$85,019
Water Utility	\$81,185	1,382	\$82,567
Wastewater Utility	\$117,885	3,635	\$121,520
Solid Waste Collection/Disposal	\$15,775	1,561	\$17,336

**Net Position - Restricted and Unrestricted**  
**Major Proprietary Funds as of June 30, 2016**  
(in thousands)

	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position	Total Net Position
Electric Utility	\$55,879	-	29,140	\$85,019
Water Utility	\$63,900	19	18,648	\$82,567
Wastewater Utility	\$90,746	12,057	18,717	\$121,520
Solid Waste Collection/Disposal	\$15,999	-	1,337	\$17,336

The factors affecting the above changes in net position and other factors regarding the proprietary funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

The City adopts two one-year budgets every other year. The fiscal year ending June 30, 2016, was the first year of the two-year budget process. Differences between the original General Fund budget and the amended General Fund budget expenditures are shown below:

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

**General Fund Original and Amended Budget**  
(in thousands)

	Original	Amended	Increase (Decrease)
General Government	\$ 6,230	\$ 6,352	\$ 122
Public Safety:			
Police	27,464	30,196	2,732
Fire Safety	19,085	19,631	546
Public Works	9,372	13,651	4,279
Planning	4,180	4,430	250
Recreation and culture	4,910	5,101	191
Principal payments	1,593	1,762	169
Interest payments and bond costs	1,421	1,432	11
Total Expenditures	<u>\$ 74,255</u>	<u>\$ 82,555</u>	<u>\$ 8,300</u>

As shown in the previous table, the General Fund's original budget was amended up by \$8.3 million or approximately 11.2%. The reasons for this increase are as follows:

- The Police budget increased by \$2.7 million due to grants and grant type agreements approved and received after the budget was originally adopted. It is the City policy not to include grant expenditures in the original adopted budget if grant approval has not been finalized. These grants were for traffic enforcement, police officers and school resource officers along with other Police related activities.
- The Fire budget increased by \$.5 million due to overtime and transfers from the rolling stock fund for equipment purchases.
- The Public Works budget increased by \$4.3 million due to grant funding for street overlay and other street projects.
- The City does not include rolling stock appropriations in its original budget. It is a Council policy to maintain a rolling stock fund separate from the General Fund which departments, with the City Manager approval, can transfer funds to the General Fund and amend the adopted budget for the transfers. During the year departments' budgets were increased by \$.9 million due to these rolling stock transfers.

**Capital Asset and Debt Administration**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totaled \$868 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, utility plants, collections, generation, distributions and transmissions systems, improvements, machinery and equipment, park facilities, roads, and bridges. The total decrease in the City's investment in capital assets for the current year was \$.6 million (a .6% increase for governmental activities and a .5% decrease for business-type activities).

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

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

- Developers added an estimated \$2.9 million of water, wastewater, electric, storm drainage improvements, streets, sidewalks and traffic signals.
- Electric Utility spent \$2.7 million on catalyst replacement, \$1.0 million on ice bear storage units, and \$.5 million on a customer service billing system.
- The City spent \$1.4 million on street overlay projects.
- Airport spent \$.6 million on a fire response vehicle.
- Water Utility spent \$1.4 million on the Foothill Plant improvement and \$1.9 million on the Hill 900 water line improvement.
- Wastewater spent \$4.4 million on the Clear Creek Wastewater Treatment Plant Biosolids Dewatering and Handling Facility project.
- Solid Waste spent \$1.6 million on vehicles.

**Changes in capital assets consist of the following:**

**Changes in Capital Assets**  
(in thousands)  
**Governmental Activities**

	Balance June 30, 2015	Additions	Deletions	Reclassifications	Balance June 30, 2016
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 30,185	\$ 110	\$ (118)	\$ 62	\$ 30,239
Construction in process	17,523	15,149	(1,565)	(12,197)	18,910
Total capital assets, not being depreciated	47,708	15,259	(1,683)	(12,135)	49,149
Capital assets, being depreciated:					
Buildings	55,430	-	-	7,441	62,871
Improvements other than buildings	102,682	11	(22)	105	102,776
Infrastructure	286,540	1,590	-	4,954	293,084
Automotive equipment	13,266	677	(1,153)	594	13,384
Furnishings and equipment	8,751	392	(594)	(8)	8,541
Assets under capital lease:					
Furnishings and equipment	-	-	-	-	-
Automotive equipment	1,074	-	-	(509)	565
Total capital assets, being depreciated	467,743	2,670	(1,769)	12,577	481,221
Less accumulated depreciation for:					
Buildings	(26,341)	(1,981)	-	-	(28,322)
Improvements other than buildings	(53,620)	(3,391)	22	-	(56,989)
Infrastructure	(81,660)	(7,984)	-	-	(89,644)
Automotive equipment	(10,540)	(616)	1,141	(257)	(10,272)
Furnishings and equipment	(6,929)	(512)	591	21	(6,829)
Assets under capital lease:					
Furnishings and equipment	-	-	-	-	-
Automotive equipment	(187)	(38)	-	180	(45)
Total accumulated depreciation	(179,277)	(14,522)	1,754	(56)	(192,101)
Total capital assets, being depreciated, net	288,466	(11,852)	(15)	12,521	289,120
<b>Governmental activities capital assets, net</b>	<b>\$ 336,174</b>	<b>\$ 3,407</b>	<b>\$ (1,698)</b>	<b>\$ 386</b>	<b>\$ 338,269</b>

See Note 4 to the Financial Statements for additional information regarding capital assets.

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

**Changes in capital assets consist of the following (Continued):**

Changes in Capital Assets  
(in thousands)  
Business-Type Activities

	Balance June 30, 2015	Additions	Deletions	Reclassifications	Balance June 30, 2016
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 19,582	\$ 12	\$ -	\$ (62)	\$ 19,532
Construction in progress	42,107	18,765	(713)	(30,131)	30,028
Total capital assets, not being depreciated	<u>61,689</u>	<u>18,777</u>	<u>(713)</u>	<u>(30,193)</u>	<u>49,560</u>
Capital assets, being depreciated:					
Utility plants	770,117	3,289	(1,026)	4,677	777,057
Buildings	49,279	51	(195)	19,165	68,300
Improvements other than buildings	47,267	848	(2,925)	899	46,089
Automotive equipment	37,792	3,558	(2,900)	(40)	38,410
Furnishings and equipment	22,161	1,165	(1,892)	5,050	26,484
Assets under capital lease:					
Furnishings and equipment	4,176	-	-	-	4,176
Total capital assets, being depreciated	<u>930,792</u>	<u>8,911</u>	<u>(8,938)</u>	<u>29,751</u>	<u>960,516</u>
Less accumulated depreciation for:					
Utility plants	(358,243)	(21,058)	765	-	(378,536)
Buildings	(31,825)	(1,882)	195	-	(33,512)
Improvements other than buildings	(33,445)	(822)	2,905	-	(31,362)
Automotive equipment	(21,704)	(2,623)	2,622	40	(21,665)
Furnishings and equipment	(14,557)	(2,123)	1,858	16	(14,806)
Assets under capital lease:					
Furnishings and equipment	(580)	(139)	-	-	(719)
Total accumulated depreciation	<u>(460,354)</u>	<u>(28,647)</u>	<u>8,345</u>	<u>56</u>	<u>(480,600)</u>
Total capital assets, being depreciated, net	<u>470,438</u>	<u>(19,736)</u>	<u>(593)</u>	<u>29,807</u>	<u>479,916</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 532,127</u>	<u>\$ (959)</u>	<u>\$ (1,306)</u>	<u>\$ (386)</u>	<u>\$ 529,476</u>

See Note 4 to the Financial Statements for additional information regarding capital assets.

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

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**Long Term Debt**

The following schedule shows the changes in long-term debt for the year not including bond discounts and bond premiums (amounts are in thousands).

	Balance June 30, 2015	Additions/ Transfers	Reductions	Balance June 30, 2016
<b>Governmental Activities:</b>				
Capital leases payable	\$ 575	\$ -	\$ 169	\$ 406
Lease revenue bonds	36,598	-	2,288	34,310
Special assessment debt	125	-	32	93
Loan	320	-	320	-
Total Government Activities	<u>37,618</u>	<u>-</u>	<u>2,809</u>	<u>34,809</u>
<b>Business-Type Activities</b>				
State loan payable	84,429	4,418	4,683	84,164
Revenue bonds	11,317	37,955	3,037	46,235
Certificates of participation	155,595	-	36,860	118,735
Capital leases	1,774	-	418	1,356
Total Business-Type Activities	<u>253,115</u>	<u>42,373</u>	<u>44,998</u>	<u>250,490</u>
 Total outstanding long-term debt	 <u>\$ 290,733</u>	 <u>\$ 42,373</u>	 <u>\$ 47,807</u>	 <u>\$ 285,299</u>

The City's total debt decreased by \$5,434 (net of bond premiums and discounts excluding deferred charges) during the fiscal year ending June 30, 2016. The City made \$16.5 million in regular scheduled debt payments. The City borrowed \$4.4 million in State loans for wastewater treatment plant upgrades and the Electric Utility issued \$37.9 million in Revenue Bonds which in part, refunded \$30.7 million in Certificates of Participation.

Currently, the City's legal debt margin is \$289 million. However, this relates only to general obligation type bonds. Other factors such as available revenues, special assessment pledges, etc. will affect the City's actual capacity to issue future debt.

Additional information on the City's long-term debt can be found in note 7 on pages 87-93 of this report.

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

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**Deferred Outflows of Resources & Deferred Inflows of Resources**

**Deferred Outflows of Resources**

This classification balance, although similar to “assets,” is set apart because these items do not meet the technical definition of being a City asset on the date of these financial statements. In other words, these amounts are not available to pay liabilities in the way assets are available. When all the recognition criteria are met, the deferred outflow of resources will become an expense/expenditure.

The most significant deferred outflow of resources reported is related to the implementation of GASB Statement No. 68 and GASB Statement No. 71 for pension liability reporting. GASB 71 requires that contributions made during the fiscal year to the retirement system be reported as deferred outflows of resources. Consequently, the majority of the deferred outflows of resources reported are comprised of current year contributions to the retirement system. There can be some deferred outflows of resources attributable to the various components that impact pension changes, and can include investment changes amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

**Deferred Inflows of Resources**

Deferred inflows of resources are the counterpart to deferred outflows of resources on the Statement of Net Position. Deferred inflows of resources are not technically liabilities of the City as of the date of the financial statements. When all the recognition criteria are met, the deferred inflow of resources will become revenue or an increase to net position.

The deferred inflows of resources being reported on the City's Statement of Net Position pertain to pensions.

Deferred inflows of resources related to pensions represent the net amount attributable to the various components that impact pension changes, and can include investment changes, amortization changes due to actuarial assumptions, and differences between expected or actual experience.

**Economic Factors and Next Year's Budgets and Rates**

- The City of Redding has experienced an increase in population since 2006 of less than one percent per year while the unemployment rate has increased from 6.2% in 2006 to 7.2% in 2016.
- Inflationary trends in the region compare favorably to national indices.
- Overall tax revenue for the City's General Fund increased by \$1.8 million during the year. This was primarily due to increases in property taxes and sales tax. Taxable sales within the City increased by 2.4%. Tax rates were not changed. The City expects sales tax revenue will increase by 4% in fiscal year 2016-17. It is expected property tax revenue will also increase by 4% in fiscal year 2016-17.
- Building activity in the City has begun to recover from the economic downturn and the City is anticipating that it will continue to improve during the fiscal year 2016-17.
- The economy is expected to continue to recover in fiscal year 2016-17.

**City of Redding**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2016**

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All of these factors were considered in preparing the City's budget for the 2016-17 fiscal year.

During the current fiscal year, fund balance in the General Fund decreased by \$.4 million to \$21.8 million. The City anticipates decreasing the General Fund balance \$2.5 million in fiscal year ending 2017. This amount, adjusted for certain known factors, has been included in the City's 10-year Financial Plan and the City continues to maintain a 5% cash reserve in all years.

The Water, Wastewater and Solid Waste utilities all planned for rate increases when their biennial budgets were built and these increases have been approved by City Council.

**Request for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. This report can be found on the City of Redding website, [www.cityofredding.org](http://www.cityofredding.org) under Departments, under Finance Department. Questions concerning any information provided in this report or request for additional financial information should be directed to:

The City of Redding - Finance Department  
777 Cypress Avenue  
Redding, CA 96001

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# **BASIC FINANCIAL STATEMENTS**

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# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**City of Redding**  
**Statement of Net Position**  
**June 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 42,065,089	\$ 146,034,471	\$ 188,099,560
Receivables:			
Interest	3,827,007	373,947	4,200,954
Accounts, net	1,028,032	23,309,980	24,338,012
Taxes	8,063,177	-	8,063,177
Current intergovernmental	8,424,457	2,620,355	11,044,812
Notes	36,930,845	-	36,930,845
Special assessments	661,363	-	661,363
Deposit	-	3,500,000	3,500,000
Other	515,499	-	515,499
Internal balances	13,197,208	(13,197,208)	-
Inventories	386,530	8,299,627	8,686,157
Prepaid items	1,248,328	623,821	1,872,149
Restricted assets:			
Cash and investments	1,949,769	22,541,121	24,490,890
Interest receivable	41	13	54
Power acquisition costs, net	-	647,692	647,692
Prepaid costs	319,325	-	319,325
Long-term receivable	235,881	-	235,881
Capital assets:			
Land and construction in progress	49,132,416	49,560,267	98,692,683
Other capital assets, net of depreciation	289,136,661	479,915,930	769,052,591
Investment in JPA	-	2,311,242	2,311,242
Storage base gas	-	13,570,000	13,570,000
<b>Total Assets</b>	<b>457,121,628</b>	<b>740,111,258</b>	<b>1,197,232,886</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding, net	301,557	10,841,071	11,142,628
Deferred outflows related to pensions	26,503,099	15,301,473	41,804,572
<b>Total Deferred Outflows of Resources</b>	<b>26,804,656</b>	<b>26,142,544</b>	<b>52,947,200</b>

*(Continued)*

**City of Redding**  
**Statement of Net Position (Continued)**  
**June 30, 2016**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	946,450	8,296,162	9,242,612
Accrued liabilities	2,286,837	1,634,933	3,921,770
Intergovernmental payable	220,622	1,379,768	1,600,390
Accrued interest payable	505,347	1,267,758	1,773,105
Unearned revenue	1,542,720	4,112,532	5,655,252
Deposits	102,752	8,899,618	9,002,370
Accounts payable from restricted	18,917	35,968	54,885
Landfill closing costs, due within one year	-	140,000	140,000
Claims and judgements payable, due within one year	3,925,474	-	3,925,474
Compensated absences, due within one year	3,523,599	1,931,927	5,455,526
Long-term debt, due within one year	2,266,516	15,180,894	17,447,410
Landfill closing costs, due in more than one year	-	2,061,432	2,061,432
Claims and judgements payable, due in more than one year	13,293,756	-	13,293,756
Accrued compensated absences, due in more than one year	7,730,351	5,031,091	12,761,442
Accrued liabilities, due in more than one year	39,910,979	31,564,750	71,475,729
Long-term debt, due in more than one year	32,555,435	243,182,171	275,737,606
Aggregate net pension liability	149,578,131	77,655,477	227,233,608
<b>Total liabilities</b>	<b>258,407,886</b>	<b>402,374,481</b>	<b>660,782,367</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	24,420,166	10,013,791	34,433,957
<b>Total deferred inflows</b>	<b>24,420,166</b>	<b>10,013,791</b>	<b>34,433,957</b>
<b>NET POSITION</b>			
Net investment in capital assets	304,441,380	284,346,442	588,787,822
Restricted for:			
Capital outlay	-	15,155,154	15,155,154
Debt service	515,481	-	515,481
Housing	15,544,485	-	15,544,485
Community development	23,865,039	-	23,865,039
Public works	3,570,757	-	3,570,757
Unrestricted	(146,838,910)	54,363,934	(92,474,976)
<b>Total net position</b>	<b>\$ 201,098,232</b>	<b>\$ 353,865,530</b>	<b>\$ 554,963,762</b>

*(Concluded)*

**City of Redding**  
**Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2016**

<b>Functions / Programs</b>	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General government	\$ 8,077,255	\$ 6,213,317	\$ 746,162	\$ -	\$ 6,959,479
Police	30,751,887	1,401,352	2,134,170	-	3,535,522
Fire	20,467,167	932,136	78,933	316,240	1,327,309
Public works	14,954,615	650,616	4,469,704	17,830,368	22,950,688
Planning	4,013,885	1,286,338	406,604	-	1,692,942
Recreation and culture	10,791,830	2,368,140	206,705	813,916	3,388,761
Community development	9,991,686	41,873	10,621,136	-	10,663,009
Interest on long-term debt	1,720,036	-	-	-	-
<b>Total Governmental Activities</b>	<u>100,768,361</u>	<u>12,893,772</u>	<u>18,663,414</u>	<u>18,960,524</u>	<u>50,517,710</u>
<b>Business-Type Activities:</b>					
Electric	144,525,611	158,275,732	6,993	255,395	158,538,120
Water	17,023,112	17,995,434	-	328,360	18,323,794
Wastewater	23,872,035	26,776,762	-	335,874	27,112,636
Storm drainage	2,094,900	1,489,173	-	307,475	1,796,648
Solid waste	20,209,534	21,200,419	49,326	9,890	21,259,635
Transportation	9,948,552	3,717,047	4,244,450	2,106,542	10,068,039
Convention center	1,187,415	255,196	-	-	255,196
Total business-type activities	<u>218,861,159</u>	<u>229,709,763</u>	<u>4,300,769</u>	<u>3,343,536</u>	<u>237,354,068</u>
<b>Total Primary Government</b>	<u>\$ 319,629,520</u>	<u>\$ 242,603,535</u>	<u>\$ 22,964,183</u>	<u>\$ 22,304,060</u>	<u>\$ 287,871,778</u>

**City of Redding**  
**Statement of Activities and Changes in Net Position (Continued)**  
**For the Year Ended June 30, 2016**

<b>Functions / Programs</b>	Net (Expenses) Revenues and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>			
<b>Governmental activities:</b>			
General government	\$ (1,117,776)	\$ -	\$ (1,117,776)
Police	(27,216,365)	-	(27,216,365)
Fire	(19,139,858)	-	(19,139,858)
Public works	7,996,073	-	7,996,073
Planning	(2,320,943)	-	(2,320,943)
Recreation and culture	(7,403,069)	-	(7,403,069)
Community development	671,323	-	671,323
Interest on long-term debt	(1,720,036)	-	(1,720,036)
<b>Total Governmental Activities</b>	(50,250,651)	-	(50,250,651)
<b>Business-Type Activities:</b>			
Electric	-	14,012,509	14,012,509
Water	-	1,300,682	1,300,682
Wastewater	-	3,240,601	3,240,601
Storm drainage	-	(298,252)	(298,252)
Solid waste	-	1,050,101	1,050,101
Transportation	-	119,487	119,487
Convention center	-	(932,219)	(932,219)
Total business-type activities	-	18,492,909	18,492,909
<b>Total Primary Government</b>	\$ (50,250,651)	\$ 18,492,909	\$ (31,757,742)
<b>General Revenues and Transfers:</b>			
Taxes:			
Property taxes, levied for general purpose	\$ 17,357,917	\$ -	\$ 17,357,917
Transient occupancy taxes	4,616,654	-	4,616,654
Sales taxes	22,586,087	-	22,586,087
Motor vehicle taxes	36,761	-	36,761
Franchise taxes	1,005,928	-	1,005,928
Other taxes	1,103,021	-	1,103,021
Total taxes	46,706,368	-	46,706,368
Investment income (loss)	780,348	2,515,901	3,296,249
Other	203,979	4,883	208,862
Gain on sale of asset(s)	1,401,277	-	1,401,277
Transfers	4,568,933	(4,568,933)	-
<b>Total General Revenues and Transfers</b>	53,660,905	(2,048,149)	51,612,756
<b>Change in Net Position</b>	3,410,254	16,444,760	19,855,014
<b>Net Position:</b>			
Beginning of Year	197,687,978	337,420,770	535,108,748
End of Year	\$ 201,098,232	\$ 353,865,530	\$ 554,963,762

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*  
*Proprietary Fund Financial Statements*

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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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*General Fund* – This fund is the general operating fund of the City which accounts for all financial resources except those required to be accounted for in another fund.

*General Capital Projects Fund* – This fund was established to account for the financing and construction activities of the general government.

**City of Redding**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 11,174,530	\$ 6,620,488	\$ 8,876,605	\$ 26,671,623
Interest receivable	24,233	13,096	3,757,264	3,794,593
Accounts receivable, net	891,769	8,906	83,775	984,450
Intergovernmental receivable	3,580,365	3,288,051	1,011,033	7,879,449
Taxes receivable	8,063,177	-	235,881	8,299,058
Other receivable	493,760	-	21,739	515,499
Due from other funds	276,151	-	-	276,151
Prepaid items	757,614	-	20,790	778,404
Inventories	209,929	-	-	209,929
Restricted assets:				
Cash and investments	1,664,386	169,728	115,655	1,949,769
Interest receivable	4	16	21	41
Special assessments receivable	-	-	661,363	661,363
Notes receivable	4,250	-	36,926,595	36,930,845
<b>Total assets</b>	<b>\$ 27,140,168</b>	<b>\$ 10,100,285</b>	<b>\$ 51,710,721</b>	<b>\$ 88,951,174</b>

*(Continued)*

**City of Redding**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**June 30, 2016**

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
<b>LIABILITIES</b>				
Accounts payable	\$ 409,588	\$ 245,527	\$ 56,450	\$ 711,565
Accrued liabilities	1,826,028	79,034	51,983	1,957,045
Intergovernmental payable	175,189	-	20,743	195,932
Due to other funds	-	-	92,842	92,842
Accounts payable from restricted assets	-	9,815	9,102	18,917
Interfund payable			-	-
Unearned revenue	1,043,558	8,204	490,789	1,542,551
Deposits	9,674	-	93,066	102,740
Advances from other funds	4,250	-	556,478	560,728
<b>Total Liabilities</b>	<b>3,468,287</b>	<b>342,580</b>	<b>1,371,453</b>	<b>5,182,320</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	1,827,169	1,458,339	5,687,926	8,973,434
<b>Total Deferred Inflows of Resources:</b>	<b>1,827,169</b>	<b>1,458,339</b>	<b>5,687,926</b>	<b>8,973,434</b>
<b>Fund Balances:</b>				
Nonspendable	1,875,032	-	20,521	1,895,553
Restricted	756,897	8,299,366	44,938,112	53,994,375
Assigned	7,170,089	-	-	7,170,089
Unassigned (deficit)	12,042,694	-	(307,291)	11,735,403
<b>Total Fund Balances</b>	<b>21,844,712</b>	<b>8,299,366</b>	<b>44,651,342</b>	<b>74,795,420</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 27,140,168</b>	<b>\$ 10,100,285</b>	<b>\$ 51,710,721</b>	<b>\$ 88,951,174</b>

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**City of Redding**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2016**

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Fund balances governmental funds	\$ 74,795,420
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets have not been included as financial resources in governmental fund activity.	511,997,041
Accumulated depreciation has not been included in the governmental fund financial statements.	(179,402,840)
Bond insurance issuance costs.	319,325
Deferred charges have not been included as financial resources in governmental fund activity.	23,756,546
Long-term debt that has not been included in the governmental fund activity.	(34,821,951)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(505,347)
The net other post employment benefit obligation has not been reported in the governmental funds.	(33,830,713)
Net pension liability are not due and payable in the current period and therefore are not reported in the fund financial statements.	(133,374,416)
Revenue reported as unavailable revenue in the governmental funds was recorded as revenue in the statement of activities.	(13,260,974)
Internal service fund net position included in the governmental activities on the statement of activities.	(4,435,877)
Accrued vacation and other leave not reported in governmental funds, but recorded as expense in the Statement of Activities.	(10,137,982)
<b>Net position of governmental activities</b>	<b>\$ 201,098,232</b>

**City of Redding**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property taxes	\$ 17,246,655	\$ -	\$ -	\$ 17,246,655
Sales and use taxes	23,645,134	-	272,517	23,917,651
Other taxes	6,725,602	-	-	6,725,602
Special assessments	9,852	-	301,439	311,291
Licenses and permits	1,257,017	-	64,405	1,321,422
Intergovernmental revenues	3,123,622	14,586,345	15,329,909	33,039,876
Charges for services	1,801,205	-	1,334,692	3,135,897
Fines, forfeitures, and penalties	1,325,605	-	108,824	1,434,429
Use of money and property	7,774,752	-	-	7,774,752
Interest revenue	201,960	58,395	299,578	559,933
Other	1,029,283	4,969,439	152,653	6,151,375
<b>Total revenues</b>	<b>64,140,687</b>	<b>19,614,179</b>	<b>17,864,017</b>	<b>101,618,883</b>
<b>EXPENDITURES:</b>				
Current:				
General government	5,523,363	2,571	5,616	5,531,550
Community development	-	-	9,833,058	9,833,058
Public safety:				
Police	28,379,032	54	64,915	28,444,001
Fire	19,223,149	-	-	19,223,149
Public works	6,975,216	189,664	571,494	7,736,374
Planning	4,005,836	-	-	4,005,836
Recreation and culture	4,754,913	156,634	2,178,544	7,090,091
Capital outlay	2,738,728	13,137,384	136,689	16,012,801
Debt service:				
Principal	1,761,759	991,725	32,000	2,785,484
Interest and fiscal charges	1,430,357	223,794	4,337	1,658,488
<b>Total expenditures</b>	<b>74,792,353</b>	<b>14,701,826</b>	<b>12,826,653</b>	<b>102,320,832</b>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(10,651,666)	4,912,353	5,037,364	(701,949)
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of assets	1,401,276	-	-	1,401,276
Transfers in	11,370,746	59,508	803,030	12,233,284
Transfers out	(2,496,005)	(155,456)	(5,299,098)	(7,950,559)
<b>Total other financing sources (uses)</b>	<b>10,276,017</b>	<b>(95,948)</b>	<b>(4,496,068)</b>	<b>5,684,001</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(375,649)</b>	<b>4,816,405</b>	<b>541,296</b>	<b>4,982,052</b>
<b>Fund Balances:</b>				
Beginning of Year	22,220,361	3,482,961	44,110,046	69,813,368
End of Year	\$ 21,844,712	\$ 8,299,366	\$ 44,651,342	\$ 74,795,420

**City of Redding**  
**Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Government-Wide Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2016**

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Net Change in Fund Balances - Total Governmental Funds	\$ 4,982,052
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported acquisition of capital assets as part of capital outlay expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	16,012,801
Transfer of capital asset from Governmental Fund to Enterprise Fund.	379,040
In the Statement of Activities, donated assets are reported as a capital contribution.	1,699,656
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds.	(13,551,504)
Disposal of capital assets is reported in the Governmental-Wide Statement of Activities and Changes in Net Position, but it does not require the use of current financial resources. Therefore, it is not reported as expenditures in governmental funds.	(1,684,783)
- Net book value of the assets disposed	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(3,630,706)
In the Statement of Activities, the net other post employment benefit obligation has been accrued.	(3,604,046)
Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	2,785,484
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from the prior year.	(11,790)
In the Statement of Activities, a loan was reduced in lieu of Traffic Impact Fee credits.	23,150
Compensated absences in the Statement of Activities is reported as an expense but is not reported in the governmental funds.	(280,833)
In the Statement of Activities, pension expense that does not require the use of current financial resources is not reported as revenue or expenditure.	1,946,122
Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities.	(1,654,389)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 3,410,254</b>

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# PROPRIETARY FUND FINANCIAL STATEMENTS

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## **Major Enterprise Funds:**

**Electric Utility** – This fund was established to account for the operations of the City’s electric utility, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

**Water Utility** – This fund was established to account for the operations of the City’s water utility, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

**Wastewater Utility** - This fund was established to account for the operations of the City’s wastewater utility, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

**Solid Waste Collection/Disposal** - This fund was established to account for the operations of the City’s solid waste collection and disposal, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

## **Internal Service Funds:**

These funds are used to account for interdepartmental operations where it is the stated intent that costs of providing services to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments.

**City of Redding**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Enterprise Funds			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and investments	\$ 63,658,391	\$ 25,453,645	\$ 24,566,174	\$ 26,473,986
Interest receivable	146,592	61,294	90,202	59,550
Accounts receivable, net	16,550,873	2,045,351	2,420,875	2,132,038
Prepaid items	365,773	47,344	61,779	117,447
Intergovernmental receivable	585,706	-	-	-
Inventories	7,383,256	708,394	27,435	-
Interfund receivable	-	-	45,000	-
Deposit	3,500,000	-	-	-
Total current assets	<u>92,190,591</u>	<u>28,316,028</u>	<u>27,211,465</u>	<u>28,783,021</u>
<b>Noncurrent assets:</b>				
Restricted assets:				
Cash and investments	2,437,822	1,082,422	16,117,160	-
Interest receivable	13	-	-	-
Total restricted assets	<u>2,437,835</u>	<u>1,082,422</u>	<u>16,117,160</u>	<u>-</u>
Capital assets:				
Land	5,170,379	508,799	3,102,155	1,571,090
Construction in progress	17,174,675	2,698,881	8,885,782	467,147
Other capital assets, net	183,955,721	63,932,298	166,418,919	13,960,564
Capital assets	<u>206,300,775</u>	<u>67,139,978</u>	<u>178,406,856</u>	<u>15,998,801</u>
Other assets:				
Power acquisition costs, net	647,692	-	-	-
Advances to other funds	686,824	-	546,856	-
Investment in JPA	2,311,242	-	-	-
Storage base gas	13,570,000	-	-	-
Total other assets	<u>17,215,758</u>	<u>-</u>	<u>546,856</u>	<u>-</u>
Total noncurrent assets	<u>225,954,368</u>	<u>68,222,400</u>	<u>195,070,872</u>	<u>15,998,801</u>
<b>Total assets</b>	<u>318,144,959</u>	<u>96,538,428</u>	<u>222,282,337</u>	<u>44,781,822</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on refunding, net	9,995,302	363,724	410,780	-
Deferred outflows related to pensions	9,483,891	1,256,310	1,691,777	2,474,706
Total deferred outflows	<u>19,479,193</u>	<u>1,620,034</u>	<u>2,102,557</u>	<u>2,474,706</u>

*(Continued)*

**City of Redding**  
**Statement of Net Position (Continued)**  
**Proprietary Funds**  
**June 30, 2016**

	Enterprise Funds		Governmental
	Non-Major	Total	Activities
	Enterprise Funds		Internal Service Funds
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 5,882,275	\$ 146,034,471	\$ 15,393,466
Interest receivable	16,309	373,947	32,415
Accounts receivable, net	160,843	23,309,980	43,582
Prepaid items	31,478	623,821	469,924
Intergovernmental receivable	2,034,649	2,620,355	545,008
Inventories	180,542	8,299,627	176,601
Interfund receivable	-	45,000	94,794
Deposit	-	3,500,000	-
Total current assets	8,306,096	184,807,201	16,755,790
<b>Noncurrent assets:</b>			
Restricted assets:			
Cash and investments	2,903,717	22,541,121	-
Interest receivable	-	13	-
Total restricted assets	2,903,717	22,541,134	-
Capital assets:			
Land	9,180,341	19,532,764	110,810
Construction in progress	801,018	30,027,503	-
Other capital assets, net	51,648,428	479,915,930	5,564,066
Capital assets	61,629,787	529,476,197	5,674,876
Other assets:			
Power acquisition costs, net	-	647,692	-
Advances to other funds	-	1,233,680	4,104,919
Investment in JPA	-	2,311,242	-
Storage base gas	-	13,570,000	-
Total other assets	-	17,762,614	4,104,919
Total noncurrent assets	64,533,504	569,779,945	9,779,795
<b>Total assets</b>	72,839,600	754,587,146	26,535,585
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding, net	71,265	10,841,071	-
Deferred outflows related to pensions	394,789	15,301,473	3,048,115
<b>Total deferred outflows</b>	466,054	26,142,544	3,048,115

*(Continued)*

**City of Redding**  
**Statement of Net Position (Continued)**  
**Proprietary Funds**  
**June 30, 2016**

	Enterprise Funds			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
<b>LIABILITIES</b>				
Current liabilities (payable from current assets):				
Accounts payable	5,826,934	566,258	461,395	481,549
Accrued liabilities	979,926	134,447	197,941	274,306
Accrued interest payable	617,186	14,836	624,877	-
Claims and judgements payable	-	-	-	-
Intergovernmental payable	1,255,647	12,226	3,753	99,141
Due to other funds	-	-	-	-
Interfund payables	-	-	-	-
Unearned revenue	1,195	-	-	126,007
Deposits	3,536,485	-	-	5,281,713
Accrued compensated absences, due with in one year	1,263,913	129,227	164,319	335,967
Landfill closure costs, due with in one year	-	-	-	140,000
Capital leases, due with in one year	-	-	-	-
Long-term debt, due with in one year	7,745,431	649,770	1,583,564	-
State loan, due with in one year	-	-	4,989,396	-
Current liabilities (payable from restricted assets):				
Accounts payable	35,968	-	-	-
Total current liabilities	<u>21,262,685</u>	<u>1,506,764</u>	<u>8,025,245</u>	<u>6,738,683</u>
Long-term liabilities:				
Accrued compensated absences, due in more than one year	3,290,335	303,155	370,308	945,337
Landfill closure costs, due in more than one year	-	-	-	2,061,432
Advances from other funds	-	-	-	-
Accrued liabilities, due in more than one year	19,151,841	2,354,393	3,040,753	5,728,309
Claims and judgements, due in more than one year	-	-	-	-
Capital leases, due in more than one year	-	-	-	-
Long-term debt, due in more than one year	155,236,538	4,032,344	3,029,627	-
State loan, due in more than one year	-	-	78,468,746	-
Aggregate net pension liability	47,630,352	6,531,614	8,768,362	12,757,423
Total long-term liabilities	<u>225,309,066</u>	<u>13,221,506</u>	<u>93,677,796</u>	<u>21,492,501</u>
<b>Total liabilities</b>	<u>246,571,751</u>	<u>14,728,270</u>	<u>101,703,041</u>	<u>28,231,184</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	6,032,992	863,117	1,161,675	1,689,144
<b>Total deferred inflows</b>	<u>6,032,992</u>	<u>863,117</u>	<u>1,161,675</u>	<u>1,689,144</u>
<b>NET POSITION</b>				
Net investment in capital assets	55,878,846	63,899,868	90,746,303	15,998,801
Restricted for:				
Capital projects	-	19,020	12,056,375	-
Unrestricted	29,140,563	18,648,187	18,717,500	1,337,399
<b>Total net position</b>	<u>\$ 85,019,409</u>	<u>\$ 82,567,075</u>	<u>\$ 121,520,178</u>	<u>\$ 17,336,200</u>
<i>Net position reconciliation:</i>				
Net position of proprietary funds	\$ 85,019,409	\$ 82,567,075	\$ 121,520,178	\$ 17,336,200
Less business-type portion of the Internal Service Fund	-	-	-	-
Net position of business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**City of Redding**  
**Statement of Net Position (Continued)**  
**Proprietary Funds**  
**June 30, 2016**

	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total	Internal Service Funds
<b>LIABILITIES</b>			
Current liabilities (payable from current assets):			
Accounts payable	960,025	8,296,161	290,378
Accrued liabilities	48,313	1,634,933	268,272
Accrued interest payable	10,859	1,267,758	-
Claims and judgements payable	-	-	3,925,474
Intergovernmental payable	9,001	1,379,768	86,210
Due to other funds	183,309	183,309	-
Interfund payables	139,794	139,794	-
Unearned revenue	3,985,330	4,112,532	169
Deposits	81,420	8,899,618	12
Accrued compensated absences, due with in one year	38,501	1,931,927	305,796
Landfill closure costs, due with in one year	-	140,000	-
Capital leases, due with in one year	77,224	77,224	-
Long-term debt, due with in one year	63,450	10,042,215	-
State loan, due with in one year	72,059	5,061,455	-
Current liabilities (payable from restricted assets):			
Accounts payable	-	35,968	-
Total current liabilities	5,669,285	43,202,662	4,876,311
Long-term liabilities:			
Accrued compensated absences, due in more than one year	121,957	5,031,092	810,172
Landfill closure costs, due in more than one year	-	2,061,432	-
Advances from other funds	4,400,368	4,400,368	377,503
Accrued liabilities, due in more than one year	1,289,454	31,564,750	6,080,266
Claims and judgements, due in more than one year	-	-	13,293,756
Capital leases, due in more than one year	1,278,743	1,278,743	-
Long-term debt, due in more than one year	502,240	162,800,749	-
State loan, due in more than one year	633,933	79,102,679	-
Aggregate net pension liability	1,967,726	77,655,477	16,203,713
Total long-term liabilities	10,194,421	363,895,290	36,765,410
<b>Total liabilities</b>	15,863,706	407,097,952	41,641,721
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	266,863	10,013,791	2,130,273
<b>Total deferred inflows</b>	266,863	10,013,791	2,130,273
<b>NET POSITION</b>			
Net investment in capital assets	57,822,624	284,346,442	5,674,876
Restricted for:			
Capital projects	3,079,759	15,155,154	-
Unrestricted	(3,727,298)	64,116,351	(19,863,170)
<b>Total net position</b>	\$ 57,175,085	\$ 363,617,947	\$ (14,188,294)
<i>Net position reconciliation:</i>			
Net position of proprietary funds			\$ 363,617,947
Less business-type portion of the Internal Service Fund	-	-	(9,691,311)
Net position of business-type activities	\$ -	\$ -	\$ 353,926,636

*(Concluded)*

**City of Redding**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Enterprise Funds			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
<b>OPERATING REVENUES:</b>				
User fees and charges	\$ 125,472,835	\$ 16,638,975	\$ 25,451,684	\$ 20,091,129
Wholesale sales	25,619,286	45,476	-	-
Rental charges	-	-	-	-
Other operating revenue	7,158,511	175,709	-	1,094,814
<b>Total operating revenues</b>	<b>158,250,632</b>	<b>16,860,160</b>	<b>25,451,684</b>	<b>21,185,943</b>
<b>OPERATING EXPENSES:</b>				
Cost of power, water, and transportation	51,881,378	1,488,043	-	650
Maintenance, operations, and administration	71,636,442	11,310,422	14,534,654	18,449,444
Depreciation and amortization	13,495,567	3,425,653	7,026,394	1,772,742
<b>Total operating expenses</b>	<b>137,013,387</b>	<b>16,224,118</b>	<b>21,561,048</b>	<b>20,222,836</b>
<b>OPERATING INCOME (LOSS)</b>	<b>21,237,245</b>	<b>636,042</b>	<b>3,890,636</b>	<b>963,107</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest revenue	1,003,073	439,975	609,119	386,262
Interest expense	(6,937,143)	(22,851)	(2,029,179)	-
Intergovernmental revenues	-	-	-	61,922
Gain (loss) on disposal of assets	(184,563)	(538,647)	(86,501)	102,589
Other non-operating revenues (expenses)	32,093	850,255	1,214,628	(61,212)
<b>Total nonoperating revenues (expenses)</b>	<b>(6,086,540)</b>	<b>728,732</b>	<b>(291,933)</b>	<b>489,561</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<b>15,150,705</b>	<b>1,364,774</b>	<b>3,598,703</b>	<b>1,452,668</b>
Capital contributions	255,395	328,360	335,874	9,890
Transfers in	2,000	-	-	99,107
Transfers out	(5,730,700)	(311,101)	(299,182)	-
<b>Change in net position</b>	<b>9,677,400</b>	<b>1,382,033</b>	<b>3,635,395</b>	<b>1,561,665</b>
<b>NET POSITION:</b>				
Beginning of year	75,342,009	81,185,042	117,884,783	15,774,535
End of year	<b>\$ 85,019,409</b>	<b>\$ 82,567,075</b>	<b>\$ 121,520,178</b>	<b>\$ 17,336,200</b>
<i>Change in net position reconciliation:</i>				
Change in net position of proprietary funds	\$ -	\$ -	\$ -	\$ -
Add Internal Service Funds income - business-type activity	-	-	-	-
Change in Net Position of business-type activities	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying Notes to the Basic Financial Statements.

**City of Redding**  
**Statement of Revenues, Expenses, and Changes in Net Position (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Enterprise Funds		Governmental
	Non-Major	Total	Activities
	Enterprise Funds		Internal Service Funds
<b>OPERATING REVENUES:</b>			
User fees and charges	\$ 2,640,860	\$ 190,295,483	\$ 63,195,707
Wholesale sales	-	25,664,762	-
Rental charges	1,581,646	1,581,646	-
Other operating revenue	579,816	9,008,850	16,040
<b>Total operating revenues</b>	<b>4,802,322</b>	<b>226,550,741</b>	<b>63,211,747</b>
<b>OPERATING EXPENSES:</b>			
Cost of power, water, and transportation	3,503,399	56,873,470	-
Maintenance, operations, and administration	6,080,819	122,011,781	64,960,792
Depreciation and amortization	3,324,942	29,045,298	970,296
<b>Total operating expenses</b>	<b>12,909,160</b>	<b>207,930,549</b>	<b>65,931,088</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(8,106,838)</b>	<b>18,620,192</b>	<b>(2,719,341)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest revenue	77,471	2,515,900	227,142
Interest expense	(154,620)	(9,143,793)	-
Intergovernmental revenues	4,289,880	4,351,802	-
Gain (loss) on disposal of assets	(102,572)	(809,694)	16,075
Other non-operating revenues (expenses)	661,262	2,697,026	540
<b>Total nonoperating revenues (expenses)</b>	<b>4,771,421</b>	<b>(388,759)</b>	<b>243,757</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<b>(3,335,417)</b>	<b>18,231,433</b>	<b>(2,475,584)</b>
Capital contributions	2,387,734	3,317,253	602,383
Transfers in	2,224,982	2,326,089	6,276
Transfers out	(175,000)	(6,515,983)	(99,107)
<b>Change in net position</b>	<b>1,102,299</b>	<b>17,358,792</b>	<b>(1,966,032)</b>
<b>NET POSITION:</b>			
Beginning of year	56,072,786	346,259,155	(12,222,262)
End of year	<b>\$ 57,175,085</b>	<b>\$ 363,617,947</b>	<b>\$ (14,188,294)</b>
<i>Change in net position reconciliation:</i>			
Change in net position of proprietary funds	\$ 1,102,299	\$ 17,358,792	\$ (1,966,032)
Add Internal Service Funds income - business-type activity	-	-	-
Change in net position of business-type activities	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Redding**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 155,067,842	\$ 16,484,621	\$ 25,412,257
Cash paid to suppliers	(98,481,408)	(9,965,037)	(10,240,783)
Cash paid to employees	(27,997,235)	(3,494,666)	(4,143,584)
Other income received	7,158,511	1,310,790	1,322,042
<b>Net cash provided (used) by operating activities</b>	<b>35,747,710</b>	<b>4,335,708</b>	<b>12,349,932</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Intergovernmental revenue received	(1,309)	-	-
Advances from other funds	-	-	-
Repayment of advances from other funds	242,683	-	45,000
Repayment of advances to other funds	-	-	-
Transfers in	2,000	-	-
Transfers out	(5,730,700)	-	-
Other Revenue	-	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(5,487,326)</b>	<b>-</b>	<b>45,000</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital grant received	-	-	-
Proceeds from sale of assets	90,102	11,230	-
Purchase of capital assets	(10,548,139)	(4,586,447)	(5,985,363)
Interest paid	(5,035,655)	(203,099)	(2,161,089)
Proceeds from long-term debt	39,388,763	-	4,365,582
Principal paid on long-term debt	(37,915,000)	(565,000)	(5,968,875)
Principal paid on capital leases	-	-	-
Cash collected for future capital outlay	25,100	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(13,994,829)</b>	<b>(5,343,316)</b>	<b>(9,749,745)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment revenue received	946,488	428,245	580,820
Rents received	-	-	-
<b>Net cash provided (used) by investing activities</b>	<b>946,488</b>	<b>428,245</b>	<b>580,820</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>17,212,043</b>	<b>(579,363)</b>	<b>3,226,007</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	48,884,170	27,115,430	37,457,327
End of year	<u>\$ 66,096,213</u>	<u>\$ 26,536,067</u>	<u>\$ 40,683,334</u>
<b>Reconciliation to statement of net position</b>			
Cash and cash equivalents	\$ 63,658,391	\$ 25,453,645	\$ 24,566,174
Restricted cash and cash equivalents	2,437,822	1,082,422	16,117,160
	<u>\$ 66,096,213</u>	<u>\$ 26,536,067</u>	<u>\$ 40,683,334</u>

(Continued)

**City of Redding**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Enterprise Funds		Governmental	
	Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Internal Service Funds	
		Total		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 22,678,703	\$ 4,810,800	\$ 224,454,223	\$ 63,204,903
Cash paid to suppliers	(12,889,949)	(8,152,741)	(139,729,918)	(54,833,522)
Cash paid to employees	(7,344,795)	(1,388,299)	(44,368,579)	(8,461,220)
Other income received	1,094,814	375,710	11,261,867	-
<b>Net cash provided (used) by operating activities</b>	<b>3,538,773</b>	<b>(4,354,530)</b>	<b>51,617,593</b>	<b>(89,839)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Intergovernmental revenue received	49,326	7,004,708	7,052,725	(2,793)
Advances from other funds	-	190,032	190,032	-
Repayment of advances from other funds	-	-	287,683	488,731
Repayment of advances to other funds	-	(1,197,044)	(1,197,044)	(72,552)
Transfers in	99,107	1,620,975	1,722,082	-
Transfers out	-	(175,000)	(5,905,700)	(99,107)
Other Revenue	-	-	-	540
<b>Net cash provided (used) by noncapital financing activities</b>	<b>148,433</b>	<b>7,443,671</b>	<b>2,149,778</b>	<b>314,819</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital grant received	-	2,331,031	2,331,031	-
Proceeds from sale of assets	368,555	28,450	498,337	16,742
Purchase of capital assets	(1,755,300)	(2,585,809)	(25,461,058)	(263,886)
Interest paid	-	(143,401)	(7,543,244)	-
Proceeds from long-term debt	-	-	43,754,345	-
Principal paid on long-term debt	-	(131,144)	(44,580,019)	-
Principal paid on capital leases	-	(417,637)	(417,637)	-
Cash collected for future capital outlay	-	329,702	354,802	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(1,386,745)</b>	<b>(588,808)</b>	<b>(31,063,443)</b>	<b>(247,144)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment revenue received	369,734	72,937	2,398,224	220,457
Rents received	1,880	18,000	19,880	-
<b>Net cash provided (used) by investing activities</b>	<b>371,614</b>	<b>90,937</b>	<b>2,418,104</b>	<b>220,457</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,672,075</b>	<b>2,591,270</b>	<b>25,122,032</b>	<b>198,293</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	23,801,911	6,194,722	143,453,560	15,195,173
End of year	<b>\$ 26,473,986</b>	<b>\$ 8,785,992</b>	<b>\$ 168,575,592</b>	<b>\$ 15,393,466</b>
<b>Reconciliation to statement of net position</b>				
Cash and cash equivalents	\$ 26,473,986	\$ 5,882,275	\$ 146,034,471	\$ 15,393,466
Restricted cash and cash equivalents	-	2,903,717	22,541,121	-
	<b>\$ 26,473,986</b>	<b>\$ 8,785,992</b>	<b>\$ 168,575,592</b>	<b>\$ 15,393,466</b>

*(Continued)*

**City of Redding**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 21,237,245	\$ 636,042	\$ 3,890,636
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Other non-operating revenue and expense	-	1,135,081	1,322,042
Depreciation and amortization	13,495,567	3,425,653	7,026,394
Pension expense	(894,763)	(111,709)	(150,009)
(Increase) decrease in accounts receivable	3,975,721	(199,830)	(39,427)
(Increase) decrease in inventories	224,636	39,621	7,481
(Increase) decrease in prepaid items	(86,978)	904	(871)
(Increase) decrease in investment in JPA	(730,491)	-	-
(Increase) decrease in deposits	(750,000)	-	-
Increase (decrease) in accounts payable	(1,266,986)	(906,990)	(133,646)
Increase (decrease) in accrued liabilities	263,716	37,423	54,773
Increase (decrease) in claims and judgements payable	-	-	-
Increase (decrease) in deposits	(225,305)	(432)	-
Increase (decrease) in intergovernmental payable	(215,205)	8,136	(2,032)
Increase (decrease) in unearned revenue	(104,558)	-	-
Increase (decrease) in accrued compensated absences	(254,066)	27,934	49,479
Increase (decrease) in accrued landfill closure costs	-	-	-
Increase (decrease) in claims and judgements payable long-term	-	-	-
Increase (decrease) in accrued liabilities long-term	1,079,177	243,875	325,112
<b>Total adjustments</b>	<u>14,510,465</u>	<u>3,699,666</u>	<u>8,459,296</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 35,747,710</u>	<u>\$ 4,335,708</u>	<u>\$ 12,349,932</u>
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Plant contributed from developers	\$ 255,395	\$ 328,360	\$ 335,874
Capitalized interest	1,215,396	177,080	159,829
Accrued interest rolled into principal on loans	-	-	52,263
Non-cash change in deposits	-	-	-
Equipment transfers	-	596,120	409,632
<b>Total non-cash capital and related financing activities</b>	<u>\$ 1,470,791</u>	<u>\$ 1,101,560</u>	<u>\$ 957,598</u>

*(Continued)*

**City of Redding**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Enterprise Funds			Governmental Activities
	Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Total	Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 963,107	\$ (8,106,838)	\$ 18,620,192	\$ (2,719,341)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Other non-operating revenue and expense	-	372,100	2,829,223	-
Depreciation and amortization	1,772,742	3,324,942	29,045,298	970,296
Pension expense	(213,874)	(35,286)	(1,405,641)	(262,832)
(Increase) decrease in accounts receivable	-	3,133	3,739,597	(4,726)
(Increase) decrease in inventories	(240,252)	(3,916)	27,570	(18,926)
(Increase) decrease in prepaid items	3,081	(7,823)	(91,687)	(31,345)
(Increase) decrease in investment in JPA	-	-	(730,491)	-
(Increase) decrease in deposits	-	-	(750,000)	-
Increase (decrease) in accounts payable	(11,760)	427,764	(1,891,618)	12,977
Increase (decrease) in accrued liabilities	79,595	(4,137)	431,370	69,639
Increase (decrease) in claims and judgements payable	-	-	-	(71,211)
Increase (decrease) in deposits	487,853	8,956	271,072	(1)
Increase (decrease) in intergovernmental payable	39,836	(442,758)	(612,023)	3,377
Increase (decrease) in unearned revenue	-	(6,705)	(111,263)	(2,117)
Increase (decrease) in accrued compensated absences	135,913	27,574	(13,166)	(140,403)
Increase (decrease) in accrued landfill closure costs	(10,892)	-	(10,892)	-
Increase (decrease) in claims and judgements payable long-term	-	-	-	1,530,951
Increase (decrease) in accrued liabilities long-term	533,424	88,464	2,270,052	573,823
<b>Total adjustments</b>	<u>2,575,666</u>	<u>3,752,308</u>	<u>32,997,401</u>	<u>2,629,502</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 3,538,773</u>	<u>\$ (4,354,530)</u>	<u>\$ 51,617,593</u>	<u>\$ (89,839)</u>
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Plant contributed from developers	\$ 9,890	\$ 307,475	\$ 1,236,994	\$ -
Capitalized interest	-	-	1,552,305	-
Accrued interest rolled into principal on loans	-	-	52,263	-
Non-cash change in deposits	18,669	-	18,669	602,383
Equipment transfers	-	-	1,005,752	6,276
<b>Total non-cash capital and related financing activities</b>	<u>\$ 28,559</u>	<u>\$ 307,475</u>	<u>\$ 3,865,983</u>	<u>\$ 608,659</u>
				<i>(Concluded)</i>

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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## **Agency Funds**

These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs.

## **The Successor Agency to the Redding Redevelopment Agency Private-purpose Trust Fund ("Successor Agency")**

This fund is used to account for monies received from the Shasta County Auditor-Controller for the repayment of the enforceable obligations of the former Redding Redevelopment Agency. These funds are restricted for the sole purpose of payment of items on an approved Recognized Payment Obligation Schedule (ROPS).

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**City of Redding**  
**Statement of Fiduciary Net Position**  
**Successor Agency to the Redding Redevelopment Agency Private-purpose Trust Fund**  
**June 30, 2016**

	Agency Funds	Successor Agency Private-Purpose Trust Fund
<b>ASSETS</b>		
Cash and investments:		
Cash with trustee	\$ 2,716,653	\$ 1,120,076
Bond reserves	-	6,724,737
Interest receivable	12,218	9,983
Intergovernmental receivable	-	116,558
Notes receivable, net	-	325,000
Prepaid costs	-	28,088
Capital assets:		
Land	-	947,799
Building	-	1,455,733
Equipment	-	6,132
Total capital assets	-	2,409,664
Less accumulated depreciation	-	(1,461,865)
Net capital assets	-	947,799
<b>Total assets</b>	<b>\$ 2,728,871</b>	<b>9,272,241</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding		188,589
<b>Total deferred outflows of resources</b>		<b>188,589</b>
<b>LIABILITIES</b>		
Accounts payable	\$ -	-
Accrued interest payable	-	543,521
Intergovernmental payable	-	719,998
Deposits payable	2,728,871	-
Long-term debt	-	37,088,072
<b>Total liabilities</b>	<b>\$ 2,728,871</b>	<b>38,351,591</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - note deferral		325,000
<b>Total deferred inflows of resources</b>		<b>325,000</b>
<b>NET POSITION</b>		
Held in trust		(29,215,761)
<b>Total net position</b>		<b>\$ (29,215,761)</b>

**City of Redding**  
**Statement of Changes in Fiduciary Net Position**  
**Successor Agency to the Redding Redevelopment Agency Private-purpose Trust Fund**  
**For the Year Ended June 30, 2016**

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	Successor Agency Private-Purpose Trust Fund
<b>ADDITIONS:</b>	
Property taxes	\$ 5,196,918
Investment revenue	36,546
Other revenue	7,037
<b>Total additions</b>	<u>5,240,501</u>
<b>DEDUCTIONS:</b>	
Administrative costs	125,000
Payment on Recognized Obligation Payment Schedule	5,582,962
<b>Total deductions</b>	<u>5,707,962</u>
<b>Net change in net position</b>	<u>(467,461)</u>
<b>NET POSITION:</b>	
<b>Beginning of period</b>	<u>(28,748,296)</u>
<b>End of period</b>	<u><u>\$ (29,215,757)</u></u>

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# **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**City of Redding**  
**Index to Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**City of Redding**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies**

The following is a summary of the more significant accounting policies of the City of Redding (City), all of which conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police and fire protection; sanitation, electric, water, and wastewater services; the construction and maintenance of streets and infrastructure; recreational activities and cultural events.

As required by GAAP, the accompanying basic financial statements present the City and its component units. Component units are entities for which the City is considered to be financially accountable. GASB defines component units as legally separate entities that meet any one of the following tests:

- ◆ The City appoints the voting majority of the board of the entity and:
  - is able to impose its will on the entity and/or
  - is in a relationship of financial benefit or burden with the entity.
- ◆ The entity is fiscally dependent upon the City.
- ◆ The financial statements of the City would be misleading if data from the entity were omitted.

Management determined that the following component units should be blended based on the criteria above:

- ◆ Redding Housing Authority
- ◆ Redding Joint Power Financing Authority
- ◆ Redding Capital Services Corporation
- ◆ Redding Area Bus Authority

These component units are included in the primary government because of the significance of their financial or operational relationship and the same City governing body.

Each of the blended component units in the accompanying basic financial statements of the City are described below:

**Redding Housing Authority (Authority)** manages certain programs which are funded by the U.S. Department of Housing and Urban Development, primarily to provide services under the Housing Assistance Payments Program. The five City Council members and one person appointed by the City Council, in a separate session, serve as the governing board of the Authority. The financial activity of the Authority has been included in the City's financial statements as a special revenue fund.

**Redding Joint Powers Financing Authority (JPA)** was created by a joint exercise of power agreement between the City and the JPA with the purpose of financing public capital improvements. City Council members, in a separate session, serve as the governing board of the JPA. The financing activity of the JPA has been included in the City's financial statements.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies**

**A. Reporting Entity (Continued)**

**Redding Capital Services Corporation (Corporation)**, a nonprofit public benefit corporation, was organized under the Nonprofit Public Benefit Corporation Law of the State of California to provide financial assistance to the City, by constructing, financing, purchasing and selling and leasing various public facilities, land and equipment for the use, benefit and enjoyment of the public serviced by the City. City council members, in a separate session, serve as the board of directors of the Corporation. The financing activity of the Corporation has been included in the City's financial statements in the enterprise funds.

**Redding Area Bus Authority (RABA)** is a separate governmental entity formed under a joint powers agreement between the County of Shasta, City of Shasta Lake, the City of Anderson and the City. RABA's governing board comprises members of both the County's, and the cities of Redding, Anderson, and Shasta Lake's governing boards based on population ratios within the service area. Currently, the City Council provides five of the eight board members. The function of RABA is to provide the most cost effective public transportation system utilizing federal and state funding participation. The financial activity of RABA has been included in the City's financial statements as an enterprise fund.

Financial statements for each of the individual component units may be obtained from the Finance Department of the City at 777 Cypress Avenue, Redding, California 96001.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

**Deferred Outflows of Resources** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

**Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

**Government-Wide Financial Statements**

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

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

*Government-Wide Financial Statements (Continued)*

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

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government’s business type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

*Governmental Fund Financial Statements*

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

Governmental fund financial statements are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues as available if they are collected within sixty days of the end of the current fiscal period, except for sales tax which has a ninety day availability period. 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 and claims and judgments, are recorded only when payment is due.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

*Governmental Fund Financial Statements (Continued)*

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

The City reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **General Capital Projects Fund** accounts for the financing and construction activities of the general government.

*Proprietary Fund Financial Statements*

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City's internal service funds account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. Internal service funds used by the City are:

***Risk Management*** – this fund is used to account for the accumulation of monies necessary to pay for worker's compensation claims, health, dental and visions claims and liability claims under a self-insurance program.

***Equipment Fund*** - this fund is used to account for vehicle maintenance and communication costs.

***Information Systems*** - this fund is used to provide computer technology services as well as providing programming and general information systems support services.

***General Support Services*** - this fund is used to provide printing, reprographics, geographic services, records retention, building and maintenance services, volunteer services and employee services.

***Municipal Utilities Support*** – this fund is used to account for the management and technician support given to the Utilities and Street Maintenance funds.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

*Proprietary Fund Financial Statements (Continued)*

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position. 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. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

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 City's enterprise funds and of the government's internal service funds are charges to customers for sales and services. Tap and similar fees have been reported as non-operating revenues in the City's statement of revenue expense and changes in net position for proprietary funds and as capital grants and contributions in the statement of activities and changes in net position. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary funds:

The **Electric Utility Fund** accounts for the operations of the City's electric utility, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

The **Water Utility Fund** accounts for the operations of the City's water utility, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

The **Wastewater Utility Fund** accounts for the operations of the City's wastewater utility, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

The **Solid Waste Fund** accounts for the operations of the City's solid waste utility, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

*Fiduciary Fund Financial Statements*

Fiduciary fund financial statements include a statement of net position. The City's fiduciary funds represent agency funds and a Private-purpose Trust Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on the accrual basis of accounting.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

*Fiduciary Fund Financial Statements (Continued)*

Fiduciary fund types are accounted for according to the nature of the fund.

The City's Agency funds are used *Agency Funds* are used to account for assets held by a governmental unit as an agent for individuals, governmental entities (other than the City) and non-public organizations. This fund is used to account for deposits and collects monies for various community events which are remitted to the organizers. These funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations.

The City's private purpose trust fund is a fiduciary fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and interest benefit individuals, private organizations, or other governments. This trust fund is used to account for the fiduciary assets, liabilities and net position of the Successor Agency (Agency) to the Redding Redevelopment Agency, the former redevelopment agency of the City.

***C. Cash and Investments***

The City pools idle cash from all funds for the purpose of increasing income through investment activities. Cash deposits are stated at cost, which approximates fair value. Investments are stated at fair value. Investment income is recorded as revenue in the individual funds based on the computed average interest rate of all investments and the average daily cash balance of each fund. For purposes of the statement of cash flows of the proprietary fund types, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

All cash and investments of proprietary funds are held in the City's investment pool. Therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for purposes of the statement of cash flows as these cash pools have the general characteristics of a demand deposit account.

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**C. Cash and Investments (Continued)**

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, this statement defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position or Balance Sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, which are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

**D. General Receivables and Property Taxes Receivable**

The City records an allowance for doubtful accounts on general accounts receivable based on the experience method.

The County of Shasta assesses, bills, and collects property taxes for the City. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1. They become due November 1 and February 1 and become delinquent December 10 and April 10. City property tax revenue is recognized when levied to the extent that it is available (collected within 60 days of year-end).

**E. Inventories**

Inventories are physically counted at year-end and valued at their average cost. All inventories consist of expendable supplies held for consumption. The cost is recorded as inventory when items are purchased and as expenditures when the items are used (the consumption method of accounting for inventories). The weighted average method is used for establishing the cost of inventory consumed.

**F. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets (Continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<u>Asset Types</u>	<u>Useful Life (in years)</u>
Public domain infrastructure	50
Utility plants	20-50
Buildings	10-30
Improvements other than buildings	5-40
Equipment, furnishings and vehicles	5-10
Assets under capital lease	4-30
System infrastructure	30

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the streets, water purification and distribution system, sewer collection and treatment system, parks and recreation, lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land.

These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

**G. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

<b>CalPERS:</b>	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015
<b>PARS:</b>	
Valuation Date	January 1, 2014
Measurement Date	June 30, 2015
Measurement Period	January 1, 2014 to June 30, 2015

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**G. Pensions (Continued)**

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

**H. Vacation and Sick Pay**

Vacation pay is vested to the employees as it accrues and is payable upon retirement or termination. Sick leave, however, does not vest to the employees and is payable only when sick leave is taken, except when an individual has been employed by the City for ten years or longer. If the employee severs their relationship with the City after having been employed ten or more years, they receive from 33-1/3% to 60% payoffs depending on length of service. If the employee retires from the City after having been employed ten or more years, they have the option to take from 33-1/3% to 60% payoffs, per various Memoranda of Understandings, of their accrued sick pay as additional termination pay and have the remaining accrued sick pay extend their term of service for retirement benefit purposes. Vacation pay and 33-1/3% to 60% of the sick pay of employees with terms of services equal to or exceeding ten years have been accrued in the accompanying government-wide financial statements and the accompanying proprietary fund financial statements.

**I. Unearned Revenue**

In the government-wide financial statements and fund financial statements, unearned revenue is recorded for transactions for which revenues have not been earned.

**J. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which does not materially differ from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures unless they are related to insurance costs. Bond issuance insurance costs are reported as a prepaid asset and amortized over the life of the bonds.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**K. Net Position**

For government-wide reporting as well as in proprietary funds, fund equity is called net position. Net position is comprised of three components: net investment in capital assets; restricted; and unrestricted.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

*Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

*Unrestricted* net position is the net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

**L. Fund Balances**

In the fund financial statements, governmental funds aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications; restricted, committed, assigned, and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed ordinances of the City Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

*Assigned fund balance.* This classification reflects the amounts constrained by the City Council ‘s “intent” to be used for specific purposes, but are neither restricted nor committed. By Council Policy the City Council and City Manager have the authority to allocate amounts to be used for specific purposes. City Council approves the appropriation; however, the budget ordinance authorizes the City Manager to modify the appropriations by resource or appropriation within a functional area or fund.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***L. Fund Balances (Continued)***

***Unassigned fund balance.*** This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

***M. Spending Policy***

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, the unrestricted resources-committed, assigned, and unassigned-in order as needed. The City has no formal policy of assignment of fund balance. So it is presumed that the order of spending is first committed fund balance, then assigned fund balance, and last of all, unassigned fund balance.

***N. Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***O. Implementation of New GASB Pronouncements***

During the fiscal year ended June 30, 2016, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

**GASB Statement No. 72** – In February 2015, The Governmental Accounting Standards Board issued Statement No. 72, *Fair Value Measurement and Application*. This pronouncement provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Governments are required to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. Required disclosures include the level of fair value hierarchy and valuation techniques and should be organized by type of asset or liability. This pronouncement is effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. This pronouncement did not have any new measurement impact on the City's investment portfolio, except for additional disclosures relating to the measurement input as discussed in Note 3 of the City's financial statements for the year ended June 30, 2016.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**O. Implementation of New GASB Pronouncements (Continued)**

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the City’s fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2016. This pronouncement did not have a material effect on the financial statements of the City for the year ended June 30, 2016.

**GASB Statement No. 76** – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for the City’s fiscal year ending June 30, 2016. This pronouncement did not have a material effect on the financial statements of the City.

**GASB Statement No. 79** – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Application of this statement is effective for the City’s fiscal year ending June 30, 2016. This pronouncement did not have a material effect on the financial statements of the City for the year ended June 30, 2016.

**Note 2 – Cash and Investments**

At June 30, 2016, cash and investments are reported in the accompanying basic financial statements as follows:

	Government-Wide Statement of Net Position			Fiduciary Funds Statement of Net Position	
	Governmental Activities	Business -type Activities	Total	Net Position	Total
Cash and investments	\$ 42,065,089	\$ 146,034,471	\$ 188,099,560	\$ 3,836,729	\$ 191,936,289
Restricted cash and investments	\$ 1,949,769	\$ 22,541,121	\$ 24,490,890	\$ 6,724,737	\$ 31,215,627

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 2 – Cash and Investments (Continued)**

At June 30, 2016, cash and investments, including cash and investments with fiscal agent, are reported at fair value. The following table presents the fair value measurements of the investments recognized in the accompanying statement of net position and balance sheet measured at fair value on a recurring basis and the levels within GASB 72 fair value hierarchy in which fair value measurement fall at June 30, 2016:

	Fair Value		Total	Measurement Input
	Unrestricted	Restricted		
Deposits	\$ 19,431,221	\$ 21,126,443	\$ 40,557,664	N/A
Medium Term Corporate Notes	31,668,577	-	31,668,577	Level 2
Federal Agency Bonds	78,105,845	-	78,105,845	Level 2
Local Agency Investment Fund	62,585,589	5,934,705	68,520,294	Level 2
Mutual Funds	145,057	4,154,479	4,299,536	Level 1
Total Investments	<u>172,505,068</u>	<u>10,089,184</u>	<u>182,594,252</u>	
Total Cash and Investments	<u>\$ 191,936,289</u>	<u>\$ 31,215,627</u>	<u>\$ 223,151,916</u>	

The City maintains a cash and investment pool that is available for use by all funds, except for funds of the Authority, Agency, and RABA (these funds have segregated accounts). Each fund's portion of the cash and investment pool or segregated accounts is displayed on the Statement of Net Position and the Fund Financial Statement Balance Sheets as "Cash and Investments."

**A. Demand Deposits**

At June 30, 2016, the carrying amount of the City's deposits was \$40,557,664, of which \$19,431,221 was unrestricted and \$21,126,443 was restricted. The bank balance was \$42,621,023. Of the bank balance, \$9,135,000 was covered by Federal depository insurance, and \$33,486,023 was covered by collateral held in the pledging bank's trust department. Such collateral is in the City's name as discuss below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 2 – Cash and Investments (Continued)**

***B. Investments***

The California Government Investment Code and the investment policy of the City authorize the City to invest in obligations, participation, or other instruments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor’s Corporation or Moody’s Investor Service, Inc., bankers’ acceptances, repurchase agreements, mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds, and medium-term notes (issued by U.S. Corporations) of a maximum of five years with a minimum rating category of “A” by a nationally recognized rating service, notes, bonds, or other obligations secured by a valid first priority security interest, and the State Treasurer’s Investment Pool (LAIF). Reverse repurchase agreements may be made only when prior approval of the City Council has been given.

***C. Investments in Local Agency Investment Fund***

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments in LAIF at June 30, 2016 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2016, the City had \$68,520,294 invested in LAIF, which had invested 2.81% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2016, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants’ total aggregate amortized cost by total aggregate fair value. The fair value of the City’s position in the pool is the same as the value of the pool shares. The credit quality rating of LAIF is unrated as of June 30, 2016.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 2 – Cash and Investments (Continued)**

**D. Risk Disclosures**

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City varies its maturity dates throughout the five-year maturity period. The investments with maturities greater than 5 years pertain to investment agreements within the bond issues. These agreements afford the City long-term fixed interest rates for the duration of the bond issue, with the option to utilize those funds for debt service payments and at the City's option replenish those funds at the fixed rate until the maturity of the investment agreements. The City has no formal policy regarding interest rate risk.

As of June 30, 2016, the City had the following investments and maturities:

<b>Unrestricted:</b> Investment Type	Investments Maturities (in Years)				
	Fair Value	Less Than 1	1-2	3-4	5
Medium Term Corporate Notes	\$ 31,668,578	\$ -	\$ 6,027,680	\$ 22,052,829	\$ 3,588,069
Federal Agency Bonds	78,105,844	3,005,670	40,749,610	8,306,384	26,044,180
Investment in State Treasurer's Investment Pool	62,585,589	62,585,589	-	-	-
Mutual Funds	145,057	145,057	-	-	-
<b>Total</b>	<b>\$ 172,505,068</b>	<b>\$ 65,736,316</b>	<b>\$ 46,777,290</b>	<b>\$ 30,359,213</b>	<b>\$ 29,632,249</b>

<b>Restricted:</b> Investment Type	Investments Maturities (in Years)			
	Fair Value	Less Than 1	1-5	More Than 5
Investment in State Treasurer's Investment Pool	\$ 5,934,705	\$ 5,934,705	\$ -	\$ -
Mutual Funds	4,154,479	4,154,479	-	-
<b>Total</b>	<b>\$ 10,089,184</b>	<b>\$ 10,089,184</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 2 – Cash and Investments (Continued)**

**D. Risk Disclosures (Continued)**

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below 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 yearend for each investment type.

As of June 30, 2016, the City's investments in Federal Agency Bonds were rated Aaa by Moody's Investors Service. The City's investments in Medium Term Corporate Notes were rated A, Aa, and Aaa by Moody's Investors Service. Investments in LAIF are not rated as LAIF is a State sponsored investment pool. The City policy limits the percentage invested in various instruments by category.

Disclosures Relating to Concentration of Credit Risk

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Amount
Local Agency Investment Fund (LAIF)	California Pooled Investment Fund	68,520,294
Federal Farm Credit Bank	Federal Agency Securities	20,285,000
Federal Home Loan Bank	Federal Agency Securities	21,743,944
Federal Home Loan Mortgage Corporation	Federal Agency Securities	20,000,000
Federal National Mortgage Association	Federal Agency Securities	16,000,000

Disclosures Relating to Custodial Credit Risk

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.

All securities are held in the name of the City. As a result, the City had no custodial credit risk at June 30, 2016.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 3 – Interfund Activities**

**A. Due From and Due To Other Funds**

At June 30, 2016, due to and due from other funds balances are as follows:

Due To Other Funds	Due From Other Funds General Fund	Total
Governmental Funds:		
Nonmajor Governmental Funds	\$ 92,842	\$ 92,842
Enterprise funds:		
Nonmajor Enterprise Funds	183,309	183,309
<b>Total</b>	<b>\$ 276,151</b>	<b>\$ 276,151</b>

Short-term loans recorded as due to and due from other funds were for cash shortages for operations.

**B. Interfund Receivable and Payable**

At June 30, 2016, interfund receivable and payable balances are as follows:

Interfund Payable	Interfund Receivable		Total
	Wastewater Utility Fund	Internal Service Funds	
Enterprise Funds:			
Nonmajor: Enterprise funds	\$ 45,000	\$ 94,794	\$ 139,794
<b>Total</b>	<b>\$ 45,000</b>	<b>\$ 94,794</b>	<b>\$ 139,794</b>

Interfund receivables and payables represented the portion of Advances that are expected to be repaid within 1 year.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 3 – Interfund Activities (Continued)**

**C. Advances To and From Other Funds**

At June 30, 2016, long-term advances consisted of the followings:

Advances from other funds	Advances to other funds			Total
	Electric Utility	Waste Water Utility	Internal Service Funds	
Governmental funds:				
General Fund	\$ -	\$ -	\$ 4,250	\$ 4,250
Nonmajor: Governmental Funds	309,320	-	247,158	556,478
Enterprise Funds	-	546,856	3,853,511	4,400,367
Internal Service Funds	377,503	-	-	377,503
<b>Total</b>	<b>\$ 686,823</b>	<b>\$ 546,856</b>	<b>\$ 4,104,919</b>	<b>\$ 5,338,598</b>

- a) The Electric Utility loaned the Parking Fund additional funds for another parking structure at the Downtown Mall. The outstanding balance at year-end was \$309,320.
- b) The General Fund has advanced funds to the Parking Fund to cover operating expenditures. This balance has been transferred to the Risk Management Fund and had a balance of \$247,157 at year-end.
- c) In recent years the General Fund has advanced \$8,917,054 to the Airport Fund to finance improvements and operating expenses. The balance was transferred to the Risk Management Fund during the 2009-2010 fiscal year. The Airport Fund has repaid \$7,192,670 to date. The remaining balance is \$1,724,384 all of which is classified as long-term.
- d) In recent years the General Fund has advanced \$1,374,847 to the Convention Center Fund to finance improvements and operating expenses. The balance was transferred to the Risk Management Fund during the 2009-2010 fiscal year. The balance at year-end was \$1,295,477.
- e) Under an agreement, the Wastewater Fund has made payments on the Airport Fund's sewer special assessment. The outstanding balance of the advance, in the amount of \$591,856, is to be repaid including interest at the City's average earnings on its pooled cash accounts. Of this amount, \$546,856 is long-term at year-end.
- f) The Risk Management Fund advanced funds to the Airport Fund to acquire property. There was a balance of \$129,300 at year-end.
- g) The Risk Management Fund advanced funds to the Convention Center Fund to finance additional improvements. At year-end the balance was \$799,151, of this amount, \$704,357 is long-term at year-end.
- h) The Risk Management Fund advanced \$50,000 to the General Fund for the operation of the local public access television channels for the City of Redding. The advance is to be paid off over the next three years by deductions of the Public Education Government (PEG) payouts made to Shasta County Art Council. At year end the remaining balance is \$4,250.
- i) The Electric Utility Fund advanced \$708,786 to the Information Technology division for the City's portion of the new telephone system. At year end the remaining balance is \$377,503.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 3 – Interfund Activities (Continued)**

**D. Transfer In and Out**

The following operating transfers were made during the fiscal year ended June 30, 2016:

<i>Transfers Out</i>	<i>Transfers In</i>					<i>Total</i>
	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Solid Waste</i>	<i>Nonmajor Enterprise funds</i>	<i>Internal Service funds</i>	
<b>Governmental Funds:</b>						
Major Funds:						
General Fund	\$ -	\$ 803,030	\$ -	\$ 1,620,975	\$ -	\$ 2,424,005
General Capital Projects Fund	155,456	-	-	-	-	155,456
Nonmajor Governmental Funds	5,369,098	-	-	-	-	5,369,098
<b>Enterprise Funds:</b>						
Major Enterprise Funds:						
Electric	5,730,700	-	-	-	-	5,730,700
Water	-	-	-	310,318	783	311,101
Wastewater	-	-	-	293,689	5,493	299,182
Nonmajor Enterprise Funds	175,000	-	-	-	-	175,000
<b>Internal Service Funds</b>	<b>-</b>	<b>-</b>	<b>99,107</b>	<b>-</b>	<b>-</b>	<b>99,107</b>
Subtotal	11,430,254	803,030	99,107	2,224,982	6,276	14,563,649
Capital assets transferred to Governmental Funds from Enterprise Funds.	397,469	-	-	-	-	397,469
Capital assets transferred to Enterprise Funds from Governmental Funds.	-	-	-	78,000	-	78,000
<b>Total</b>	<b>\$ 11,827,723</b>	<b>\$ 803,030</b>	<b>\$ 99,107</b>	<b>\$ 2,302,982</b>	<b>\$ 6,276</b>	<b>\$ 15,039,118</b>

The reasons for these transfers are set forth below

- The General Fund transferred a portion of the transient occupancy tax to the Convention Center per City policy.
- The General Fund transferred funds to the Library for operations.
- The Airports and Electric Enterprise Funds transfer funds to the General Fund in lieu of property tax.
- Within the Nonmajor Governmental Funds, gas taxes and other special revenues are transferred to the General Fund to pay for related expenditures. In addition, funds were transferred to the capital project fund to cover portions of qualified projects.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 4 – Capital Assets**

**A. Governmental Activities**

Summary of changes in capital assets for the year ended June 30, 2016 consisted of the following:

	Balance July 1, 2015	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2016
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 30,185,367	\$ 109,802	\$ (117,637)	\$ 61,570	\$ 30,239,102
Construction in process	17,523,104	15,148,829	(1,564,713)	(12,197,070)	18,910,150
Total capital assets, not being depreciated	47,708,471	15,258,631	(1,682,350)	(12,135,500)	49,149,252
Capital assets, being depreciated:					
Buildings	55,429,282	-	-	7,441,449	62,870,731
Improvements other than buildings	102,682,681	11,175	(22,083)	104,417	102,776,190
Infrastructure	286,540,277	1,589,854	-	4,953,481	293,083,612
Automotive equipment	13,266,057	677,605	(1,153,437)	593,971	13,384,196
Furnishings and equipment	8,751,220	391,399	(594,048)	(7,808)	8,540,763
Assets under capital lease:					
Automotive equipment	1,073,811	-	-	(508,763)	565,048
Total capital assets, being depreciated	467,743,328	2,670,033	(1,769,568)	12,576,747	481,220,540
Accumulated depreciation:					
Buildings	(26,341,150)	(1,980,940)	-	-	(28,322,090)
Improvements other than buildings	(53,619,621)	(3,391,318)	22,083	-	(56,988,856)
Infrastructure	(81,659,996)	(7,984,004)	-	-	(89,644,000)
Automotive equipment	(10,540,227)	(615,588)	1,140,760	(256,929)	(10,271,984)
Furnishings and equipment	(6,929,547)	(512,280)	591,180	20,810	(6,829,837)
Assets under capital lease:					
Automotive equipment	(186,465)	(37,670)	-	180,187	(43,948)
Total accumulated depreciation	(179,277,006)	(14,521,800)	1,754,023	(55,932)	(192,100,715)
Total capital assets, being depreciated, net	288,466,322	(11,851,767)	(15,545)	12,520,815	289,119,825
<b>Total governmental activities</b>	<b>\$ 336,174,793</b>	<b>\$ 3,406,864</b>	<b>\$ (1,697,895)</b>	<b>\$ 385,315</b>	<b>\$ 338,269,077</b>

Depreciation expense was charged to governmental activities as follows:

Program	Depreciation
General government	\$ 1,877,327
Police	677,812
Fire	364,250
Public works	8,011,596
Recreation and culture	3,586,951
Community development	3,864
Total	<u>\$ 14,521,800</u>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 4 – Capital Assets (Continued)**

**B. Business-Type Activities**

Summary of changes in capital assets for the year ended June 30, 2016 consisted of the following:

	Balance July 1, 2015	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2016
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 19,581,976	\$ 12,358	\$ -	\$ (61,570)	\$ 19,532,764
Construction in progress	42,106,999	18,765,070	(713,347)	(30,131,219)	30,027,503
Total capital assets, not being depreciated	61,688,975	18,777,428	(713,347)	(30,192,789)	49,560,267
Capital assets, being depreciated:					
Utility plants	770,116,330	3,288,990	(1,026,314)	4,677,328	777,056,334
Buildings	49,278,796	51,367	(195,072)	19,164,494	68,299,585
Improvements other than buildings	47,266,996	848,250	(2,924,503)	899,337	46,090,080
Automotive equipment	37,792,076	3,557,690	(2,899,578)	(39,808)	38,410,380
Furnishings and equipment	22,160,746	1,164,603	(1,891,940)	5,050,191	26,483,600
Assets under capital lease:					
Furnishings and equipment	4,175,880	-	-	-	4,175,880
Total capital assets, being depreciated	930,790,824	8,910,900	(8,937,407)	29,751,542	960,515,859
Less accumulated depreciation for:					
Utility plants	(358,241,808)	(21,058,166)	764,793	-	(378,535,181)
Buildings	(31,824,799)	(1,881,588)	195,057	-	(33,511,330)
Improvements other than buildings	(33,445,011)	(821,706)	2,905,173	-	(31,361,544)
Automotive equipment	(21,704,003)	(2,622,833)	2,620,554	39,808	(21,666,474)
Furnishings and equipment	(14,557,119)	(2,123,647)	1,858,420	16,124	(14,806,222)
Assets under capital lease:					
Furnishings and equipment	(579,983)	(139,196)	-	-	(719,179)
Total accumulated depreciation	(460,352,723)	(28,647,136)	8,343,997	55,932	(480,599,930)
Total capital assets, being depreciated, net	470,438,101	(19,736,236)	(593,410)	29,807,474	479,915,929
<b>Total business-type activities</b>	<b>\$ 532,127,076</b>	<b>\$ (958,808)</b>	<b>\$ (1,306,757)</b>	<b>\$ (385,315)</b>	<b>\$ 529,476,196</b>

Depreciation expense was charged to the business-type activities as follows:

Electric	\$ 13,103,499
Water	3,425,653
Wastewater	7,026,394
Storm drainage	848,434
Solid waste	1,766,648
Transportation	2,400,812
Convention center	75,696
Total	<u>\$ 28,647,136</u>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 5 – Power Acquisition Costs**

The Redding Electric Utility (REU) entered into an agreement in 1986 with the Western Area Power Administration (WAPA) to build a second interconnection point between REU’s internal electric 115kv transmission grid and the surrounding WAPA 230kv transmission grid. REU paid WAPA to build the Airport Road Substation to affect this connection and convert the 230kv surrounding power to 115kv for use on REU’s lines. After completion, REU gained title to the 115kv side of the substation, while WAPA retained ownership of the 230kv side. Since REU paid for the construction of the 230kv side and benefits from its presence, the cost of this has been set up as an asset and is being amortized over the 34 year useful life of the substation.

Power Acquisition Cost	\$ 3,470,314
Less: Amortization	<u>(2,822,622)</u>
Power Acquisition Cost, Net	<u><u>\$ 647,692</u></u>

**Note 6 – Unavailable Revenue**

On the fund financial statements, unavailable revenue consisted of the following as of June 30, 2016:

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total
Unavailable revenues:				
Property taxes	\$ 732,604	\$ -	\$ 658,697	\$ 1,391,301
Grant revenue	579,085	1,458,339	-	2,037,424
SHASCOM rents	515,480	-	-	515,480
Interest income	-	-	387	387
Housing loans - principal and interest amounts	-	-	4,948,345	4,948,345
HUD funds	-	-	80,497	80,497
Total	<u><u>\$ 1,827,169</u></u>	<u><u>\$ 1,458,339</u></u>	<u><u>\$ 5,687,926</u></u>	<u><u>\$ 8,973,434</u></u>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Long-Term Debt**

Summary of changes in long-term debt for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due within One Year
<b>Governmental Activities:</b>						
Long-term debt:						
Special assessment debt						
with governmental commitment	\$ 125,000	\$ -	\$ (32,000)	\$ 93,000	\$ 29,000	\$ 64,000
Revenue bonds	36,597,820	-	(2,287,577)	34,310,243	2,390,777	31,919,466
Loan	319,875	-	(319,875)	-	-	-
Capital lease payable	574,347	-	(169,182)	405,165	112,967	292,198
Long-term debt before unamortized amounts	37,617,042	-	(2,808,634)	34,808,408	2,532,744	32,275,664
Bond premium	247,368	-	(30,852)	216,516	30,852	185,664
Bond discount	(215,053)	-	12,081	(202,972)	(12,081)	(190,891)
Total governmental activities long-term debt	37,649,357	-	(2,827,405)	34,821,952	2,551,515	32,270,437
<b>Business-type activities:</b>						
Long-term debt:						
Revenue bonds	11,317,180	37,955,000	(3,037,424)	46,234,756	2,929,223	43,305,533
State loans payable	84,428,884	4,417,845	(4,682,595)	84,164,134	5,061,456	79,102,678
Capital leases payable	1,773,605	-	(417,637)	1,355,968	77,224	1,278,744
Certificates of participation	155,595,000	-	(36,860,000)	118,735,000	6,500,000	112,235,000
Long-term debt before unamortized amounts	253,114,669	42,372,845	(44,997,656)	250,489,858	14,567,903	235,921,955
Bond premium	5,729,457	4,195,346	(2,047,528)	7,877,275	2,047,528	5,829,747
Bond discount	(4,840)	-	774	(4,066)	(774)	(3,292)
Total business-type activities long-term debt	258,839,286	46,568,191	(47,044,410)	258,363,067	16,614,657	241,748,410
<b>Total long-term debt</b>	<b>\$ 296,488,643</b>	<b>\$ 46,568,191</b>	<b>\$ (49,871,815)</b>	<b>\$ 293,185,019</b>	<b>\$ 19,166,172</b>	<b>\$ 274,018,847</b>

	Governmental Activities	Business-type Activities
<b>Special Assessment Debt with Governmental Commitment</b>		
<b>1915 Act Assessment District Bonds:</b>		
Interest from 4.70% to 9.25% payable on March 2 and September 2; maturities payable on September 2 in annual redemptions from \$2,000 to \$820,000; final payment September 2, 2019. Original issues totaled \$22,778,150. Payable from annual installments of unpaid special assessments on certain parcels of property within each assessment district.	\$ 93,000	\$ -
<b>Total Special Assessment Debt with Governmental Commitment</b>	<b>\$ 93,000</b>	<b>\$ -</b>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Long-Term Debt (Continued)**

	Governmental Activities	Business-type Activities	
<b>Revenue Bonds:</b>			
<b>2015 Electric Systems Revenue Bonds Series A:</b>			
<p>The 2015 Electric Systems Revenue Bonds were issued to finance the costs of designs, acquisition and construction of new administrative building for the electric utility of the City of Redding and to refinance the 2005 Electric Certificates of Participation Bonds, which were used to provide funds to finance costs of acquisition and construction of certain additions, betterments and improvements to the City’s electric system. Serial Bonds of \$37,955,000 bear interest from 2.0% to 5.0%, payable on December 1 and June 1; maturities are payable June 1 in annual redemptions from \$335,000 to \$2,925,000; final payment due June 1, 2035. The payments are payable from operating revenues of the Electric Utility Fund.</p>	\$	-	\$ 36,900,000
<b>2013 Water and Wastewater Revenue Bonds Series A:</b>			
<p>The 2013 Water Revenue Bonds were issued to refinance the 2003 Water Revenue Bonds which were used to refinance the 1993 Water Revenue Bonds, which were originally issued to finance capital improvements to the City’s water system. The 2013 Wastewater Revenue Bonds were issued to refinance the 2002 Wastewater Revenue Bonds which were used to refinance wastewater debt and wastewater’s portion of the corporation yard debt. Serial Bonds of \$14,730,000 bear interest from 2.0% to 5.0%, payable on December 1 and June 1; maturities are payable June 1 in annual redemptions from \$625,000 to \$2,095,000; final payment due June 1, 2023. The Water portion is payable from the operating revenues of the Water Utility Fund and the Wastewater portion is payable from the Wastewater operating revenues of the Wastewater Utility Fund.</p>		-	8,765,000
<b>2013 Lease Revenue Bond, Series B and Series C:</b>			
<p>Issued to finance the construction of the Redding Police Building and refinance the 2003 Aquatic Center, the Sports Complex, SHASCOM, Convention Center and the Municipal Airport, which was to refinance the 1993 Lease Revenue Bonds for SHASCOM, Convention Center and the Municipal Airport. Payable from the operating revenues of the Redding Aquatic Center, Sports Complex, SHASCOM, Convention Center, and Municipal Airport Funds.</p>			
<b><u>Series B, Serial/Term Bonds:</u></b>			
<p>Serial Bonds interest from 2% to 5.5% payable on April 1 and October 1; maturities payable annually on October 1 in annual redemptions from \$220,000 to \$460,000; final payment due October 1, 2043. Original issue \$9,740,000. Term Bonds, (1) bear interest at 5.0% maturity payable on October 1, 2028, in the amount of \$800,000; (2) bear interest at 5.25%, maturity payable on October 1, 2033, in the amount of \$1,650,000; (3) bear interest at 5.50% maturity payable on April 1, 2043, in the amount of \$2,840,000.</p>	8,460,243		569,756

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Long-Term Debt (Continued)**

	Governmental Activities	Business-type Activities
<b>Revenue Bonds: (Continued)</b>		
<b>2013 Lease Revenue Bond, Series B and Series C (Continued):</b>		
<u><b>Series C, Serial/Term Bonds:</b></u>		
Serial Bonds interest from 3.75% to 6.5% payable on April 1 and October 1; maturities payable on October 1 in annual redemptions from \$75,000 to \$180,000; final payment due October 1, 2043. Term Bonds, (1) bear interest at 3.75%, maturity payable October 1, 2018 in the amount of \$390,000; (2) bear interest at 5.35%, maturity payable on October 1, 2024 in the amount of \$585,000; and (3) bear interest at 6.5%, maturity payable on October 1, 2032, in the amount of \$1,160,000.	1,985,000	-
<b>2004 Lease Revenue Bonds:</b>		
Issued to finance the purchase and renovation of certain public safety and recreation facilities of the City and payable from General Fund revenues.		
<u><b>Series A, Serial/Term Bonds:</b></u>		
Serial Bonds interest from 2.0% to 5.0%, payable on March 1 and September 1, maturities payable annually on March 1 from \$250,000 to \$1,430,000; final payment on March 1, 2023. Original issue: \$17,620,000. Term Bonds bear interest at (1) 4.25% maturity payable March 1, 2018 in the amount of \$865,000; (2) bear interest at 5.0%, maturity payable on March 1, 2020 in the amount of \$1,230,000.	4,405,000	-
<u><b>Series B, Serial/Term Bonds:</b></u>		
Serial Bonds interest from 3.0% to 5.0%, payable on March 1 and September 1; maturities payable on March 1 from \$430,000 to \$1,305,000; final payment on March 1, 2026. Original issue: \$16,970,000. Term Bonds bear interest at (1) 5.00% maturity payable on March 1, 2022 in the amount of \$1,090,000; (2) bear interest at 5.0% maturity payable on March 1, 2024 in the amount of \$1,200,000; (3) bear interest at 4.625% maturity payable on March 1, 2026 in the amount of \$1,320,000.	5,535,000	-
<b>2007 Lease Revenue Bonds:</b>		
Serial Bonds interest from 3.45% to 5.00%, payable on March 1 and September 1; maturities payable on March 1 in annual redemptions from \$360,000 to \$1,220,000; final payment on March 1, 2037. Original issue: \$21,415,000. Term Bonds bear interest at (1) 4.00% maturity payable on March 1, 2023 in the amount of \$1,580,000; (2) bear interest at 4.25% maturity payable on March 1, 2032 in the amount of \$2,385,000; (3) bear interest at 4.25% maturity payable on March 1, 2037 in the amount of \$2,935,000.	13,925,000	-
<b>Total Revenue Bonds:</b>	\$ 34,310,243	\$ 46,234,756

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Long-Term Debt (Continued)**

	Governmental Activities	Business-type Activities
<b>State Loans:</b>		
<b>2007 California Airport Loan (Municipal):</b>		
Original loan amount was \$842,000. Annual installments are \$75,912, including interest at 5.219% payable June 10, maturity payable on June 10, 2025.	\$ -	\$ 386,973
<b>2013 California Airport Loan (Benton):</b>		
Original loan amount was \$350,000. Annual installments are \$28,005, including interest at 3.655% payable May 28, maturity payable on May 28, 2031.	-	319,018
<b>State Water Resources Control Board Interceptor Loans:</b>		
<b>Westside Interceptor</b>		
The total loan agreement is \$16,792,600. Annual installments ranging from \$610,061 to \$1,086,907 plus interest at 2.6% payable February 20, maturity payable on February 20, 2023.	-	7,053,757
<b>Clear Creek Interceptor (Phase I)</b>		
The total loan agreement is \$4,360,035. Annual installments of \$272,605, including interest at 2.2% payable September 30, maturity payable on September 30, 2027.	-	2,847,797
<b>Clear Creek Interceptor (Phase II)</b>		
The total loan agreement is \$4,966,936. Annual installments of \$319,677, including interest at 2.4% payable October 31, maturity payable on October 31, 2028.	-	3,533,974
<b>Clear Creek Interceptor (Phase III)</b>		
The total loan agreement is \$18,194,825. Annual installments of \$1,208,152, including interest at 2.6% payable March 31, maturing March 31, 2030.	-	14,027,059
<b>Clear Creek Interceptor (Phase IV)</b>		
The total loan agreement is \$8,542,186. Annual installments of \$567,387, including interest at 2.6% payable March 31, maturity payable on March 31, 2030.	-	6,587,553
<b>Clear Creek Interceptor (Phase V)</b>		
The total loan agreement is \$20,457,000. Annual installments of \$1,158,208.41, including interest at 2.6% payable April 15, maturity payable on April 15, 2033.	-	15,752,064
<b>Clear Creek Interceptor (Phase VI)</b>		
The total loan agreement is \$12,122,280. Annual installments of \$565,390, including interest at 1.0% payable December 15, maturity payable on December 15, 2031.	-	8,321,342

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Long-Term Debt (Continued)**

	Governmental Activities	Business-type Activities
<b>State Loans (Continued):</b>		
<b>State Water Resources Control Board Interceptor Loans (Continued):</b>		
<b>Clear Creek Interceptor (Phase VII)</b>		
The total loan agreement is \$5,744,251. Annual installments of \$376,241.37, including interest at 2.6% payable April 1, maturity payable April 1, 2034.	-	5,354,058
<b>Clear Creek Interceptor (Phase VIII) (Bio solids)</b>		
The total loan agreement is \$7,250,000. In 2016, withdrawals were taken in the amount of \$4,417,845 to construct Phase VIII of the Clear Creek Wastewater Interceptor (Bio solids). Annual installments of \$401,302, including interest at 2.1% payable March 31, maturity payable March 31, 2036.	-	6,500,526
<b>Boulder Creek (Phase I)</b>		
The total loan agreement is \$2,466,105. Annual installments of \$78,521, including interest at 2.7% payable February 1, maturity payable February 1, 2031.	-	958,048
<b>Mary Street</b>		
The total loan agreement is \$3,365,560. Annual installments of \$106,915, including interest at 2.7% payable April 16, maturity April 16, 2031.	-	1,304,486
<b>Stillwater Interceptor</b>		
The total loan agreement is \$12,563,200. In 2015, withdrawals were taken in the amount of \$2,634,464 to construct Phase I of the Stillwater Wastewater Interceptor. Annual installments of \$599,062.82, including interest at 2.2% payable December 30, maturity payable December 30, 2033.	-	11,217,479
<b>Total State Loans</b>	<b>\$ -</b>	<b>\$ 84,164,134</b>
<b>Capital Lease Payable:</b>		
The capital leases payable from governmental activities were \$405,165 for fiscal year ended June 30, 2016.	\$ 405,165	\$ -
The capital leases payable from all the business-type activities are being reported in the respective proprietary fund. For the fiscal year ended June 30, 2016, the capital leases in the enterprise funds were \$1,355,968.	-	1,355,968
<b>Total Capital Lease Payable</b>	<b>\$ 405,165</b>	<b>\$ 1,355,968</b>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Long-Term Debt (Continued)**

	Governmental Activities	Business-type Activities
<b>Certificates of Participation:</b>		
<b>2008 Electric System Revenue Certificates of Participation - Series 2008:</b>		
\$157,965,000 Bonds due in annual principal installments of \$380,000 to \$10,790,000 payable June 1 and semi-annual interest installments of \$269,750 to \$3,813,557, payable on December 1. Bonds payable through June 1, 2030, interest accrues at 3.0% to 5%. Original issue \$157,965,000. Payable from the operating revenues of the Electric Utility.	\$ -	\$ 118,735,000
<b>Total Certificates of Participation</b>	\$ -	\$ 118,735,000
<b>Summary of Outstanding Debt:</b>		
Total outstanding debt	\$ 34,808,408	\$ 250,489,858
Add: Bond Premium	216,516	7,877,275
Less: Bond Discount	(202,972)	(4,066)
<b>Total Outstanding Debt, Net of Premiums and Discounts</b>	<b>\$ 34,821,952</b>	<b>\$ 258,363,067</b>

Current year amortization expense for bond premiums and discounts was \$18,771 for the governmental activities and \$2,046,754 for the business-type activities.

The City recorded the following prepaid debt insurance cost in relation to debt issuances:

	Original Amount	2015-16 Additions	2015-16 Deletions	Total Amortization	Net
Governmental Activities	\$ 594,266	\$ -	\$ -	\$ 274,941	\$ 319,325
Business-Type Activities	79,777	-	-	79,777	-
<b>Total</b>	<b>\$ 674,043</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 354,718</b>	<b>\$ 319,325</b>

Current year amortization expense recorded in the governmental activities was \$21,672 and in the business-type activities was \$6,094.

The annual requirements to amortize all debt outstanding as of June 30, 2016, excluding obligations associated with compensated absences and housing set aside, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Government-Wide	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	2,532,744	1,547,207	14,567,903	10,034,323	17,100,647	11,581,530
2018	2,624,496	1,450,871	14,977,062	9,543,398	17,601,558	10,994,269
2019	2,729,342	1,352,459	15,562,228	8,957,054	18,291,570	10,309,513
2020	2,739,209	1,242,863	14,651,690	8,305,343	17,390,899	9,548,206
2021	2,788,967	1,127,578	15,242,158	7,718,573	18,031,125	8,846,151
2022-2026	9,323,649	4,030,401	79,832,427	29,106,807	89,156,076	33,137,208
2027-2031	4,390,000	2,507,001	77,211,555	11,659,502	81,601,555	14,166,503
2032-2036	4,655,001	1,367,219	18,444,834	1,387,296	23,099,835	2,754,515
2037-2041	3,025,000	589,094	-	-	3,025,000	589,094
<b>Total</b>	<b>\$ 34,808,408</b>	<b>\$ 15,214,693</b>	<b>\$ 250,489,858</b>	<b>\$ 86,712,296</b>	<b>\$ 285,298,265</b>	<b>\$ 101,926,989</b>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 8 – Leases**

The City has entered into noncancellable long-term leases as lessee for financing the purchase of certain equipment. Such leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments at the date of inception of the lease. Future minimum lease payments under these capital leases are as follows:

Fiscal Year Ended June 30,	Capital Leases
2017	\$ 299,941
2018	273,242
2019	280,346
2020	227,622
2021	960,915
2022-2026	468,468
Total minimum lease payments	2,510,534
Less amount representing interest	(873,691)
Present value of minimum lease payments	\$ 1,636,843

Debt service for the present value (discounted at rates ranging between 1.95% - 9.13%) of minimum lease payments will be provided from the following funds:

General Fund	\$ 421,120
Airports Enterprise Fund	2,089,414
Total debt service	\$ 2,510,534

Assets acquired with the above leases were as follows:

	Government Activities	Business-type Activities	Total
Asset:			
Furnishings and equipment	\$ -	\$ 4,175,880	\$ 4,175,880
Automotive equipment	565,048	-	565,048
Less: Accumulated depreciation	(43,948)	(719,179)	(763,127)
Net capital assets	\$ 521,100	\$ 3,456,701	\$ 3,977,801

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Pledged Revenue**

Revenue Pledged	Borrowing Fund/Entity	Bond/Loan	Use of Funds	Year of Loan or Year Repayments and/or Interest Payments Began	Original Issue/Loan Amount	Payments Amortized Thru
Net Revenues	Water Utility	Bond	Refund prior debt issues.	2013	\$ 6,165,000	2023
Net Revenues	Wastewater Utility	Bond	Refund prior debt issues.	2013	8,565,000	2019
Net Revenues	Wastewater Utility	SRF Loan*	Westside Interceptor	2006	16,792,600	2023
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWTP Ph I	2009	4,360,035	2027
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWTP Ph II	2010	4,966,936	2029
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWTP Ph III	2011	18,156,295	2031
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWTP Ph IV	2012	8,542,186	2030
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWTP Ph V	2014	17,457,000	2033
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWTP Ph VI	2013	10,122,280	2031
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWTP Ph VII	2015	5,744,251	2034
Net Revenues	Wastewater Utility	SRF Loan*	Mary Street Sewer	2012	1,655,634	2031
Net Revenues	Wastewater Utility	SRF Loan*	Boulder Creek Interceptor	2012	1,233,053	2031
Net Revenues	Wastewater Utility	SRF Loan*	Stillwater Ph I Interceptor	2014	12,126,492	2034
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WTP Biosolids	N/A**	8,943,710	2036
Net Revenues Plus Reserves	Electric Utility	COPs	Refund prior debt and finance Unit 6	2009	157,965,000	2030
Net Revenues Plus Reserves	Electric Utility	COPs	Refund prior debt and finance	2015	37,955,000	2035

\* State Revolving Fund loan from the State Water Resources Control Board (SWRCB).

\*\* Payments had not begun as of year-end. Maximum percentage of revenues estimated from preliminary repayment schedule prepared by the SWRCB.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 9 – Pledged Revenue (Continued)**

Pledged Revenue Required for Debt Service	Pledged Revenue Plus Reserves Required for	Remaining Principal & Interest	Current Year Principal & Interest Paid	Current Year Pledged Revenue Available	Reserve Balance
14%		\$ 5,112,000	\$ 768,100	\$ 5,393,664	\$ -
13%		4,797,150	1,600,250	12,797,526	-
9%		7,806,168	1,115,167	12,797,526	-
2%		3,271,261	272,605	12,797,526	-
2%		4,155,798	319,677	12,797,526	-
9%		16,914,126	1,208,152	12,797,526	-
4%	4%	7,943,411	567,387	12,797,526	567,387
9%	8%	19,689,543	1,158,208	12,797,526	1,158,208
4%	4%	9,046,244	565,390	12,797,526	565,390
3%	3%	6,772,345	376,241	12,797,526	376,241
1%	1%	2,031,383	106,915	12,797,526	106,915
1%	1%	1,256,337	78,521	12,797,526	78,521
6%	6%	14,467,566	761,451	12,797,526	761,451
0%	0%	2,082,681	-	12,797,526	447,186
35%	12%	166,480,175	12,357,975	35,794,740	66,910,359
5%	2%	57,070,035	1,829,340	34,535,834	66,910,359

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 10 – Compensated Absences**

The compensated absences liability will be paid from the General Fund, Housing Authority, Community Development, Airports, Electric Utility, Water Utility, Wastewater Utility, Solid Waste Utility, Storm Drainage Utility, Equipment Fund, Information Systems, General Support Services, Risk Management and Municipal Utility Support.

The City's changes in compensated absences for the year ended June 30, 2016 were as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in More Than One Year
Governmental activities	\$ 11,113,519	\$ 4,677,653	\$ (4,537,222)	\$ 11,253,950	\$ 3,523,599	\$ 7,730,351
Business-type activities	6,976,185	3,583,973	(3,597,140)	6,963,018	1,931,927	5,031,091
Total	<u>\$ 18,089,704</u>	<u>\$ 8,261,626</u>	<u>\$ (8,134,362)</u>	<u>\$ 18,216,968</u>	<u>\$ 5,455,526</u>	<u>\$ 12,761,442</u>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 11 – Interest Cost Capitalized**

Details of interest cost in proprietary funds at June 30, 2016, are as follows:

Interest cost charged to operations	\$ 9,143,793
Interest cost capitalized	<u>1,596,956</u>
Total interest cost incurred	<u><u>\$ 10,740,749</u></u>

**Note 12 – Self-Insurance**

The City administers self-insurance programs for general liability and workers' compensation. These programs are accounted for in the Risk Management Fund. Liability for each claim is estimated on a case-by-case basis for all pending claims. There has been no significant reduction in any of the insurance coverages from the prior year. Costs in the City's Risk Management Fund have not exceeded charges to the various funds of the City and its component units. Settled claims resulting from these risks have not exceeded co-insurance plan coverage or commercial insurance coverage in any of the past three fiscal years. The City is also self-insured for health benefits and is a member of CSAC Excess Insurance Authority which administers the health benefits program.

**Employee Health Insurance** - The City is part of the California Public Entity Public Insurance Authority, a joint powers authority. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged estimated claims expense based on salary. The interfund charges are reported as an expense or expenditure in the at risk fund. The estimated liability for pending and incurred but not reported employee health insurance claims relating to July 1, 2015 and prior at June 30, 2016, has been included as an accrued liability in the risk management internal service fund.

**Workers' Compensation Insurance** is administered as a co-insurance plan. The City is self-insured up to \$750,000 with an insurance company co-insuring claims from \$750,001 to \$50,000,000. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience and salary costs. The interfund charges are reported as an expense or expenditure in the fund at risk. The estimated liability for pending and incurred but not reported claims at June 30, 2016, has been included in the Risk Management Fund's claims payable amount as of June 30, 2016.

**General Liability Insurance** is self-administered and is self-insured up to \$500,000. Any claims from \$500,001 to \$40,000,000 are administered through a governmental pooling joint powers authority, California Joint Powers Risk Management Authority. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience and salary. The interfund charges are reported as an expense or expenditure in the funds at risk. Incurred but not reported claims liability has been included in the claims payable amount as of June 30, 2016.

**Property Insurance** is administered as a co-insurance plan. The City is self-insured for claims up to \$25,000. An insurance company co-insures claims over \$25,000. Additionally, the City has acquired coverage for the Redding Power Plant up to \$100,000,000 with various sub-limits and deductibles for different types of losses. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience and salary costs. The interfund charges are reported as an expense or expenditure in the funds at risk. Incurred but not reported claims liability has been included in the claims payable amount as of June 30, 2016.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 12 – Self-Insurance (Continued)**

The following is a reconciliation of changes in claims liability amounts for fiscal years ended June 30, 2016:

For the Years Ended June 30,	Claims Payable July 1,	Claims Incurred	Claims Payments	Claims Payable June 30,	Due within One Year	Due in More Than One Year
<b>Workers' Compensation</b>						
2014	\$ 10,343,810	\$ 2,831,455	\$ (1,469,265)	\$ 11,706,000	\$ 2,143,826	\$ 9,562,174
2015	11,706,000	2,772,331	(1,546,981)	12,931,350	2,287,658	10,643,692
2016	12,931,350	4,308,332	(2,083,832)	15,155,850	2,678,067	12,477,783
<b>General Liability</b>						
2014	\$ 2,752,410	\$ 134,142	\$ (670,052)	\$ 2,216,500	\$ 1,317,827	\$ 898,673
2015	2,216,500	1,660,412	(1,157,712)	2,719,200	1,600,087	1,119,113
2016	2,719,200	114,302	(891,002)	1,942,500	1,126,527	815,973
<b>Health and Dental</b>						
2014	\$ 79,490	\$ 18,825,837	\$ (18,811,307)	\$ 94,020	\$ 94,020	\$ - (1)
2015	94,020	19,232,571	(19,217,651)	108,940	108,940	- (1)
2016	108,940	20,534,425	(20,522,485)	120,880	120,880	- (1)
<b>Total</b>						
2014	\$ 13,175,710	\$ 21,791,434	\$ (20,950,624)	\$ 14,016,520	\$ 3,555,673	\$ 10,460,847
2015	14,016,520	23,665,314	(21,922,344)	15,759,490	3,996,685	11,762,805
2016	15,759,490	24,957,059	(23,497,319)	17,219,230	3,925,474	13,293,756

(1) These claims are dental claims only.

**Note 13 – Individual Fund Disclosures**

The following fund reported a deficit fund balance as of June 30, 2016:

**Parking Special Revenue Fund** - The deficit of \$307,291 in this fund arose from operational losses which have been covered by the General Fund. This project is being financed by parking meter funds, parking fines and property tax increment payments. The deficit will take a number of years to eliminate.

**Convention Center Enterprise Fund** - The deficit of \$727,207 in this fund is the result of expenses exceeding revenue. The City has adopted a 5-year plan to provide for a positive net income to the fund.

**Information Systems Fund** – The deficit of \$4,135,325 in this fund is resulted from the City funding Internal Service Funds on a cash flow basis. Until the City funds the Other Post Employment Benefit (OPEB) and the pension liability, this fund will continue to have a deficit balance.

**General Support Services Fund** – The deficit of \$3,217,357 in this fund is resulted from the City funding Internal Service Funds on a cash flow basis. Until the City funds the Other Post Employment Benefit (OPEB) and the pension liability, this fund will continue to have a deficit balance.

**Municipal Utilities Support Fund** – The deficit of \$5,655,545 in this fund is resulted from the City funding Internal Service Funds on a cash flow basis. Until the City funds the Other Post Employment Benefit (OPEB) and the pension liability, this fund will continue to have a deficit balance.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 13 – Individual Fund Disclosures (Continued)**

**Risk Management Fund** – The deficit of \$2,255,764 in this fund is resulted from the City funding Internal Service Funds on a cash flow basis. Until the City funds the Other Post Employment Benefit (OPEB) and the pension liability, this fund will continue to have a deficit balance.

**Note 14 – Joint Ventures**

The City participates in the following four joint ventures:

- M-S-R Public Power Agency
- M-S-R Energy Authority
- Transmission Agency of Northern California
- Balancing Authority of Northern California

**A. M-S-R Public Power Agency**

M-S-R Public Power Agency (the Power Agency) was formed in 1980 by the Modesto Irrigation District (MID) and the Cities of Santa Clara and Redding, California, pursuant to Section 6500, et seq., of the California Government Code. The Agency was formed to conduct research and exploration for energy sources to provide additional electric power for the electric distribution systems of its members.

The Agency is governed by a Commission which consists of one member from each of the Power Agency's members. For action, the Commission must have a quorum (minimum of two members) present, and there must be a unanimous vote of all Commissioners present. The Treasurer of the Power Agency is designated by the Joint Powers Agreement to be the Treasurer/Controller of MID. The selection of other management positions is made by the Commission from the personnel of its members. These functions are performed without compensation to the members.

The members' rights, property, income, and expense-sharing ratio in most all Power Agency activities are as follows: Modesto Irrigation District - 50%; City of Santa Clara - 35%; and City of Redding - 15%. In recent renewable activities members' percentages have varied based on each member's individual utilities needs.

The activities of M-S-R consist of a 28.8% ownership interest in a 498-megawatt coal-fire electricity generating plant located in New Mexico (the "San Juan" plant) and ownership of capacity on the Southwest Transmission Project. The San Juan plant began commercial operation in 1982 and is owned jointly by the Public Service Company of New Mexico (38.5%), M-S-R (28.8%), and four other municipal power entities (32.7%).

REU is obligated to purchase from M-S-R Public Power Agency on a take-or-pay basis a 15% entitlement share of M-S-R's share in the San Juan generating station, which includes approximately 21.5 MW of capacity and associated energy from M-S-R San Juan Unit No. 4. REU entered into an exchange agreement with PacifiCorp in the Southwest on a year-round basis. In exchange, PacifiCorp delivered energy (50 MW of capacity) to REU at the California Oregon border during the summer months (May-October). The exchange agreement with PacificCorp expired November 30, 2015.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 14 – Joint Ventures (Continued)**

**A. M-S-R Public Power Agency (Continued)**

The owners of the San Juan Generation Station have approved a proposed ownership restructuring of the San Juan Generation Station effective December 31, 2017 under which M-S-R's (and thereby the City's) interest in the station and its generation will be transferred to the remaining owners. Definitive agreements for the proposed ownership restructuring of the San Juan Generation Station have since been executed by all nine San Juan Generation Station owners and the Public Service Company of New Mexico Resources (PNMR). The agreements will become effective upon receipt of all necessary regulatory approvals.

With the pending ownership restructuring of the San Juan Generation Station, M-S-R Public Power Agency sold its interest of the Southwest Transmission on May 25, 2016. Proceeds of the sale of the Southwest Transmission Project assets were applied primarily to the defeasance of a portion of M-S-R Public Power Agency's outstanding revenue bonds, and to fund certain deposits for future payments to the plant decommissioning trust fund, and to the mine reclamation trust fund established under the agreements relating to the ownership restructuring of the San Juan Generation Station.

Additionally, in 2005, M-S-R entered into a 20-year power purchase agreement with Iberdrola Renewables (formerly PPM Energy Inc.) to procure 100% of the output from the Big Horn Wind Energy facility located near the town of Bickleton in Klickitat County, Washington. The project began commercial operation in October of 2006 and was subsequently assigned by Iberdrola Renewables to Big Horn Wind LLC, a subsidiary of Iberdrola Renewables. The facility is interconnected through an 11 mile transmission line with the Bonneville Power Administration's Spring Creek Substation. Redding receives a 35% share of the 199.5 MW project, while Santa Clara and Modesto receive 52.5% and 12.5% respectively.

In addition to the procurement of energy from the Big Horn Wind Energy facility, the Power Agency has also signed an agreement with Iberdrola Renewables to procure shaping and firming services for the output of the Big Horn facility. Through this agreement, Iberdrola Renewables receives 100% of the output from the Big Horn facility as generated, and delivers such energy to M-S-R at the California-Oregon Border pursuant to firm pre-established delivery schedules.

Summary audited financial information of the M-S-R Public Power Agency as of and for the year ended December 31, 2015 is as follows (in thousands):

Total Assets & Deferred Outflows	<u>\$ 233,481</u>	Total revenues	\$ 139,603
		Total expenses	<u>(117,565)</u>
Total liabilities & Deferred Inflows	\$ 281,712		
Total members' deficit	<u>(48,231)</u>	Net income	22,038
Total liabilities & members' deficit	<u>\$ 233,481</u>	Members' deficit, January 1, 2015	(70,269)
		Member distributions	<u>-</u>
		Members' deficit, December 31, 2015	<u>\$ (48,231)</u>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 14 – Joint Ventures (Continued)**

**A. M-S-R Public Power Agency (Continued)**

The debt of the Power Agency is comprised entirely of revenue bonds totaling \$234 million. These bonds are secured by a pledge and assignment of the net electric revenues of the Power Agency and are supported by take-and-pay commitments of the participants.

The City utilizes the equity method of accounting for M-S-R Public Power Agency. The City has invested \$17.4 million in this joint venture. However, operating losses have caused the City to have a deficit equity in the Power Agency of \$7.23 million at December 31, 2015. Because the City's equity in M-S-R's net loss exceeds its investment, the equity method of accounting for the investment has been suspended. At the time the equity investment value of the Agency becomes a positive amount, the electric utility fund will resume presenting such values in its balance sheet. Under the joint exercise of power agreement, which formed M-S-R, the City is responsible for funding up to 15% of M-S-R's operating costs, to the extent such funding is necessary. During the year ended June 30, 2016, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in operating expenses.

**B. M-S-R Energy Authority**

The Modesto Irrigation District, the City of Santa Clara, and the City of Redding formed M-S-R Energy Authority for the principal purpose to acquire, construct, maintain, operate and finance projects for the benefit of any one or more of the Members. On September 10, 2009, the Authority entered into a series of thirty-year prepaid gas contracts with Citigroup Energy, Inc., which are financed by non-recourse revenue bonds. The M-S-R Energy Authority also entered into matching Natural Gas Supply Agreements ("Supply Agreements") whereby each member is obligated to purchase the natural gas from the Authority at a discount from the Index Price. The Supply Agreements will continue in effect until September 30, 2039, unless terminated earlier due to certain defaults, as set forth therein, or the termination of the matching prepaid gas contract. If the M-S-R Energy Authority fails on any day to deliver the quantity of natural gas required to be delivered pursuant to a Supply Agreement, the member will have no obligation for any of the natural gas supply that was not delivered as a result of such delivery default.

The equity of the M-S-R Energy Authority is split between the members based on the revenues and expenses applicable to each individual member's Supply Agreement. Redding's equity in the M-S-R Energy Authority's net losses exceeds its investment and, therefore, the equity method of accounting has been suspended. As of December 31, 2015, the City's unrecognized share of member's deficit of the M-S-R Energy Authority was \$75,238,635.

The long term debt of the M-S-R Energy Authority totaled \$901,620,000 at December 31, 2015. The M-S-R Energy Authority did not make any principal or interest payments in 2015.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 14 – Joint Ventures (Continued)**

**B. M-S-R Energy Authority (Continued)**

Summarized financial information of M-S-R Energy Authority as of and for the year ended December 31, 2015, is as follows (in thousands):

Total assets	<u>\$ 904,661</u>
Total liabilities	<u>\$ 904,661</u>
Total net position	<u>\$ -</u>
Total liabilities and net position	<u>\$ 904,661</u>
Net increase (decrease) in net position	<u>\$ -</u>

**C. Transmission Agency of Northern California**

The Transmission Agency of Northern California (TANC) is a joint powers agency organized for the principal purpose to provide electric transmission or other facilities for the use of its members. The City has an 8.41% ownership interest in TANC. The first transmission construction project undertaken by TANC was the development of the California-Oregon Transmission Project (COTP). The project is a 339 mile long, 500 kilovolt alternating current transmission project between southern Oregon and central California. In 2009, TANC purchased an additional 121 megawatts (MW) of COTP transfer capability from the City of Vernon. TANC's new ownership share of COTP transfer capability is 1367 MW and TANC pays 87% of the operating costs. The City's share of the project is 115 MW.

Also TANC receives from PG&E 300 MW of bi-directional transmission service over PG&E's system between the Tesla and Midway Substations. The City's share of this South of Tesla agreement is 10.33% at June 30, 2016.

Summarized financial information of TANC as of and for the year ended June 30, 2016, is as follows (in thousands):

Total assets & deferred outflows	<u>\$ 348,628</u>
Total liabilities & deferred inflows	\$ 324,679
Total net position	<u>23,949</u>
Total liabilities and net position	<u>\$ 348,628</u>
Net increase (decrease) in net position	<u>\$ 8,912</u>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 14 – Joint Ventures (Continued)**

***D. Balancing Authority of Northern California***

The Balancing Authority of Northern California (BANC) is a joint powers agency consisting of the Sacramento Municipal Utility district (SMUD), Modesto Irrigation District (MID), Roseville Electric and Redding Electric Utility (REU) as its founding members as was formed in 2009. On June 26, 2013, BANC members voted to accept Trinity Public Utilities District (TPUD) as a new member. REU participates in BANC through the Western sub-balancing authority. BANC assumed the balancing authority responsibilities on May 1, 2011, from SMUD that include the matching of generation to load and coordinating system operations with neighboring Balancing Authorities. The Central Valley

project (CVP) generation, owned by the Bureau of Reclamation and Western Area Power Administration's transmission facilities along with the 500 kV California Oregon Transmission Project (COTP), are included among other resources within the BANC footprint. BANC members contract for about 40 percent of the CVP hydroelectric resource. The COTP is jointly owed by several parties including WAPA and BANC members via the Transmission Agency of Northern California (TANC).

BANC provides its members an ownership voice in all balancing authority decisions consistent with the principle of maximizing consumer value. It also provides members a unified voice and representation in topics pertaining to Balancing Area matters. The structure provides flexibility to expand potential cost-saving opportunities by sharing future facility costs and clarifies roles and responsibilities of the members regarding reliability standard compliance.

The member's rights and expense-sharing is based on the participation percentages in most BANC activities. BANC member's participation percentages are based on the member's retail sales and stands at 68.8%, 16.5%, 7.8%, 5.0%, 1.2% and 0.7% for SMUD, MID, Roseville, REU, Shasta Lake and TPUD respectively. These participation percentages can be updated as the need requires.

Summarized financial information of BANC as of and for the year ended December 31, 2015, is as follows (in thousands)

Total current assets	\$ 824,227
Total current liabilities	\$ 824,227
Total net position	-
Total liabilities and net position	\$ 824,227
Net increase (decrease) in net position	\$ -

Complete separate financial statements for each of the joint ventures in which the City participates may be obtained from the City of Redding Finance Department, 777 Cypress Avenue, Redding, California 96001.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 14 – Joint Ventures (Continued)**

**D. Balancing Authority of Northern California (Continued)**

**Contingent Liability**

Under the terms of the various joint venture agreements, the City is contingently liable for a portion of the long-term debt of the entities under take-or-pay agreements, letters of credit, guarantees or other similar agreements. Based on the most recent audited financial statements of the individual joint ventures, the City was contingently liable for long-term debt as follows:

	<u>Total Debt</u>	<u>City of Redding's Participating Share</u>	<u>City of Redding's Contingent liability</u>
M-S-R (1):			
Bonds	\$ 234,335,000	15.000%	\$ 35,150,250
TANC (2)			
Bonds (2009A)	42,290,000	9.0076%	3,809,314
Bonds (2016A)	<u>173,920,000</u>	8.3912%	<u>14,594,010</u>
TANC subtotal	<u>216,210,000</u>		<u>18,403,324</u>
Total	<u>\$ 450,545,000</u>		<u>\$ 53,553,574</u>

(1) As of December 31, 2015

(2) As of June 30, 2016

In addition, the City would be, under certain conditions, liable to pay a portion of costs associated with the operations of the entities. Under certain circumstances, such as default or bankruptcy of the other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of those participants and seek reimbursement from those participants. These costs are not measurable at this time.

**Note 15 – Postclosure Care Costs**

State and federal laws and regulations required the City to place a final cover on Benton Landfill, which closed in 1990. The City has completed the final cover and other closure items required. The City is also required under state and federal laws and regulations to perform certain maintenance and monitoring functions at the landfill site for the next 15 years. The remaining estimated liability for landfill postclosure care cost was \$2,201,432 as of June 30, 2016, as shown in the table below. The total estimated cost of the landfill postclosure care is based on the amount that would be paid if all services required to monitor and maintain the landfill were acquired as of June 30, 2016. There is no requirement to currently fund this amount. The cost for postclosure care at the landfill and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) will be covered by charges to Solid Waste rate payers.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 15 – Postclosure Care Costs (Continued)**

Changes in postclosure care costs for the year ended June 30, 2016, were as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in More Than One Year
Postclosure care liability	\$ 2,212,324	\$ 121,372	\$ 132,264	\$ 2,201,432	\$ 140,000	\$ 2,061,432

**Note 16 – Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) Grant Information.**

In November 2006, California Voters passed bond measure 1B, enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$3.6 billion was allocated to PTMISEA to be available to transit operators over a ten-year period. These funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or rolling stock (buses and rail cars) procurement, rehabilitation or replacement.

During fiscal year 2015-16, RABA received an additional \$75,100 in PTMISEA Funding. During the fiscal year RABA incurred \$961,251 in qualifying expenditures and earned \$17,991 in interest income. The June 30, 2016, unspent balance in PTMISEA funding was \$3,793,357.

**Other Proposition 1B Funds**

During fiscal year 2015-16 RABA received \$0 in additional non PTMISEA Proposition 1B funds. During the fiscal year RABA incurred \$791 in qualifying expenditures and earned \$655 in interest income. The June 30, 2016 balance of non PTMISEA Proposition 1B funds was \$151,544.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 17 – Retirement Plans**

**A. Summary**

**Aggregate Net Pension Liability**

Aggregate Net pension liability is reported in the accompanying Statements of Net Position as follows:

	Miscellaneous Plan	Safety Plan	PARS Plan	Total
Governmental Activities (minus Internal Service Funds)	\$ 34,427,104	\$ 89,171,182	\$ 9,776,132	\$ 133,374,418
Internal Service Funds:				
Equipment	2,253,828	-	584,146	2,837,974
Information Systems	3,178,340	-	874,545	4,052,885
General Support Services	2,321,061	-	628,502	2,949,563
Risk Management	1,248,668	-	410,792	1,659,460
Municipal Utilities Support	3,676,965	-	1,026,866	4,703,831
Total Internal Service Funds	12,678,862	-	3,524,851	16,203,713
Total Governmental Activities	47,105,966	89,171,182	13,300,983	149,578,131
Enterprise funds:				
Electric Utility	35,893,899	-	11,736,453	47,630,352
Water Utility	5,189,043	-	1,342,571	6,531,614
Wastewater Utility	6,997,659	-	1,770,703	8,768,362
Solid Waste Utility	10,168,494	-	2,588,929	12,757,423
Airport	931,919	-	119,624	1,051,543
Storm Drainage Utility	711,525	-	204,658	916,183
Total Enterprise funds	59,892,539	-	17,762,938	77,655,477
<b>Total</b>	<b>\$ 106,998,505</b>	<b>\$ 89,171,182</b>	<b>\$ 31,063,921</b>	<b>\$ 227,233,608</b>

**Deferred Outflows of Resources**

Deferred outflows of resources are reported in the accompanying Statements of Net Position as follows:

*Pension Contributions Made after the Measurement Date*

	Miscellaneous Plan	Safety Plan	PARS Plan	Total
Governmental Activities (minus Internal Service Funds)	\$ 2,798,188	\$ 7,839,435	\$ 1,590,078	\$ 12,227,701
Internal Service Funds:				
Equipment	184,414	-	94,431	278,845
Information Systems	266,133	-	144,800	410,933
General Support Services	190,627	-	101,950	292,577
Risk Management	105,022	-	68,837	173,859
Municipal Utilities Support	300,589	-	163,547	464,136
Total Internal Service Funds	1,046,785	-	573,565	1,620,350
Total Governmental Activities	3,844,973	7,839,435	2,163,643	13,848,051
Enterprise funds:				
Electric Utility	2,928,388	-	1,887,647	4,816,035
Water Utility	426,441	-	215,623	642,064
Wastewater Utility	574,655	-	284,276	858,931
Solid Waste Utility	833,800	-	420,029	1,253,829
Airport	75,638	-	18,182	93,820
Storm Drainage Utility	58,188	-	32,811	90,999
Total Enterprise funds	4,897,110	-	2,858,568	7,755,678
<b>Total</b>	<b>\$ 8,742,083</b>	<b>\$ 7,839,435</b>	<b>\$ 5,022,211</b>	<b>\$ 21,603,729</b>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 17 – Retirement Plans (Continued)**

**A. Summary (Continued)**

**Deferred Outflows of Resources (Continued)**

*Difference between Projected and Actual Earnings on Pension Plan Investments*

	Miscellaneous Plan	Safety Plan	PARS Plan	Total
Governmental Activities (minus Internal Service Funds)	\$ 3,531,309	\$ 7,286,263	\$ 409,711	\$ 11,227,283
Internal Service Funds:				
Equipment	251,898	-	25,569	277,467
Information Systems	266,700	-	31,858	298,558
General Support Services	249,035	-	26,858	275,893
Risk Management	97,988	-	13,425	111,413
Municipal Utilities Support	414,888	-	49,546	464,434
Total Internal Service Funds	<u>1,280,509</u>	<u>-</u>	<u>147,256</u>	<u>1,427,765</u>
Total Governmental Activities	<u>4,811,818</u>	<u>7,286,263</u>	<u>556,967</u>	<u>12,655,048</u>
Enterprise funds:				
Electric Utility	4,136,087	-	531,769	4,667,856
Water Utility	552,833	-	61,413	614,246
Wastewater Utility	751,646	-	81,200	832,846
Solid Waste Utility	1,110,394	-	110,483	1,220,877
Airport	113,118	-	7,403	120,521
Storm Drainage Utility	79,978	-	9,471	89,449
Total Enterprise funds	<u>6,744,056</u>	<u>-</u>	<u>801,739</u>	<u>7,545,795</u>
<b>Total</b>	<u>\$ 11,555,874</u>	<u>\$ 7,286,263</u>	<u>\$ 1,358,706</u>	<u>\$ 20,200,843</u>

*Total Pension-related Deferred Outflows*

	Miscellaneous Plan	Safety Plan	PARS Plan	Total
Governmental Activities (minus Internal Service Funds)	\$ 6,329,497	\$ 15,125,698	\$ 1,999,789	\$ 23,454,984
Internal Service Funds:				
Equipment	436,312	-	120,000	556,312
Information Systems	532,833	-	176,658	709,491
General Support Services	439,662	-	128,808	568,470
Risk Management	203,010	-	82,262	285,272
Municipal Utilities Support	715,477	-	213,093	928,570
Total Internal Service Funds	<u>2,327,294</u>	<u>-</u>	<u>720,821</u>	<u>3,048,115</u>
Total Governmental Activities	<u>8,656,791</u>	<u>15,125,698</u>	<u>2,720,610</u>	<u>26,503,099</u>
Enterprise funds:				
Electric Utility	7,064,475	-	2,419,416	9,483,891
Water Utility	979,274	-	277,036	1,256,310
Wastewater Utility	1,326,301	-	365,476	1,691,777
Solid Waste Utility	1,944,194	-	530,512	2,474,706
Airport	188,756	-	25,585	214,341
Solid Waste Collection/Disposal	138,166	-	42,282	180,448
Total Enterprise funds	<u>11,641,166</u>	<u>-</u>	<u>3,660,307</u>	<u>15,301,473</u>
<b>Total</b>	<u>\$ 20,297,957</u>	<u>\$ 15,125,698</u>	<u>\$ 6,380,917</u>	<u>\$ 41,804,572</u>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 17 – Retirement Plans (Continued)**

**A. Summary (Continued)**

**Deferred Inflows of Resources**

Deferred inflows of resources are reported in the accompanying Statements of Net Position as follows:

*Changes in Assumptions*

	Miscellaneous Plan	Safety Plan	PARS Plan	Total
Governmental Activities (minus Internal Service Funds)	\$ 1,451,960	\$ 3,655,104	\$ -	\$ 5,107,064
Internal Service Funds:				
Equipment	103,572	-	-	103,572
Information Systems	109,659	-	-	109,659
General Support Services	102,395	-	-	102,395
Risk Management	40,289	-	-	40,289
Municipal Utilities Support	170,589	-	-	170,589
Total Internal Service Funds	<u>526,504</u>	<u>-</u>	<u>-</u>	<u>526,504</u>
Total Governmental Activities	<u>1,978,464</u>	<u>3,655,104</u>	<u>-</u>	<u>5,633,568</u>
Enterprise funds:				
Electric Utility	1,700,625	-	-	1,700,625
Water Utility	227,307	-	-	227,307
Wastewater Utility	309,053	-	-	309,053
Solid Waste Utility	456,558	-	-	456,558
Airport	46,511	-	-	46,511
Storm Drainage Utility	32,884	-	-	32,884
Total Enterprise funds	<u>2,772,938</u>	<u>-</u>	<u>-</u>	<u>2,772,938</u>
<b>Total</b>	<u>\$ 4,751,402</u>	<u>\$ 3,655,104</u>	<u>\$ -</u>	<u>\$ 8,406,506</u>

*Differences between Expected and Actual Experience*

	Miscellaneous Plan	Safety Plan	PARS Plan	Total
Governmental Activities (minus Internal Service Funds)	\$ 121,633	\$ 1,460,113	\$ -	\$ 1,581,746
Internal Service Funds:				
Equipment	8,676	-	-	8,676
Information Systems	9,186	-	-	9,186
General Support Services	8,578	-	-	8,578
Risk Management	3,375	-	-	3,375
Municipal Utilities Support	14,290	-	-	14,290
Total Internal Service Funds	<u>44,105</u>	<u>-</u>	<u>-</u>	<u>44,105</u>
Total Governmental Activities	<u>165,738</u>	<u>1,460,113</u>	<u>-</u>	<u>1,625,851</u>
Enterprise funds:				
Electric Utility	142,464	-	-	142,464
Water Utility	19,042	-	-	19,042
Wastewater Utility	25,890	-	-	25,890
Solid Waste Utility	38,246	-	-	38,246
Airport	3,896	-	-	3,896
Storm Drainage Utility	2,755	-	-	2,755
Total Enterprise funds	<u>232,293</u>	<u>-</u>	<u>-</u>	<u>232,293</u>
<b>Total</b>	<u>\$ 398,031</u>	<u>\$ 1,460,113</u>	<u>\$ -</u>	<u>\$ 1,858,144</u>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 17 – Retirement Plans (Continued)**

**A. Summary (Continued)**

**Deferred Inflows of Resources (Continued)**

*Difference between Projected and Actual Earnings on Pension Plan Investments*

	Miscellaneous Plan	Safety Plan	PARS Plan	Total
Governmental Activities (minus Internal Service Funds)	\$ 6,488,220	\$ 8,721,784	\$ 391,079	\$ 15,601,083
Internal Service Funds:				
Equipment	238,690	-	23,044	261,734
Information Systems	385,726	-	36,412	422,138
General Support Services	251,570	-	24,989	276,559
Risk Management	155,307	-	17,560	172,867
Municipal Utilities Support	387,225	-	39,141	426,366
Total Internal Service Funds	1,418,518	-	141,146	1,559,664
Total Governmental Activities	7,906,738	8,721,784	532,225	17,160,747
Enterprise funds:				
Electric Utility	3,732,281	-	457,622	4,189,903
Water Utility	564,592	-	52,176	616,768
Wastewater Utility	757,978	-	68,754	826,732
Solid Waste Utility	1,091,364	-	102,976	1,194,340
Airport	93,720	-	4,074	97,794
Storm Drainage Utility	75,102	-	7,921	83,023
Total Enterprise funds	6,315,037	-	693,523	7,008,560
<b>Total</b>	<b>\$ 14,221,775</b>	<b>\$ 8,721,784</b>	<b>\$ 1,225,748</b>	<b>\$ 24,169,307</b>

*Total Pension-related Deferred Inflows*

	Miscellaneous Plan	Safety Plan	PARS Plan	Total
Governmental Activities (minus Internal Service Funds)	\$ 8,061,813	\$ 13,837,001	\$ 391,079	\$ 22,289,893
Internal Service Funds:				
Equipment	350,938	-	23,044	373,982
Information Systems	504,571	-	36,412	540,983
General Support Services	362,543	-	24,989	387,532
Risk Management	198,971	-	17,560	216,531
Municipal Utilities Support	572,104	-	39,141	611,245
Total Internal Service Funds	1,989,127	-	141,146	2,130,273
Total Governmental Activities	10,050,940	13,837,001	532,225	24,420,166
Enterprise funds:				
Electric Utility	5,575,370	-	457,622	6,032,992
Water Utility	810,941	-	52,176	863,117
Wastewater Utility	1,092,921	-	68,754	1,161,675
Solid Waste Utility	1,586,168	-	102,976	1,689,144
Airport	144,127	-	4,074	148,201
Solid Waste Collection/Disposal	110,741	-	7,921	118,662
Total Enterprise funds	9,320,268	-	693,523	10,013,791
<b>Total</b>	<b>\$ 19,371,208</b>	<b>\$ 13,837,001</b>	<b>\$ 1,225,748</b>	<b>\$ 34,433,957</b>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 17 – Retirement Plans (Continued)**

**A. Summary (Continued)**

**Pension Expense/(Income)**

Pension expense/(income) is included in the accompanying Statement of Revenues, Expenses, and Changes in Net Position as follows:

	Miscellaneous Plan	Safety Plan	PARS Plan	Total
Governmental Activities (minus Internal Service Funds)	\$ 926,705	\$ 1,602,389	\$ 334,306	\$ 2,863,400
Internal Service Funds:				
Equipment	79,501	-	20,863	100,364
Information Systems	69,989	-	25,994	95,983
General Support Services	65,353	-	21,914	87,267
Risk Management	25,714	-	10,954	36,668
Municipal Utilities Support	108,877	-	40,427	149,304
Total Internal Service Funds	349,434	-	120,152	469,586
Total Governmental Activities	1,276,139	1,602,389	454,458	3,332,986
Enterprise funds:				
Electric Utility	773,140	-	433,899	1,207,039
Water Utility	103,339	-	50,110	153,449
Wastewater Utility	140,502	-	66,256	206,758
Solid Waste Collection/Disposal	207,561	-	90,149	297,710
Airport	29,685	-	6,041	35,726
Storm Drainage Utility	20,988	-	7,728	28,716
Total Business-Type Activities	1,275,215	-	654,183	1,929,398
<b>Total</b>	<b>\$ 2,551,354</b>	<b>\$ 1,602,389</b>	<b>\$ 1,108,641</b>	<b>\$ 5,262,384</b>

**B. CalPERS**

**General Information about the Pension Plans**

All qualified permanent and probationary employees are eligible to participate in the City's separate Miscellaneous and Safety (police and fire) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employee's Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

In addition to the defined benefit pension plan through CalPERS, the City offers a defined benefit Retirement Enhancement Plan (REP) to the CalPERS Miscellaneous Plan through Public Agency Retirement Services (PARS). This plan became effective on January 1, 2005. Information about the REP Plan through PARS will be discussed following the discussion of the CalPERS Plan.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 17 – Retirement Plans (Continued)**

**B. CalPERS (Continued)**

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basis Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<b>Miscellaneous</b>		
	Prior to January 1, 2013	On or after January 1, 2013	
Hire date			
Benefit formula	2% @ 55	2% @ 62	
Benefit vesting schedule	5 years service	5 years service	
Benefit Payments	monthly for life	monthly for life	
Retirement age	50-55	52-67	
Monthly benefits, as a % of eligible compensation	1.426% to 2.0%	1.0% to 2.5%	
Required employee contributions rates	7%	6.75%	
Required employer contribution rates	21.906%	21.906%	

	<b>Safety</b>		
	Prior to September 8, 2012	September 8, 2012 to December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contributions rates	9.0%	9.0%	12.0%
Required employer contribution rates	45.564%	45.564%	45.654%

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 17 – Retirement Plans (Continued)**

**B. CalPERS (Continued)**

**a. Net Pension Liability**

**Employees Covered by Benefit Terms**

At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	663	254
Inactive employees entitled to but not yet receiving benefits	238	57
Active Employees	563	175
Total	1,464	486

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions for both Plans are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer-Paid Member Contributions or situations where members are paying a portion of the employer contribution.

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 17 – Retirement Plans (Continued)**

**B. CalPERS (Continued)**

**a. Net Pension Liability (Continued)**

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost in accordance with the requirements of GASB 68	
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	Varies by Entry Age and Service	
Investment Rate of Return	7.65% Net of Pension Plan Investment Expense, includes Inflation	
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' Membership Data for all Funds.	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	

<sup>1</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1197 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publication.

**Change of Assumptions**

GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.5 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 17 – Retirement Plans (Continued)**

**B. CalPERS (Continued)**

**a. Net Pension Liability (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ assets classes, expected compound (geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above the rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1-10<sup>1</sup></u>	<u>Real Return Years 11+<sup>2</sup></u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 17 – Retirement Plans (Continued)**

**B. CalPERS (Continued)**

**b. Changes in Net Pension Liability**

The changes in the Net Pension Liability for each Plan follow:

**Miscellaneous Plan:**

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Pension	Net Pension Liability/ (Asset)
<b>Balance at June 30, 2014</b>	\$ 372,260,790	\$ 275,219,898	\$ 97,040,892
<b>Changes in the year:</b>			
Service costs	6,164,984	-	6,164,984
Interest on the total pension liability	27,466,002	-	27,466,002
Changes of benefit terms	-	-	-
Differences between actual and expected experience	(551,120)	-	(551,120)
Change in assumptions	(6,578,864)	-	(6,578,864)
Plan to Plan Resource Movement	-	20,221	(20,221)
Contributions - employer	-	7,771,417	(7,771,417)
Contribution - employee	-	2,892,519	(2,892,519)
Net investment income	-	6,167,183	(6,167,183)
Benefit Payments, including refunds of employee contributions	(18,361,188)	(18,361,188)	-
Administrative expense	-	(307,951)	307,951
<b>Net changes</b>	<b>8,139,814</b>	<b>(1,817,799)</b>	<b>9,957,613</b>
Balance at June 30, 2015	<b>\$ 380,400,604</b>	<b>\$ 273,402,099</b>	<b>\$ 106,998,505</b>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 17 – Retirement Plans (Continued)**

**B. CalPERS (Continued)**

**b. Changes in Net Pension Liability (Continued)**

Safety Plan:

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Pension	Net Pension Liability/ (Asset)
<b>Balance at June 30, 2014</b>	\$ 255,052,811	\$ 169,922,154	\$ 85,130,657
<b>Changes in the year:</b>			
Service costs	4,702,492	-	4,702,492
Interest on the total pension liability	18,712,421	-	18,712,421
Changes of benefit terms	-	-	-
Differences between actual and expected experience	(1,889,558)	-	(1,889,558)
Change in assumptions	(4,730,135)	-	(4,730,135)
Plan to Plan Resource Movement	-	193,399	(193,399)
Contributions - employer	-	7,466,754	(7,466,754)
Contribution - employee	-	1,570,703	(1,570,703)
Net investment income	-	3,715,343	(3,715,343)
Benefit Payments, including refunds of employee contributions	(12,355,104)	(12,355,104)	-
Administrative expense	-	(191,504)	191,504
<b>Net changes</b>	<b>4,440,116</b>	<b>399,591</b>	<b>4,040,525</b>
Balance at June 30, 2015	<b>\$ 259,492,927</b>	<b>\$ 170,321,745</b>	<b>\$ 89,171,182</b>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	156,551,563	125,160,241
Current Discount Rate	7.65%	7.65%
Net Pension Liability	106,998,505	89,171,182
1% Increase	8.65%	8.65%
Net Pension Liability	65,812,324	59,715,639

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 17 – Retirement Plans (Continued)**

**B. CalPERS (Continued)**

**b. Changes in Net Pension Liability (Continued)**

**Pension Plan Fiduciary Net Position**

The plan fiduciary net position disclosed in the City’s GASB 68 accounting valuation report may differ from the plan assets report in the funding actuarial valuation report due to several reasons. First, for the account valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

**c. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2016, the City recognized pension expense of \$13,010,968. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ (8,406,506)
Differences between actual and expected experience	-	(1,858,144)
Net differences between projected and actual earnings on plan investments	18,842,137	(22,943,558)
Total	\$ 18,842,137	\$ (33,208,208)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amount
2016	\$ (6,422,347)
2017	(6,422,347)
2018	(5,630,123)
2019	4,108,746
2020	-
Thereafter	-
Total	\$ (14,366,071)

**d. Payable to the Pension Plan**

At June 30, 2016, The City reported a payable of \$ -0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 17 – Retirement Plans (Continued)**

**C. PARS**

**a. General Information about the Pension Plans**

Effective January 1, 2005, the City adopted a defined benefit plan administered through the Public Agency Retirement System (PARS) to provide supplemental retirement benefits to eligible employees in addition to the benefits the employees receive from CalPERS. Employee groups who are eligible to participate in the Retirement Enhancement Plan (REP) are as follows: Tier I – Executive Management Employees, Tier II – Redding Independent Employees’ Organization (RIEO) represented employees, Tier III Redding Police Officers’ Association (RPOA) - Miscellaneous Unit employees, Tier IV International Brotherhood of Electrical Workers (IBEW) – Maintenance unit represented employees and Tier V International Brotherhood of electrical Workers (IBEW) – Electric represented employees. The Plan is now closed to new participants.

**Benefits Provided**

The REP plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are based on years of service credited service, equal to one year of full time employment. Members in Tiers I, III, IV and V with five years of service with the City are eligible to retire at age 50. Members in Tier II with ten years of service with the City are eligible to retire at age 50. The death benefit is one of the following: the Basis Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Tier I</u>	<u>Tier II</u>	<u>Tier III</u>	<u>Tier IV</u>	<u>Tier V</u>
Hire date	1/1/2005 thru 8/7/2011	1/1/2005 thru 12/31/2012	1/1/2005 thru 1/5/2011	1/1/2005 thru 1/5/2011	1/1/2005 thru 9/21/2011
Benefit formula	2.7% @ 55	2.7% @ 55	2.5% @55	2.7% @ 55	2.7% @ 55
Benefit vesting schedule	5 years service	10 years service	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	50-55	50-55	50-55
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%	2.0% to 2.5%	2.0% to 2.7%	2.0% to 2.7%
Required employee contributions rates	0%	0%	0%	0%	0%
Required employer contribution rates	19.36%	15.40%	14.35%	14.57%	13.46%

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 17 – Retirement Plans (Continued)**

**C. PARS (Continued)**

**a. General Information about the Pension Plans (Continued)**

**Employees Covered**

At January 1, 2014, the following employees were covered by the benefit terms for each Plan:

	Tier I	Tier II	Tier III	Tier IV	Tier V
Inactive employees or beneficiaries currently receiving benefits	67	123	6	68	20
Inactive employees entitled to but not yet receiving benefits	3	-	-	-	-
Active Employees	84	224	5	110	48
Total	<u>154</u>	<u>347</u>	<u>11</u>	<u>178</u>	<u>68</u>

**b. Net Pension Liability**

The City’s total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. That have been no significant changes between the valuation date and the fiscal year end. As summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2014 actuarial valuation were determined using the following actuarial assumptions:

Valuation Date	January 1, 2014
Measurement Date	June 30 2014
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	3.00%
Projected Salary Increase	Graded rates based on years of services, 3.85% after 22 years of service.
Investment Rate of Return	7.50%
Mortality Rate Table	Pre-retirement/Post-retirement: CalPERS 1997-2001 Healthy Retiree Tables (sex distinct) projected using Scale AA and base year of 2008

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 17 – Retirement Plans (Continued)**

**C. PARS (Continued)**

**b. Net Pension Liability (Continued)**

**Discount Rate**

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman’s investment consulting practice as of July 1, 2016.

Asset Class	Index	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	5.00%	0.42%	0.41%
US Core Fixed Income	Barclays Aggregate	38.11%	2.12%	1.99%
US Large Caps	S&P 500	28.65%	4.84%	3.61%
US Small Growth	Russell 2000 Growth	4.09%	7.02%	4.49%
US Small Value	Russell 2000 Value	4.04%	5.48%	3.71%
US MidCap Growth	Russell MidCap Growth	2.23%	6.28%	3.96%
US MidCap Value	Russell MidCap Value	2.21%	5.05%	3.57%
Foreign Developed Equity	MSCI EAFE NR	12.09%	5.85%	4.20%
Emerging Markets Equity	MSCI EM NR	3.58%	8.07%	4.79%
Assumed Inflation - Mean			2.30%	2.30%
Assumed Inflation - Standard Deviation			1.89%	1.89%
Portfolio Real Mean Return			3.97%	3.47%
Portfolio Nominal Mean Return			6.29%	5.85%
Portfolio Standard Deviation				9.84
<b>Long-Term Expected Rate of Return</b>				<b>7.5</b>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 17 – Retirement Plans (Continued)**

**C. PARS (Continued)**

**c. Changes in Net Pension Liability**

The changes in the Net Pension Liability for the Plan follow:

**PARS-REP Plan**

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Pension	Net Pension Liability/ (Asset)
<b>Balance at June 30, 2014</b>	\$ 65,872,430	\$ 34,727,778	\$ 31,144,652
<b>Changes in the year:</b>			
Service costs	1,478,671	-	1,478,671
Interest on the total pension liability	4,941,220	-	4,941,220
Changes of benefit terms	-	-	-
Differences between actual and expected experience	-	-	-
Change in assumptions	-	-	-
Contributions - employer	-	5,760,375	(5,760,375)
Contribution - employer (paid by employer)	-	-	-
Net investment income	-	998,681	(998,681)
Administrative expenses	-	(258,434)	258,434
Benefit Payments, including refunds of employee contributions	(2,990,408)	(2,990,408)	-
<b>Net changes</b>	<b>3,429,483</b>	<b>3,510,214</b>	<b>(80,731)</b>
Balance at June 30, 2015	<u>\$ 69,301,913</u>	<u>\$ 38,237,992</u>	<u>\$ 31,063,921</u>

**Sensitivity Analysis**

The following presents the net pension liability of the City of Redding Retirement Enhancement Plan, calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate.

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Total Pension Liability	\$ 77,752,153	\$ 69,301,913	\$ 62,202,490
Fiduciary net position	38,237,992	38,237,992	38,237,992
Net pension liability	39,514,161	31,063,921	23,964,498

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 17 – Retirement Plans (Continued)**

**C. PARS (Continued)**

**c. Changes in Net Pension Liability (Continued)**

**Pension Plan Fiduciary Net Position**

The plan fiduciary net position disclosed in the City’s GASB 68 accounting valuation report may differ from the plan assets report in the funding actuarial valuation report due to several reasons. First, for the account valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

**d. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2016, the City recognized pension expense of \$3,912,355. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	(1,225,748)	1,358,706
Total	\$ (1,225,748)	\$ 1,358,706

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amount
2016	\$ (68,907)
2017	(68,907)
2018	(68,907)
2019	339,679
2020	-
Thereafter	-
Total	\$ 132,958

**e. Payable to the Pension Plan**

At June 30, 2016, The City reported a payable of \$ -0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 18 – Other Postemployment Healthcare Benefits**

*Plan Description.* The City of Redding PARS Post-Retirement Health Care Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by Phase II Systems, dba Public Agency Retirement Services (PARS). The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. The City Council has the authority to establish and amend benefit provisions to the plan.

*Funding Policy.* The contribution requirements of plan members are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For fiscal year 2016, the City did not prefund any portion of the plan. The cost of current premiums, financed on a pay-as-you-go basis, is shared equally between the City and the retirees. The full cost of current premiums for the fiscal year ended June 30, 2016, was \$7,043,958 of which the retirees contributed \$3,388,564.

*Annual OPEB Cost and Net OPEB Obligation.* The City’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution 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) over a closed period not to exceed thirty years. The following table show 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 to the City of Redding PARS Post-Retirement Health Care Plan:

Annual required contribution	\$ 11,165,000
Interest on net OPEB obligation	2,563,000
Adjustment to annual required contribution	<u>(3,014,000)</u>
Annual OPEB cost (expense)	10,714,000
Contributions made	<u>(3,388,564)</u>
Increase in net OPEB obligation	7,325,436
Net OPEB obligation - beginning of year	<u>64,150,290</u>
Net OPEB obligation - end of year	<u><u>\$ 71,475,726</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

For the Years Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 13,728,000	22.4%	\$ 52,803,306
2015	14,547,000	22.0%	64,150,290
2016	10,714,000	31.6%	71,475,726

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 18 – Other Postemployment Healthcare Benefits (Continued)**

*Funded Status and Funding Progress.* As of January 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits at January 1, 2015 was \$102.6 million, and the actuarial value of assets was \$.1 million, resulting in a projected unfunded actuarial accrued liability (UAAL) of \$102.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$52.7 million, and the ratio of the UAAL to the covered payroll was 195%.

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 included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan 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 value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015, actuarial valuation, the Entry Age Normal cost funding method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to a rate of 5 percent after seven years. Both rates include a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2016, was twenty-four years.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 19 – Fund Balances**

Fund balance as of June 30, 2016, consists of the following:

	General Fund	Major Capital Project Fund	Other Funds	Total
<b>Fund balances:</b>				
<b>Nonspendable fund balance:</b>				
Prepays and inventory	\$ 967,543	\$ -	\$ 20,521	\$ 988,064
Contractually nonspendable	907,489	-	-	907,489
<b>Total nonspendable</b>	<b>1,875,032</b>	<b>-</b>	<b>20,521</b>	<b>1,895,553</b>
<b>Restricted fund balance:</b>				
Fiscal agent reserves	756,897	-	-	756,897
Capital projects	-	8,299,366	-	8,299,366
Assessment District debt service	-	-	151,795	151,795
Special Revenue:				
Community development	-	-	23,865,039	23,865,039
Housing	-	-	15,544,485	15,544,485
Landscape maintenance	-	-	326,910	326,910
Library	-	-	1,127,882	1,127,882
Local transportation	-	-	3,570,757	3,570,757
Police asset seizure	-	-	351,244	351,244
<b>Total restricted</b>	<b>756,897</b>	<b>8,299,366</b>	<b>44,938,112</b>	<b>53,994,375</b>
<b>Assigned fund balance:</b>				
Operations & Maintenance				
Police	16,972	-	-	16,972
Public Works	299,449	-	-	299,449
General Government	143,044	-	-	143,044
Other	51,696	-	-	51,696
Capital Projects				
Police	229,667	-	-	229,667
Public Works	1,215,280	-	-	1,215,280
Other	74,951	-	-	74,951
Vehicles & Equipment				
Police	12,446	-	-	12,446
Public Works	79,695	-	-	79,695
Other	25,717	-	-	25,717
Rolling stock	743,650	-	-	743,650
Future expenditures	3,246,000	-	-	3,246,000
Future capital projects	1,031,522	-	-	1,031,522
<b>Total assigned</b>	<b>7,170,089</b>	<b>-</b>	<b>-</b>	<b>7,170,089</b>
<b>Unassigned:</b>				
General Fund	12,042,694	-	-	12,042,694
Special Revenue	-	-	(307,560)	(307,560)
<b>Total Unassigned</b>	<b>12,042,694</b>	<b>-</b>	<b>(307,560)</b>	<b>11,735,134</b>
<b>Total fund balances</b>	<b>\$ 21,844,712</b>	<b>\$ 8,299,366</b>	<b>\$ 44,651,073</b>	<b>\$ 74,795,151</b>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 20 – Commitments and Contingencies**

**A. Construction Commitments**

A number of construction contracts existed at June 30, 2016. The unexpended authorized amount of \$18,067,413 represents a commitment by the City.

**B. Redding Electric Utility (REU)**

- i) REU is contractually obligated to purchase 7,500 Dth/day of natural gas pipeline capacity in four (4) segments connecting the AECO supply hub to California (PG&E Citygate). Three of those segments, Nova, Foothills, and Redwood expired on October 31, 2015 and REU has chosen not to renew them. The remaining segment, GTN, will expire October 31, 2023. The City sold its delivery rights to the GTN through October 2017. The City currently expects to execute a subsequent sale of the GTN capacity upon termination of the current capacity release in October 2017.

REU is also contractually obligated to purchase 1,000 Dth/day of natural gas pipeline capacity, connecting the OPAL supply hub to the California Intrastate system. The City sold the delivery rights to the Kern River pipeline through April 2018.

The City's total annual obligation for the above described pipeline capacity aggregates less than \$1.027 million per year

- ii) REU is contractually committed to purchase natural gas in the 2017 through 2025 time period. The following table provides on a yearly basis the approximate purchase dollar amount and what percentage these purchases cover of the minimum fuel requirements for the expected operating level of the Redding Power facility.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Purchase Cost \$ (million)	\$14.3	\$11.3	\$11.2	\$9.7	\$7.0	\$7.3	\$7.5	\$7.0	\$6.5
% Natural Gas Hedge**	92%	92%	89%	82%	80%	80%	80%	72%	39%

\*\* This is the % of gas acquired to meet power retail sales after considering all other power resources and before wholesale power and gas transactions.

- iii) In 2010, REU entered into a 28 - year term contract with Gill Ranch Storage. Under the Agreement REU has leased 2,250,000 Dth of cushion gas initially valued at \$13,570,000 to Gill Ranch and Gill Ranch provides REU with approximately 600,000 Dth of natural gas storage. At the end of the contract term in 2038, the cushion gas will be returned to REU with an anticipated value greater than the initial \$13,570,000 value.
- iv) REU has contractually committed to purchase power from M-S-R Public Power Agency on an as-delivered basis from a Pacific Northwest wind project. Deliveries began October 1, 2006. REU's share of the output from the wind project is approximately 176,000 MWH per year. The twenty-year contract has a \$12,500,000 annual expected expense. The wind based energy from this contract is a major source of eligible renewable energy with the associated environmental attributes available to meet REU's renewable resource portfolio requirements. M-S-R has completed an amendment to the Pacific Northwest Wind Contract which addresses financial responsibility for the Bonneville Power Administration's Wind Integration Charge (WIC). M-S-R assumes responsibility for the first \$1.20 per kw-mo, Iberdrola Renewable assumes responsibility for the next \$1.20 per kw-mo. The contract term is extended 5 years with certain adjustments in pricing and delivery. Currently, the WIC is approximately \$1.20 per kw-mo and is included in the annual expected expense mentioned above.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 20 – Commitments and Contingencies (Continued)**

**B. Redding Electric Utility (REU) (Continued)**

- v) Although REU was an early adopter of renewable energy, as covered in the previous item, the California Energy Commission’s (CEC) report for the first “Renewables Portfolio Standard” (RPS) compliance period (2011 – 2013) shows Redding with 8% rather than the 20% target. This is a result of Redding’s City Council allowing large hydro to count towards REU’s renewable energy obligation in accordance with their understanding of the CEC regulations at the time. Later, REU sold off most of its “Renewable Energy Credits” (REC) for 2011 and 2012, which was in keeping with that decision and was for the benefit of its customers. Following the REC sales, the CEC modified the regulations for RPS and applied them retroactively. REU was forced to employ “Optional Compliance Measures” in meeting its RPS obligation for the first compliance period. For the remaining compliance periods REU is on-track to meet the CEC’s current RPS targets.
- vi) The City of Redding, in conjunction with the Northern California Power Agency and Cities of Roseville and Santa Clara, filed a complaint in September 2014 in the U.S. Court of Claims seeking recovery of more than \$45 million in overcharges imposed by the Bureau of Reclamation for the Central Valley Project Improvement Act (CVPIA). The CVPIA, established in 1992, obligates Reclamation to collect roughly \$30 million per year (in 1992 dollars) from water and power customers who benefit from the Central Valley Project (CVP), in proportion to the users’ project repayment obligation over a 10-year rolling average. As of the complaint filing date, Reclamation had allocated 22-24% of CVP capital costs to the power users over the previous 10 years; however the CVPIA collections had averaged 37% over the same time period. Redding and the other plaintiffs in this claim, believe that Reclamation has overcharged the CVP power customers and are seeking repayment.
- vii) Commencing with fiscal year 1988-89, the City has, each year, transferred from REU to the City’s general fund a “payment in lieu of tax” (PILOT) designed to be equivalent to the ad valorem tax on property REU would have to pay if privately owned. The PILOT in fiscal year 2015-16 was \$5,730,700. Two lawsuits challenging the PILOT were filed against the City, one on February 4, 2011 and the second on August 29, 2011. The City has to date received related refund claims from approximately 384 REU customers. The Superior Court of the State of California, Shasta County, consolidated the two lawsuits and ruled in favor of the City on July 13, 2012 and the plaintiffs appealed the trial court’s decision.

On February 19, 2015, the City received a decision and opinion from the Court of Appeal of the State of California, Third Appellate District, in Citizens for Fair REU Rates v. City of Redding. The Court of Appeal concluded that the PILOT constitutes a “tax” as defined in Article XIII C, Section (e)(1) of the California Constitution (added by Proposition 26, adopted on November 2, 2010) “unless [the City] proves the amount collected is necessary to cover the reasonable costs to [the City] to provide electric service.” The Court of Appeal’s ruling remands the case to the Superior Court to allow the City opportunity to prove the extent to which the PILOT recovers the cost of services provided to REU at the expense of its general fund. On February 27, 2015 the City filed a Petition for Review with the California Supreme Court. The California Supreme Court has granted review. The parties’ principal briefs have been filed in the California Supreme Court. Oral arguments are expected to occur sometime in 2017. A decision will be due 90 days after oral arguments.

The City is unable to predict whether or the extent to which the City will be able to demonstrate to the satisfaction of the California Supreme Court that the PILOT reflects the reasonable cost to the City of providing electric service, or, if or to the extent the City is not successful, what remedies against the City may be available.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 20 – Commitments and Contingencies (Continued)**

**C. *West Central Landfill***

In 1990 the City entered into an agreement with Shasta County to operate West Central Landfill (the landfill). Under the agreement, the City is obligated to operate the landfill at least until there are no bonds or contracts outstanding. The current 1997 refunding bonds expired July 1, 2010, and the bonds were paid off. The City records the activity and net position of the operations portion of the landfill in its Solid Waste enterprise fund. Net position associated with the landfill, recorded on the City's books at June 30, 2016, was \$2,963,596.

**D. *Grants***

Amounts received or receivable from granting agencies are subject to audit and adjustments by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have material adverse effect on the financial position of the City.

**E. *Litigation***

Various claims and suits have been filed against the City in the normal course of business. Although the outcome of these matters is not presently determinable in the opinion of legal counsel, the city believes that the resolutions of these matters will not have a material adverse effect on the financial condition of the City.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 21 – Successor Agency Trust for Assets of the Former Redevelopment Agency**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. The assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 12, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-001.

Following the disbursement of unencumbered funds, the Department of Finance of the State of California granted a “Finding of Completion” on June 20, 2013, to the City of Redding Successor Agency. The Successor Agency is now allowed to place loan agreements between the former redevelopment agency and sponsoring entity on the Recognized Obligation Payment Schedule and utilize remaining bond proceeds.

Successor agencies are only allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill. The State Controller completed the review of all assets transferred and issued a report dated October 13, 2014.

The review found that the Agency transferred \$69,027,149 in assets after January 2, 2011, including unallowable transfers to the City totaling \$876,800. The City turned over the \$876,800 to the Agency that was subsequently remitted to the Shasta County Auditor-Controller for distribution to the taxing entities.

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 21 – Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)**

Long-term debt consisted of the following as of June 30, 2016:

<p>Market Street Tax Allocation Bonds, Series 2003:            Interest from 2.0% to 5.67% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$170,000 to \$400,000; final payment September 1, 2023. Original issue: \$5,185,000. Proceeds from the Series 2003 Bonds are used to finance various capital improvements within the Market Street Redevelopment Area.</p>	<p>\$ 2,675,000</p>
<p>Canby-Hilltop-Cypress Tax Allocation Bonds, Series A:            Interest from 2.61% to 6.4% payable on March 1 and September 1; maturities payable on September 1 in annual redemptions from \$280,000 to \$545,000; final payment September 1, 2016. Original issue: \$6,000,000. Proceeds from the Series A Bonds are used for housing projects.</p>	<p>480,000</p>
<p>Canby-Hilltop-Cypress Tax Allocation Bonds, Series B:            Interest from 4.5% to 4.875% payable March 1 and September 1; maturities are payable beginning September 1, 2016, in annual redemptions from \$105,000 to \$745,000; final payment September 1, 2021. Original issue: \$3,500,000. Proceeds from the Series B Bond are used for housing projects.</p>	<p>3,500,000</p>
<p>Canby-Hilltop-Cypress Tax Allocation Bonds, Series A 2003:            Interest from 2.0% to 5.0% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$1,040,000 to \$2,055,000; final payment September 1, 2023. Original issue: \$28,935,000. Proceeds from the Series A 2003 Bonds are used to finance various capital improvements within the Canby-Hilltop-Cypress Redevelopment Area.</p>	<p>14,295,000</p>
<p>SHASTE C Tax Allocation Bonds, Series 2006:            Interest from 4.0% to 5.0% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$245,000 to \$5,585,000; final payment September 1, 2036. Original issue: \$15,000,000. Proceeds from the Series 2006 Bonds are used to finance various capital improvements within the SHASTE C Redevelopment Area.</p>	<p>12,400,000</p>
<p>Total Bonds Outstandings</p>	<p><u>\$ 33,350,000</u></p>
<p>Discount on Market Street Tax Allocation Bonds, Series 2003</p>	<p>(18,375)</p>
<p>Discount on Canby-Hilltop-Cypress Tax Allocation Bonds, Series A</p>	<p>(1,394)</p>
<p>Discount on Canby-Hilltop-Cypress Tax Allocation Bonds, Series B</p>	<p>(11,748)</p>
<p>Premium on Canby-Hilltop-Cypress Tax Allocation Bonds, Series A 2003</p>	<p>27,050</p>
<p>Discount on SHASTE C Tax Allocation Bonds, Series 2006</p>	<p>(44,498)</p>
<p>Total Discount/Premium</p>	<p><u>(48,965)</u></p>
<p>Total Long-Term Bonded Debt</p>	<p><u>\$ 33,301,035</u></p>

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 21 – Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)**

Note payable to the City of Redding Electric Fund:	\$ 585,706
<p>A note was approved by City Council on August 25, 1972, for \$550,000 from the City of Redding Electric Utility Fund to the Agency. The principal balance due at June 30, 2016, is \$308,105 along with \$277,601 of simple interest calculated at the LAIF quarterly interest rate.</p>	
Note payable to the City of Redding Parking Fund	170,524
<p>A contract was entered into on May 1, 1977, with the Agency and the City of Redding Parking Fund for the repayment of the Redding Redevelopment Agency, Redding Mall Parking Structure Lease Revenue Bonds, Series 1977. Simple interest is calculated using the LAIF quarterly interest rate.</p>	
Note payable to the City of Redding Risk Management Fund	545,008
<p>A repayment agreement was made by and between the City of Redding Risk Management Fund and the Agency on May 18, 1999, for repayment of a \$2,000,000 loan for the construction of the Clover Creek Preserve Drainage Project. Simple interest is calculated using the LAIF quarterly interest rate.</p>	
Notes payable to the City of Redding General Fund:	2,485,800
<p>A reimbursement agreement was entered into by and between the Agency and the City of Redding on September 21, 2009, for property tax increment advanced to the Agency between fiscal year 1984-85 and 2008-09. No interest is calculated on this loan.</p>	
Total Notes Payable Outstandings	\$ 3,787,038
Total Long-Term Debt, net	\$ 37,088,073

Annual requirements to amortize long-term bonds outstanding as of June 30, 2016, are set forth below:

Fiscal Year	Principal	Interest	Total
2017	\$ 2,760,000	\$ 1,573,379	\$ 4,333,379
2018	2,890,000	1,436,065	4,326,065
2019	3,030,000	1,290,824	4,320,824
2020	3,180,000	1,138,621	4,318,621
2021	3,340,000	978,096	4,318,096
2022-2026	10,150,000	2,813,274	12,963,274
2027-2031	3,100,000	1,626,850	4,726,850
2032-2036	3,980,000	747,000	4,727,000
2037-2041	920,000	23,000	943,000
Total	\$ 33,350,000	\$ 11,627,109	\$ 44,977,109

**City of Redding**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 22 – Subsequent Events**

On November 1, 2016, City Council authorized the issuance of Electric System Revenue Bonds in an aggregate principal amount not to exceed \$65 million, to be delivered on or about December 2016. The purpose of these Bonds was to (1) prepay and refund a portion of the City's outstanding Electric System Revenue Certificates of Participation, 2008 Series A, and (2) pay costs of issuance of the 2016 Bonds, with the final maturity date on June 1, 2030. However, as of the audit report date these bonds have not been issued due to unfavorable changes in the municipal bond market.

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**REQUIRED SUPPLEMENTARY  
INFORMATION (UNAUDITED)**

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**City of Redding**  
**Required Supplementary Information**  
**Budgetary Information**  
**For the Year Ended June 30, 2016**

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**Note 1 – Budgetary Principles**

**Budget Data**

The operating budget of the City is adopted by the City Council prior to July 1 each year primarily on a cash basis. The City Manager is authorized to transfer budget amounts between divisions of a department within any fund; however, any revisions that alter the total expenditures of any fund require City Council resolution.

Budget information is adopted and presented for the general, special revenue (except for the Landscape Maintenance Districts and Asset Seizure Fund), capital project and the debt service funds. The presentations represent original appropriations adjusted for supplemental appropriations, if any, made during the year.

The City does not formally adopt a budget for the debt service fund. The bond documents are the controlling factor.

**Summary of Differences between Budgetary Basis and Generally Accepted Accounting Principles (GAAP)**

The following are the differences between the City's budgetary basis and GAAP:

- A. The City does not budget for the fair market value adjustment required under GASB 31.
- B. The City does not budget for accounts payable or intergovernmental payables.
- C. The City does not budget for benefit accruals.
- D. The City budgets for certain receivables and payables on a cash basis.
- E. The City budgets for land to be held for resale as expenditure.
- F. Encumbrances are not included in the Statement of Revenue, Expenditures and Changes in Fund Balance

**Budgetary Basis Reconciliation**

Budgets are not adopted for the Landscape Maintenance Fund and the Asset Seizure Fund.

**City of Redding**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 16,066,000	\$ 17,201,250	\$ 17,246,655	\$ 45,405
Sales and use taxes	23,000,000	22,314,300	22,314,324	24
Other taxes	6,386,000	6,598,000	6,720,988	122,988
Licenses and permits	1,024,880	1,064,880	1,256,998	192,118
Intergovernmental revenues	1,144,620	2,828,130	3,289,287	461,157
Charges for services	1,700,320	2,184,560	2,516,585	332,025
Fines, forfeitures, and penalties	495,790	1,303,630	1,325,605	21,975
Use of money and property	7,647,780	7,647,780	7,774,752	126,972
Interest revenue	102,000	102,000	126,200	24,200
Other revenue	418,705	852,845	919,886	67,041
<b>Total revenues</b>	<b>57,986,095</b>	<b>62,097,375</b>	<b>63,491,280</b>	<b>1,393,905</b>
<b>EXPENDITURES:</b>				
Current:				
General government:				
City Attorney	664,020	664,720	480,333	184,387
City Clerk	772,279	772,289	744,177	28,112
City Manager	1,935,025	2,064,765	1,817,886	246,879
City Treasurer	613,900	604,120	578,955	25,165
Finance	1,244,639	1,245,319	1,056,978	188,341
Personnel	444,260	444,180	436,292	7,888
Purchasing	555,490	556,120	550,997	5,123
Public safety:				
Police	27,464,215	30,196,345	29,374,107	822,238
Fire safety	19,084,970	19,631,150	19,495,555	135,595
Public works	9,372,185	13,651,375	10,668,627	2,982,748
Planning	4,180,325	4,429,745	4,050,827	378,918
Recreation and culture	4,910,500	5,100,920	4,955,925	144,995
Principal payments	1,592,580	1,761,770	1,761,759	11
Interest and fiscal charges	1,421,030	1,432,040	1,430,359	1,681
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<b>74,255,418</b>	<b>82,554,858</b>	<b>77,402,777</b>	<b>5,152,081</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(16,269,323)</b>	<b>(20,457,483)</b>	<b>(13,911,497)</b>	<b>6,545,986</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	10,000	632,980	1,351,998	719,018
Transfers in	12,190,550	16,797,640	12,256,282	(4,541,358)
Transfers out	(2,693,160)	(3,342,240)	(3,298,785)	43,455
<b>Total other financing sources (uses)</b>	<b>9,507,390</b>	<b>14,088,380</b>	<b>10,309,495</b>	<b>(3,778,885)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(6,761,933)</b>	<b>(6,369,103)</b>	<b>(3,602,002)</b>	<b>2,767,101</b>
<b>BUDGETARY FUND BALANCES:</b>				
Beginning of year	22,220,361	22,220,361	22,220,361	-
End of year	<b>\$ 15,458,428</b>	<b>\$ 15,851,258</b>	<b>\$ 18,618,359</b>	<b>\$ 2,767,101</b>

**City of Redding**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**General Fund (Continued)**  
**For the Year Ended June 30, 2016**

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$	21,844,712
1. The City budgets for taxes on a cash basis.		(1,335,533)
2. The City budgets for grants on a cash basis.		125,102
3. Timing difference due to GASB #33.		23,998
4. The City does not budget for accounts payable adjustments.		(16,311)
5. The City does not budget for benefit accruals.		(215,032)
6. Financial statement only adjustment for GASB #31.		(60,755)
7. The City does not budget for interest, sale of property or rental income related to the rolling stock fund. The City budgets only for the transfers in and out of the rolling stock fund.		(71,158)
8. The City does not budget for special assessments.		(9,852)
9. Encumbrances are not included in the Statement of Revenues, Expenditures and Changes in Fund Balance.		(2,373,052)
10. The City did not budget for prepaid rent for the Housing Authority and the Agency		-
11. The City does not budget for developer's fees that are prepaid.		710,863
12. The City budgeted for prepaid expenditures.		-
13. The City does not budget for interest on deposits held in trust.		(4,623)
14. The City Budgets for cash transfers to/from other funds as loans, but records the advances in advances receivable/payable on the balance sheet.		-
 Budgetary Fund Balance		 <u>\$ 18,618,359</u>

**City of Redding**  
**Required Supplementary Information**  
**Schedules of Changes in Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2016**

**California Public Employees' Retirement System ("CalPERS") - Miscellaneous Plan**

Measurement Period	2015	2014
<b>TOTAL PENSION LIABILITY:</b>		
Service Costs	\$ 6,164,984	\$ 6,465,244
Interest	27,466,002	26,335,482
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	(551,120)	-
Changes of Assumptions	(6,578,864)	-
Benefit Payments, Including Refunds of Employee Contributions	(18,361,188)	(16,894,132)
<b>Net Change in Total Pension Liability</b>	<b>8,139,814</b>	<b>15,906,594</b>
<b>Total Pension Liability - Beginning</b>	<b>372,260,790</b>	<b>356,354,196</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 380,400,604</b>	<b>\$ 372,260,790</b>
<b>PLAN FIDUCIARY NET POSITION:</b>		
Contributions - Employer	\$ 7,771,417	7,140,089
Contributions - Employee	2,892,519	2,924,099
Net Investment Income	6,167,183	41,359,309
Benefit Payments, Including Refunds of Employee Contributions	(18,361,188)	(16,894,132)
Plan to Plan Resource Movement	20,221	-
Administrative Expense	(307,951)	-
<b>Net Change in Fiduciary Net Position</b>	<b>\$ (1,817,799)</b>	<b>\$ 34,529,365</b>
Plan Fiduciary Net Position - Beginning	\$ 275,219,898	\$ 240,690,533
Plan Fiduciary Net Position - Ending (b)	273,402,099	275,219,898
<b>Plan Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<b>\$ 106,998,505</b>	<b>\$ 97,040,892</b>
 <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	 <b>71.87%</b>	 <b>73.93%</b>
Covered - Employee Payroll <sup>1</sup>	\$ 40,294,018	\$ 40,286,914
 <b>Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll</b>	 <b>265.54%</b>	 <b>240.87%</b>

<sup>1</sup> Covered-Employee Payroll presented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

**Notes to Schedule of Changes in Net Pension Liability and Related Ratios:**

**Benefit Changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes of Assumptions:** The discount rate was changed from 7.5 percent (net of administrative expense to 7.65 percent).

**City of Redding**  
**Required Supplementary Information**  
**Schedule of Plan Contributions**  
**For the Year Ended June 30, 2016**

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**California Public Employees' Retirement System ("CalPERS") - Miscellaneous Plan**

	<b>2015</b>	<b>2014</b>
Actuarially Determined Contribution <sup>2</sup>	\$ 7,771,417	\$ 7,140,089
Contributions in Relations to the Actuarially Determined Contribution <sup>2</sup>	(7,771,417)	(7,140,089)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 40,294,018	\$ 40,286,914
Contributions as a Percentage of Covered-Employee Payroll <sup>3</sup>	19.29%	17.72%

<sup>1</sup> As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be determined as of the employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for the covered-employees, the employer should display in the disclosure footnotes the payroll passed on total earnings for the covered group and recalculate the required payroll-related ratios.

<sup>4</sup> Payroll from prior year of \$39,120,406 was assumed to increase by 3.00 percent payroll growth assumption.  
increase by the 3.00 percent payroll growth assumption.

**City of Redding**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period**  
**For the Year Ended June 30, 2016**

**California Public Employees' Retirement System ("CalPERS") - Safety Plan**

Measurement Period	2015	2014
<b>TOTAL PENSION LIABILITY:</b>		
Service Costs	\$ 4,702,492	\$ 4,982,595
Interest	18,712,421	18,027,294
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	(1,889,558)	-
Changes of Assumptions	(4,730,135)	-
Benefit Payments, Including Refunds of Employee Contributions	(12,355,104)	(11,659,397)
<b>Net Change in Total Pension Liability</b>	<b>4,440,116</b>	<b>11,350,492</b>
<b>Total Pension Liability - Beginning</b>	<b>255,052,811</b>	<b>243,702,319</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 259,492,927</b>	<b>\$ 255,052,811</b>
<b>PLAN FIDUCIARY NET POSITION:</b>		
Contributions - Employer	\$ 7,466,754	6,761,771
Contributions - Employee	1,570,703	1,517,735
Net Investment Income	3,715,343	25,448,647
Benefit Payments, Including Refunds of Employee Contributions	(12,355,104)	(11,659,397)
Plan to Plan Resource Movement	193,399	-
Administrative Expense	(191,504)	-
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 399,591</b>	<b>\$ 22,068,756</b>
Plan Fiduciary Net Position - Beginning	\$ 169,922,154	\$ 147,853,398
Plan Fiduciary Net Position - Ending (b)	170,321,745	169,922,154
<b>Plan Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<b>\$ 89,171,182</b>	<b>\$ 85,130,657</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>65.64%</b>	<b>66.62%</b>
Covered - Employee Payroll <sup>1</sup>	\$ 16,601,913	\$ 16,800,737
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll</b>	<b>537.11%</b>	<b>506.71%</b>

<sup>1</sup> Covered-Employee Payroll presented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

**Notes to Schedule of Changes in Net Pension Liability and Related Ratios:**

**Benefit Changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes of Assumptions:** The discount rate was changed from 7.5 percent (net of administrative expense to 7.65 percent.

**City of Redding**  
**Required Supplementary Information**  
**Schedule of Plan Contributions**  
**For the Year Ended June 30, 2016**

**California Public Employees' Retirement System ("CalPERS") - Safety Plan**

	2015	2014
Actuarially Determined Contribution <sup>2</sup>	\$ 7,466,754	\$ 6,761,771
Contributions in Relations to the Actuarially Determined Contribution <sup>2</sup>	(7,466,754)	(6,761,771)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 16,601,913	\$ 16,800,737
Contributions as a Percentage of Covered-Employee Payroll <sup>3</sup>	44.98%	40.25%

<sup>1</sup> As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be determined as of the employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for the covered-employees, the employer should display in the disclosure footnotes the payroll passed on total earnings for the covered group and recalculate the required payroll-related ratios.

<sup>4</sup> Payroll from prior year of \$16,118,362 was assumed to increase by 3.00 percent payroll growth assumption. increase by the 3.00 percent payroll growth assumption.

**City of Redding**  
**Required Supplementary Information**  
**Schedules of Changes in Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2016**

**Public Agency Retirement System - Miscellaneous Plan (PARS)<sup>1</sup>**

Measurement Period	2015	2014
<b>TOTAL PENSION LIABILITY:</b>		
Service Costs	\$ 1,478,671	\$ 1,432,128
Interest	4,941,220	4,689,105
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(2,990,408)	(2,628,633)
<b>Net Change in Total Pension Liability</b>	<b>\$ 3,429,483</b>	<b>\$ 3,492,600</b>
<b>Total Pension Liability - Beginning</b>	<b>65,872,430</b>	<b>62,379,830</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 69,301,913</b>	<b>\$ 65,872,430</b>
<b>PLAN FIDUCIARY NET POSITION:</b>		
Contributions - Employer	5,760,375	6,042,892
Contributions - Employee	-	-
Net Investment Income <sup>2</sup>	998,681	3,990,007
Benefit Payments, Including Refunds of Employee Contributions	(2,990,408)	(2,628,633)
Administrative Expenses	(258,434)	-
Other Changes in Fiduciary Net Position	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>\$ 3,510,214</b>	<b>\$ 7,404,266</b>
Plan Fiduciary Net Position - Beginning	\$ 34,727,778	\$ 27,323,592
Plan Fiduciary Net Position - Ending (b)	38,237,992	34,727,858
<b>Plan Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<b>\$ 31,063,921</b>	<b>\$ 31,144,572</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>55.18%</b>	<b>52.72%</b>
Covered - Employee Payroll	\$ 34,838,650	\$ 33,451,518
<b>Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll</b>	<b>89.17%</b>	<b>93.10%</b>

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Net of administrative expenses.

**Notes to Schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.

**City of Redding**  
**Required Supplementary Information**  
**Schedules of Public Agency Retirement Services Retirement Enhancement Plan Contributions All Tiers**  
**For the Year Ended June 30, 2016**

**Public Agency Retirement System - Miscellaneous Plan (PARS) All Tiers<sup>1</sup>**

	2015	2014
Actuarially Determined Contribution <sup>2</sup>	\$ 5,760,375	\$ 6,042,892
Contributions in Relations to the Actuarially Determined Contribution <sup>2</sup>	(5,760,375)	(6,042,892)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3</sup>	\$ 34,838,650	\$ 33,451,518
Contributions as a Percentage of Covered-Employee Payroll <sup>3</sup>	16.53%	18.06%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for the covered-employees, the employer should display in the disclosure footnotes the payroll passed on total earnings for the covered group and recalculate the required payroll-related ratios.

**Notes to Schedule:**

The following actuarial methods and assumptions were used in the January 1, 2014 funding valuation. Please see the valuation report dated April 23, 2015 for further details

Valuation Timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level dollar, closed, amortization period at 1/1/2014 was 11 years
Asset Valuation Method	None
Inflation	3.00%
Salary Increases	Varies by Years of Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses
Cost of Living Adjustments	2.00%
Withdrawal	Consistent with Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plan
Mortality	Pre-Retirement/Post-Retirement: CalPERS 1997-2011 Healthy Retiree Tables (sex distinct) projected using Scale AA and base year of 2008.
Disability	None assumed.

**City of Redding**  
**Required Supplementary Information**  
**Schedule of Funding Progress – Healthcare Plan**  
**For the Year Ended June 30, 2016**

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**Municipal Retired Employees Healthcare Plan**  
*Miscellaneous, Safety and Elected Officials Healthcare Plan:*

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/11	\$ 65,000	\$ 121,227,000	\$ 121,162,000	0.00%	\$ 50,335,000	241%
1/1/13	\$ 56,000	\$ 107,262,000	\$ 107,206,000	0.00%	\$ 50,410,000	213%
1/1/15	\$ 51,000	\$ 102,631,000	\$ 102,580,000	0.00%	\$ 52,651,000	195%

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# **SUPPLEMENTARY INFORMATION**

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# NONMAJOR GOVERNMENTAL FUNDS

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## **SPECIAL REVENUE FUNDS:**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

### **Parking Fund**

This fund was established to account for the receipts of parking-related revenues and expenditures.

### **Street Maintenance Fund**

This fund was established to account for the construction and maintenance of the street system of the City. Financing is provided by the State and is restricted to street expenditures.

### **Community Development Fund**

This fund was established to account for financing and rehabilitation of homes and government structures. Financing is provided by Federal Housing and Urban Development.

### **Housing Fund**

This fund was established to account for subsidies received on behalf of low to moderate income families. Financing is provided by Federal Housing and Urban Development and a portion of tax increment revenue from redevelopment project area property.

### **General Special Revenue**

This fund was established to account for receipts and disbursements of special revenues required to be segregated from the General Fund revenues.

### **Landscape Maintenance Districts**

This fund was established to account for the activities of landscape maintenance assessment districts. The landscape districts collect assessments to pay for landscape maintenance in the assessment area.

### **Library Fund**

This fund was established to account for the activities of the public library.

### **Asset Seizure Fund**

This fund was established to account for the activities involved with asset seizures.

## **DEBT SERVICE FUND**

The debt service fund is used to account for the payment of interest and principal on general debt of the City.

### **1915 Act Assessment Districts**

Established to accumulate monies for payment of 1915 Act Special Assessment bonds when the government is obligated in some manner.

**City of Redding**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2016**

	Special Revenue				General Special Revenue
	Parking	Street Maintenance	Community Development	Housing	
<b>ASSETS</b>					
Cash and investments	\$ 80,890	\$ 3,467,606	\$ 1,618,582	\$ 1,628,836	\$ -
Interest receivable, unrestricted	392	3,810	2,149,492	1,598,744	-
Accounts receivable, net	-	-	40	80,497	-
Intergovernmental receivable	170,524	99,341	17,019	724,149	-
Taxes receivable	-	-	-	235,881	-
Other receivable	-	-	19,578	2,161	-
Restricted cash and investments	-	-	-	112,965	-
Restricted interest receivable	-	-	-	21	-
Prepaid items	269	-	20,521	-	-
Special assessments receivable	-	-	-	-	-
Notes receivable	-	-	22,689,093	14,237,502	-
<b>Total assets</b>	<u>\$ 252,075</u>	<u>\$ 3,570,757</u>	<u>\$ 26,514,325</u>	<u>\$ 18,620,756</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 407	\$ -	\$ 15,042	\$ 2,380	\$ -
Accrued liabilities	1,951	-	15,642	26,789	-
Intergovernmental payable	143	-	20,477	-	-
Due to other funds	-	-	-	92,842	-
Accounts payable from restricted assets	-	-	-	9,102	-
Unearned revenue	-	-	270,901	129,953	-
Deposits	-	-	-	93,066	-
Advances from other funds	556,478	-	-	-	-
<b>Total liabilities</b>	<u>558,979</u>	<u>-</u>	<u>322,062</u>	<u>354,132</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	387	-	2,306,703	2,722,139	-
<b>Total Deferred Inflows of Resources:</b>	<u>387</u>	<u>-</u>	<u>2,306,703</u>	<u>2,722,139</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	20,521	-	-
Restricted	-	3,570,757	23,865,039	15,544,485	-
Unassigned	(307,291)	-	-	-	-
<b>Total fund balances</b>	<u>(307,291)</u>	<u>3,570,757</u>	<u>23,885,560</u>	<u>15,544,485</u>	<u>-</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 252,075</u>	<u>\$ 3,570,757</u>	<u>\$ 26,514,325</u>	<u>\$ 18,620,756</u>	<u>\$ -</u>

**City of Redding**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2016**

	Special Revenue		Debt Service		Total Non-Major Governmental Funds
	Landscape Maintenance District	Library	Asset Seizure Fund	1915 Act Assessment District Bonds	
<b>ASSETS</b>					
Cash and investments	\$ 327,119	\$ 1,252,536	\$ 350,452	\$ 150,584	\$ 8,876,605
Interest receivable, unrestricted	839	2,972	792	223	3,757,264
Accounts receivable, net	3,201	37	-	-	83,775
Intergovernmental receivable	-	-	-	-	1,011,033
Taxes receivable	-	-	-	-	235,881
Other receivable	-	-	-	-	21,739
Restricted cash and investments	-	-	-	2,690	115,655
Restricted interest receivable	-	-	-	-	21
Prepaid items	-	-	-	-	20,790
Special assessments receivable	5,250	-	-	656,113	661,363
Notes receivable	-	-	-	-	36,926,595
<b>Total assets</b>	<b>\$ 336,409</b>	<b>\$ 1,255,545</b>	<b>\$ 351,244</b>	<b>\$ 809,610</b>	<b>\$ 51,710,721</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 148	\$ 36,771	\$ -	\$ 1,702	\$ 56,450
Accrued liabilities	6,767	834	-	-	51,983
Intergovernmental payable	-	123	-	-	20,743
Due to other funds	-	-	-	-	92,842
Accounts payable from restricted assets	-	-	-	-	9,102
Unearned revenue	-	89,935	-	-	490,789
Deposits	-	-	-	-	93,066
Advances from other funds	-	-	-	-	556,478
<b>Total liabilities</b>	<b>6,915</b>	<b>127,663</b>	<b>-</b>	<b>1,702</b>	<b>1,371,453</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	2,584	-	-	656,113	5,687,926
<b>Total Deferred Inflows of Resources:</b>	<b>2,584</b>	<b>-</b>	<b>-</b>	<b>656,113</b>	<b>5,687,926</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	20,521
Restricted	326,910	1,127,882	351,244	151,795	44,938,112
Unassigned	-	-	-	-	(307,291)
<b>Total fund balances</b>	<b>326,910</b>	<b>1,127,882</b>	<b>351,244</b>	<b>151,795</b>	<b>44,651,342</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 336,409</b>	<b>\$ 1,255,545</b>	<b>\$ 351,244</b>	<b>\$ 809,610</b>	<b>\$ 51,710,721</b>

**City of Redding**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue				General Special Revenue
	Parking	Street Maintenance	Community Development	Housing	
<b>REVENUES:</b>					
Sales tax revenue	\$ -	\$ -	\$ -	\$ -	\$ 272,517
Special assessments	-	-	-	-	-
Licenses, fees and permits	29,429	-	-	-	-
Intergovernmental revenues	-	4,865,169	1,935,521	8,514,330	-
Charges for services	-	-	-	38,186	-
Fines, forfeitures and penalties	16,895	-	-	-	-
Interest revenue	2,481	48,863	159,826	55,442	-
Other revenues	-	-	1,828	28,546	-
<b>Total revenues</b>	<b>48,805</b>	<b>4,914,032</b>	<b>2,097,175</b>	<b>8,636,504</b>	<b>272,517</b>
<b>EXPENDITURES:</b>					
Current:					
Community development	-	-	1,102,771	8,730,287	-
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	80,929	-	-	-	-
Recreation and culture	-	-	-	-	-
Capital outlay	-	-	125,514	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	878	-	-
<b>Total expenditures</b>	<b>80,929</b>	<b>-</b>	<b>1,229,163</b>	<b>8,730,287</b>	<b>-</b>
<b>REVENUE OVER (UNDER) EXPENDITURE</b>	<b>(32,124)</b>	<b>4,914,032</b>	<b>868,012</b>	<b>(93,783)</b>	<b>272,517</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	(5,026,581)	-	-	(272,517)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(5,026,581)</b>	<b>-</b>	<b>-</b>	<b>(272,517)</b>
<b>Net change in fund balances</b>	<b>(32,124)</b>	<b>(112,549)</b>	<b>868,012</b>	<b>(93,783)</b>	<b>-</b>
<b>FUND BALANCES:</b>					
Beginning of year	(275,167)	3,683,306	23,017,548	15,638,268	-
End of year	<u>\$ (307,291)</u>	<u>\$ 3,570,757</u>	<u>\$ 23,885,560</u>	<u>\$ 15,544,485</u>	<u>\$ -</u>

**City of Redding**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue			Debt Service	
	Landscape Maintenance District	Library	Asset Seizure Fund	Assessment District Bonds	Non-Major Governmental Funds
<b>REVENUES:</b>					
Sales tax revenue	\$ -	\$ -	\$ -	\$ -	\$ 272,517
Special assessments	301,439	-	-	-	301,439
Licenses, fees and permits	-	-	-	34,976	64,405
Intergovernmental revenues	-	14,889	-	-	15,329,909
Charges for services	-	1,296,506	-	-	1,334,692
Fines, forfeitures and penalties	544	91,385	-	-	108,824
Interest revenue	6,253	18,579	6,581	1,553	299,578
Other revenues	-	8,278	114,001	-	152,653
<b>Total revenues</b>	<b>308,236</b>	<b>1,429,637</b>	<b>120,582</b>	<b>36,529</b>	<b>17,864,017</b>
<b>EXPENDITURES:</b>					
Current:					
Community development	-	-	-	-	9,833,058
General government	-	-	-	5,616	5,616
Public safety	-	-	64,915	-	64,915
Public works	490,565	-	-	-	571,494
Recreation and culture	-	2,178,544	-	-	2,178,544
Capital outlay	-	11,175	-	-	136,689
Debt service:					
Principal retirement	-	-	-	32,000	32,000
Interest and fiscal charges	-	-	-	3,459	4,337
<b>Total expenditures</b>	<b>490,565</b>	<b>2,189,719</b>	<b>64,915</b>	<b>41,075</b>	<b>12,826,653</b>
<b>REVENUE OVER (UNDER) EXPENDITURE</b>	<b>(182,329)</b>	<b>(760,082)</b>	<b>55,667</b>	<b>(4,546)</b>	<b>5,037,364</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	803,030	-	-	803,030
Transfers out	-	-	-	-	(5,299,098)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>803,030</b>	<b>-</b>	<b>-</b>	<b>(4,496,068)</b>
<b>Net change in fund balances</b>	<b>(182,329)</b>	<b>42,948</b>	<b>55,667</b>	<b>(4,546)</b>	<b>541,296</b>
<b>FUND BALANCES:</b>					
Beginning of year	509,239	1,084,934	295,577	156,341	44,110,046
End of year	\$ 326,910	\$ 1,127,882	\$ 351,244	\$ 151,795	\$ 44,651,342

**City of Redding**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Parking Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Licenses and permits	\$ 35,750	\$ 35,750	\$ 29,429	\$ (6,321)
Fines, forfeitures and penalties	20,000	20,000	16,853	(3,147)
Interest revenue	1,300	1,300	2,068	768
Other revenue	-	-	42	42
<b>Total revenues</b>	<u>57,050</u>	<u>57,050</u>	<u>48,392</u>	<u>(8,658)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	103,670	104,060	81,178	22,882
<b>Total expenditures</b>	<u>103,670</u>	<u>104,060</u>	<u>81,178</u>	<u>22,882</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(46,620)</u>	<u>(47,010)</u>	<u>(32,786)</u>	<u>(14,224)</u>
<b>Net change in fund balance</b>	<u>(46,620)</u>	<u>(47,010)</u>	<u>(32,786)</u>	<u>(14,224)</u>
<b>FUND BALANCE:</b>				
Beginning of year	<u>(275,167)</u>	<u>(275,167)</u>	<u>(275,167)</u>	<u>-</u>
End of year	<u>\$ (321,787)</u>	<u>\$ (322,177)</u>	<u>\$ (307,953)</u>	<u>\$ (14,224)</u>

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (307,291)
1. Financial statement only adjustment per GASB #31.	(413)
2. The City does not budget for accounts payable adjustments.	<u>(249)</u>
Budgetary Fund Balance	<u>\$ (307,953)</u>

**City of Redding**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Street Maintenance Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental revenue	\$ 4,135,020	\$ 4,528,510	\$ 6,092,761	\$ 1,564,251
Interest revenues	20,000	20,000	32,576	12,576
<b>Total revenues</b>	<u>4,155,020</u>	<u>4,548,510</u>	<u>6,125,337</u>	<u>1,576,827</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,155,020</u>	<u>4,548,510</u>	<u>6,125,337</u>	<u>1,576,827</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(5,896,890)	(6,290,380)	(5,026,581)	1,263,799
<b>Total other financing sources (uses)</b>	<u>(5,896,890)</u>	<u>(6,290,380)</u>	<u>(5,026,581)</u>	<u>1,263,799</u>
<b>Net change in fund balance</b>	(1,741,870)	(1,741,870)	1,098,756	2,840,626
<b>FUND BALANCE:</b>				
Beginning of year	3,683,306	3,683,306	3,683,306	-
End of year	<u>\$ 1,941,436</u>	<u>\$ 1,941,436</u>	<u>\$ 4,782,062</u>	<u>\$ 2,840,626</u>

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 3,570,757
1. Financial statement only adjustment per GASB #31.	(16,287)
2. The City budgets for grants and taxes on a cash basis.	<u>1,227,592</u>
Budgetary Fund Balance	<u>\$ 4,782,062</u>

**City of Redding**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Community Development Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 1,558,840	\$ 3,482,300	\$ 2,022,367	\$ (1,459,933)
Interest revenue	22,460	118,680	126,171	7,491
Use of money and property	331,140	638,240	618,853	(19,387)
Other revenues	-	13,250	13,290	40
<b>Total revenues</b>	<b>1,912,440</b>	<b>4,252,470</b>	<b>2,780,681</b>	<b>(1,471,789)</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	2,831,979	5,304,000	3,128,161	2,175,839
<b>Total expenditures</b>	<b>2,831,979</b>	<b>5,304,000</b>	<b>3,128,161</b>	<b>2,175,839</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(919,539)	(1,051,530)	(347,480)	704,050
<b>Net change in fund balance</b>	<b>(919,539)</b>	<b>(1,051,530)</b>	<b>(347,480)</b>	<b>704,050</b>
<b>FUND BALANCE:</b>				
Beginning of year	23,017,548	23,017,548	23,017,548	-
End of year	<u>\$ 22,098,009</u>	<u>\$ 21,966,018</u>	<u>\$ 22,670,068</u>	<u>\$ 704,050</u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis:				
Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances				\$ 23,885,560
1. Financial statement only adjustment per GASB #31.				(8,556)
2. The City does not budget for accounts payable and accrued liability adjustments.				(10,512)
3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.				(1,787,847)
4. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.				618,853
5. The City budgets for grants on a cash basis.				98,344
6. The City does not budget for benefit accruals.				96
7. The City budgets for interest income on notes receivable, trust fund assets and rolling stock cash on a cash basis.				(25,135)
8. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.				(94,603)
9. The City budgets for and records Assets Held for Sale made in the expenditure account, but adjusts the actual disbursement to Assets Held for Sale				(6,132)
Budgetary Fund Balance				<u>\$ 22,670,068</u>

**City of Redding**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Housing Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental revenue	\$ 8,524,410	\$ 8,589,560	\$ 8,693,022	\$ 103,462
Use of money and property	47,390	47,390	248,237	200,847
Interest	15,470	15,470	52,083	36,613
Taxes and special assessments	20,300	28,350	66,738	38,388
<b>Total revenues</b>	<u>8,607,570</u>	<u>8,680,770</u>	<u>9,060,080</u>	<u>379,310</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	8,949,221	8,785,920	8,626,296	159,624
<b>Total expenditures</b>	<u>8,949,221</u>	<u>8,785,920</u>	<u>8,626,296</u>	<u>159,624</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
<b>Net change in fund balance</b>	<u>(341,651)</u>	<u>(105,150)</u>	<u>433,784</u>	<u>(538,934)</u>
<b>FUND BALANCE:</b>				
Beginning of year	15,638,268	15,638,268	15,638,268	-
End of year	<u>\$ 15,296,617</u>	<u>\$ 15,533,118</u>	<u>\$ 16,072,052</u>	<u>\$ (538,934)</u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis:				
Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances			\$ 15,544,485	
1. Financial statement only adjustment per GASB #31.				(3,173)
2. The City does not budget for accounts payable or intergovernmental payable adjustments.				(7,565)
3. The City budgets for and records loans payments received in the revenue accounts, but adjusts the actual disbursement to loans receivable.				-
4. The City budgets for grants on a cash basis.				248,243
5. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.				48,739
6. The City budgets for interest income on notes receivable on a cash basis.				(20,821)
7. The City budgets for interest income on notes receivable, trust fund assets.				(94)
8. The City does not budget for interest accruals.				-
9. The City budgets for housing loans as expenditures, but adjusts the disbursements to loans receivable.				(92)
10. Vested retirement benefits are not included in actual expenditures budgetary basis, but are included in the Statement of Revenues, Expenditures, and Fund Balance.				94,191
11. The City does not budget for unearned revenue.				38,186
Budgetary Fund Balance			<u>\$ 16,072,052</u>	<u>129,953</u>

**City of Redding**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**General Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Sales tax	\$ 272,000	\$ 272,000	\$ 272,517	\$ 517
<b>Total revenues</b>	<u>272,000</u>	<u>272,000</u>	<u>272,517</u>	<u>517</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>272,000</u>	<u>272,000</u>	<u>272,517</u>	<u>517</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(272,000)	(272,000)	(272,517)	(517)
<b>Total other financing sources (uses)</b>	<u>(272,000)</u>	<u>(272,000)</u>	<u>(272,517)</u>	<u>(517)</u>
<b>FUND BALANCE:</b>				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Redding**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Library Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 20,040	\$ 57,799	\$ 37,759
Charges for services	1,299,140	1,299,140	1,296,504	(2,636)
Fines, forfeitures and penalties	102,260	102,260	91,385	(10,875)
Interest revenue	2,500	2,500	4,519	2,019
Other revenue	-	-	8,278	8,278
<b>Total revenues</b>	<b>1,403,900</b>	<b>1,423,940</b>	<b>1,458,485</b>	<b>34,545</b>
<b>EXPENDITURES:</b>				
Current:				
Recreation and culture	2,638,470	2,755,940	2,572,905	183,035
<b>Total expenditures</b>	<b>2,638,470</b>	<b>2,755,940</b>	<b>2,572,905</b>	<b>183,035</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,234,570)</b>	<b>(1,332,000)</b>	<b>(1,114,420)</b>	<b>(217,580)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	803,030	803,030	803,030	-
Transfers out	(50,000)	(50,000)	(50,000)	-
<b>Total other financing sources (uses)</b>	<b>753,030</b>	<b>753,030</b>	<b>753,030</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(481,540)</b>	<b>(578,970)</b>	<b>(361,390)</b>	<b>217,580</b>
<b>FUND BALANCE:</b>				
Beginning of year	1,084,934	1,084,934	1,084,934	-
End of year	<u>\$ 603,394</u>	<u>\$ 505,964</u>	<u>\$ 723,544</u>	<u>\$ 217,580</u>

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 1,127,882
1. Financial statement only adjustment per GASB #31.	(6,721)
2. The City does not budget for accounts payable adjustments.	(331,171)
3. The City budgets for grants on a cash basis.	42,910
4. The City does not budget for interest income, sale of property or rental income related to the equipment replacement fund. The City budgets only for the transfers in and out of the equipment replacement fund.	(57,341)
5. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.	(52,016)
<b>Budgetary Fund Balance</b>	<u><u>\$ 723,543</u></u>

**City of Redding**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**General Capital Projects Fund - Major Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental revenue	\$ -	\$ 32,301,680	\$ 13,144,024	\$ (19,157,656)
Use of money and property	-	-	-	-
Investment revenue	15,000	15,000	30,457	15,457
Other	1,527,990	3,651,340	5,171,429	1,520,089
<b>Total revenues</b>	<b>1,542,990</b>	<b>35,968,020</b>	<b>18,345,910</b>	<b>(17,622,110)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	110,870	2,231,270	147,670	2,083,600
Police	400,520	400,520	392,961	7,559
Public works	13,701,640	48,018,440	15,285,704	32,732,736
Recreation and culture	351,965	1,313,425	668,329	645,096
Debt Service:				
Principal retirement	1,014,880	1,014,880	1,014,875	5
Interest and fiscal charges	223,800	223,800	223,794	6
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<b>15,803,675</b>	<b>53,202,335</b>	<b>17,733,333</b>	<b>35,469,002</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(14,260,685)</b>	<b>(17,234,315)</b>	<b>612,577</b>	<b>17,846,892</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	-	-	-	-
Long-term debt issued	-	-	-	-
Bond discount	-	-	-	-
Transfers in	253,370	273,370	229,508	(43,862)
Transfers out	(285,960)	(285,960)	(325,456)	(39,496)
<b>Total other financing sources (uses)</b>	<b>(32,590)</b>	<b>(12,590)</b>	<b>(95,948)</b>	<b>(83,358)</b>
<b>Net change in fund balance</b>	<b>(14,293,275)</b>	<b>(17,246,905)</b>	<b>516,629</b>	<b>17,763,534</b>
<b>FUND BALANCE:</b>				
Beginning of year	3,482,961	3,482,961	3,482,961	-
End of year	<b>\$ (10,810,314)</b>	<b>\$ (13,763,944)</b>	<b>\$ 3,999,590</b>	<b>\$ 17,763,534</b>

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 8,299,366
1. Financial statement only adjustment per GASB #31.	(27,940)
2. The City does not budget for accounts payable adjustments.	(113,010)
3. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.	(2,918,496)
4. The City does not budget for the transfer of developer fees and interest on those fees to the related enterprise funds.	228,686
5. The City budgets for grants on a cash basis.	(1,450,787)
6. The City did not budget for revenue from the Agency Fund.	(18,229)
Budgetary Fund Balance	<b>\$ 3,999,590</b>

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# NON-MAJOR ENTERPRISE FUNDS

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Enterprise funds account for operations that are financed and operated in a manner similar to a private business enterprise. The intent of the governing body is that the cost of providing goods or services be financed primarily through user charges. An enterprise fund is also used when the governing body has decided that periodic determination of revenues earned and expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

## **Airport**

This fund was established to account for the operations of the City's airports.

## **Storm Drainage**

This fund was established to account for the operations of the City's storm drainage utility, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

## **Redding Area Bus Authority**

This fund was established to account for the operations of the Redding Area Bus Authority.

## **Convention Center**

This fund was established to account for the operations of the Convention Center.

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**City of Redding**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**June 30, 2016**

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 87,331	\$ 1,529,429	\$ 3,625,314	\$ 640,201	\$ 5,882,275
Accounts receivable	-	55,208	105,635	-	160,843
Interest receivable	72	9,289	5,332	1,616	16,309
Intergovernmental receivable	223,936	67,263	1,743,450	-	2,034,649
Prepaid items	12,653	8,450	-	10,375	31,478
Inventories	-	28,075	152,467	-	180,542
<b>Total current assets</b>	<b>323,992</b>	<b>1,697,714</b>	<b>5,632,198</b>	<b>652,192</b>	<b>8,306,096</b>
Non-current assets:					
Restricted assets:					
Cash and investments	-	2,903,717	-	-	2,903,717
<b>Total restricted assets</b>	<b>-</b>	<b>2,903,717</b>	<b>-</b>	<b>-</b>	<b>2,903,717</b>
Capital assets:					
Land	6,276,146	909,184	1,806,581	188,430	9,180,341
Construction in progress	645,345	-	155,673	-	801,018
Other capital assets, net	27,761,927	13,055,323	9,700,230	1,130,948	51,648,428
<b>Capital assets</b>	<b>34,683,418</b>	<b>13,964,507</b>	<b>11,662,484</b>	<b>1,319,378</b>	<b>61,629,787</b>
<b>Total non-current assets</b>	<b>34,683,418</b>	<b>16,868,224</b>	<b>11,662,484</b>	<b>1,319,378</b>	<b>64,533,504</b>
<b>Total assets</b>	<b>35,007,410</b>	<b>18,565,938</b>	<b>17,294,682</b>	<b>1,971,570</b>	<b>72,839,600</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred loss on refunding, net	49,493	-	-	21,772	71,265
Deferred outflows related to pensions	214,341	180,448	-	-	394,789
<b>Total deferred outflows</b>	<b>263,834</b>	<b>180,448</b>	<b>-</b>	<b>21,772</b>	<b>466,054</b>

(Continued)

**City of Redding**  
**Combining Statement of Net Position (Continued)**  
**Nonmajor Enterprise Funds**  
**June 30, 2016**

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
<b>LIABILITIES</b>					
Current liabilities (payable from current assets):					
Accounts payable	47,240	975	831,529	80,281	960,025
Accrued liabilities	26,942	14,166	7,205	-	48,313
Accrued interest payable	8,999	-	-	1,860	10,859
Intergovernmental payables	3,058	1,064	4,879	-	9,001
Due to other funds	-	-	183,309	-	183,309
Interfund payables	45,000	-	-	94,794	139,794
Unearned revenue	40,429	-	3,944,901	-	3,985,330
Deposits payable	77,525	-	3,895	-	81,420
Compensated absences, due within one year	15,575	22,926	-	-	38,501
Capital leases, due within one year	77,224	-	-	-	77,224
Long-term debt, due within one year	38,827	-	-	24,623	63,450
State loan, due within one year	72,059	-	-	-	72,059
Total current liabilities	<u>452,878</u>	<u>39,131</u>	<u>4,975,718</u>	<u>201,558</u>	<u>5,669,285</u>
Long-term liabilities:					
Compensated absences, due in more than one year	55,337	66,620	-	-	121,957
Advances from other funds	2,400,534	-	-	1,999,834	4,400,368
Accrued liabilities, due in more than one year	551,973	413,230	-	324,251	1,289,454
Capital leases, due in more than one year	1,278,743	-	-	-	1,278,743
Long-term debt, due in more than one year	307,334	-	-	194,906	502,240
State loan, due in more than one year	633,933	-	-	-	633,933
Aggregate net pension liability	1,051,543	916,183	-	-	1,967,726
Total long-term liabilities	<u>6,279,397</u>	<u>1,396,033</u>	<u>-</u>	<u>2,518,991</u>	<u>10,194,421</u>
<b>Total liabilities</b>	<u>6,732,275</u>	<u>1,435,164</u>	<u>4,975,718</u>	<u>2,720,549</u>	<u>15,863,706</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions	148,201	118,662	-	-	266,863
<b>Total Deferred Inflows</b>	<u>148,201</u>	<u>118,662</u>	<u>-</u>	<u>-</u>	<u>266,863</u>
<b>NET POSITION</b>					
Net investment in capital assets	31,732,935	13,964,507	11,662,484	462,698	57,822,624
Restricted for capital projects	-	3,079,759	-	-	3,079,759
Unrestricted	(3,342,167)	148,294	656,480	(1,189,905)	(3,727,298)
<b>Total net position</b>	<u>\$ 28,390,768</u>	<u>\$ 17,192,560</u>	<u>\$ 12,318,964</u>	<u>\$ (727,207)</u>	<u>\$ 57,175,085</u>

(Concluded)

**City of Redding**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2016**

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
<b>OPERATING REVENUES:</b>					
User Fees and Charges	\$ 113,430	\$ 1,216,568	\$ 1,310,862	\$ -	\$ 2,640,860
Rental fees	1,326,646	-	-	255,000	1,581,646
Other operating revenue	576,009	3,610	-	197	579,816
<b>Total operating revenues</b>	<b>2,016,085</b>	<b>1,220,178</b>	<b>1,310,862</b>	<b>255,197</b>	<b>4,802,322</b>
<b>OPERATING EXPENSES:</b>					
Cost of power, water, and transportation	-	-	3,503,399	-	3,503,399
Maintenance, operations, and administration	1,954,870	1,134,669	1,889,600	1,101,680	6,080,819
Depreciation and amortization	1,268,685	848,434	1,132,127	75,696	3,324,942
<b>Total operating expenses</b>	<b>3,223,555</b>	<b>1,983,103</b>	<b>6,525,126</b>	<b>1,177,376</b>	<b>12,909,160</b>
<b>Operating income (loss)</b>	<b>(1,207,470)</b>	<b>(762,925)</b>	<b>(5,214,264)</b>	<b>(922,179)</b>	<b>(8,106,838)</b>
<b>NONOPERATING REVENUE (EXPENSES):</b>					
Interest revenue	692	62,914	3,546	10,319	77,471
Interest expense	(141,130)	-	(1,654)	(11,836)	(154,620)
Intergovernmental revenues	161,169	67,263	4,061,448	-	4,289,880
Gain (loss) on disposal of assets	(6,206)	(73,844)	(22,522)	-	(102,572)
Other non-operating revenues (expenses)	498,216	206,616	18,000	(61,570)	661,262
<b>Total nonoperating revenues (expenses)</b>	<b>512,741</b>	<b>262,949</b>	<b>4,058,818</b>	<b>(63,087)</b>	<b>4,771,421</b>
<b>Income (loss) before operating transfers and capital contributions</b>	<b>(694,729)</b>	<b>(499,976)</b>	<b>(1,155,446)</b>	<b>(985,266)</b>	<b>(3,335,417)</b>
Capital contributions	1,038,592	385,475	963,667		2,387,734
Transfers in	-	604,007	-	1,620,975	2,224,982
Transfers out	(175,000)	-	-	-	(175,000)
<b>Change in net position</b>	<b>168,863</b>	<b>489,506</b>	<b>(191,779)</b>	<b>635,709</b>	<b>1,102,299</b>
<b>NET POSITION:</b>					
Beginning of year	28,221,905	16,703,054	12,510,743	(1,362,916)	56,072,786
End of year	<u>\$ 28,390,768</u>	<u>\$ 17,192,560</u>	<u>\$ 12,318,964</u>	<u>\$ (727,207)</u>	<u>\$ 57,175,085</u>

**City of Redding**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2016**

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 2,119,966	\$ 1,204,246	\$ 1,231,391	255,197	\$ 4,810,800
Cash paid to suppliers	(1,158,307)	(544,230)	(5,391,820)	(1,058,384)	(8,152,741)
Cash paid to employees	(770,226)	(565,923)	-	(52,150)	(1,388,299)
Other operating revenue	372,100	3,610	-	-	375,710
<b>Net cash provided (used) by operating activities</b>	<b>563,533</b>	<b>97,703</b>	<b>(4,160,429)</b>	<b>(855,337)</b>	<b>(4,354,530)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Intergovernmental revenue received	214,966	-	6,789,742	-	7,004,708
Advances from other funds	6,723	-	183,309	-	190,032
Repayment of advances to other funds	(875,670)	-	(108,944)	(212,430)	(1,197,044)
Transfers in	-	-	-	1,620,975	1,620,975
Transfers out	(175,000)	-	-	-	(175,000)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(828,981)</b>	<b>-</b>	<b>6,864,107</b>	<b>1,408,545</b>	<b>7,443,671</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Capital grants received	2,238,413	-	92,618	-	2,331,031
Proceeds from sale of assets	-	4,399	24,051	-	28,450
Purchases of capital assets	(1,353,971)	-	(966,418)	(265,420)	(2,585,809)
Interest paid	(133,891)	-	(1,685)	(7,825)	(143,401)
Principal paid on long-term debt	(106,919)	-	-	(24,225)	(131,144)
Principal paid on capital leases	(417,637)	-	-	-	(417,637)
Cash collected for future capital outlay	126,116	203,586	-	-	329,702
<b>Net cash provided (used) by capital and related financing activities</b>	<b>352,111</b>	<b>207,985</b>	<b>(851,434)</b>	<b>(297,470)</b>	<b>(588,808)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment revenue received	668	63,501	-	8,768	72,937
Rents received	-	-	18,000	-	18,000
<b>Net cash provided (used) by investing activities</b>	<b>668</b>	<b>63,501</b>	<b>18,000</b>	<b>8,768</b>	<b>90,937</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>87,331</b>	<b>369,189</b>	<b>1,870,244</b>	<b>264,506</b>	<b>2,591,270</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	-	4,063,957	1,755,070	375,695	6,194,722
End of year	<u>\$ 87,331</u>	<u>\$ 4,433,146</u>	<u>\$ 3,625,314</u>	<u>\$ 640,201</u>	<u>\$ 8,785,992</u>
<b>Reconciliation to statement of net position</b>					
Cash and cash equivalents	\$ 87,331	\$ 1,529,429	\$ 3,625,314	\$ 640,201	\$ 5,882,275
Restricted cash and cash equivalents	-	2,903,717	-	-	2,903,717
	<u>\$ 87,331</u>	<u>\$ 4,433,146</u>	<u>\$ 3,625,314</u>	<u>\$ 640,201</u>	<u>\$ 8,785,992</u>

*(Continued)*

**City of Redding**  
**Combining Statement of Cash Flows (Continued)**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2016**

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (1,207,470)	\$ (762,925)	\$ (5,214,264)	\$ (922,179)	\$ (8,106,838)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Other non-operating revenue and expense	372,100	-	-	-	372,100
Depreciation and amortization	1,268,685	848,434	1,132,127	75,696	3,324,942
Pension expense	(18,646)	(16,640)	-	-	(35,286)
Accounts receivable	94,925	(12,322)	(79,470)	-	3,133
Inventories	-	(974)	(2,942)	-	(3,916)
Prepaid items	(1,850)	(577)	-	(5,396)	(7,823)
Accounts payable	(19,945)	(7,751)	458,693	(3,233)	427,764
Accrued liabilities	6,519	(2,738)	(7,918)	-	(4,137)
Deposits payable	8,956	-	-	-	8,956
Intergovernmental payable	3,058	1,064	(446,655)	(225)	(442,758)
Unearned revenue	(6,705)	-	-	-	(6,705)
Accrued compensated absences	14,140	13,434	-	-	27,574
Accrued liabilities long-term	49,766	38,698	-	-	88,464
<b>Net cash provided (used) by operating activities</b>	<b>\$ 563,533</b>	<b>\$ 97,703</b>	<b>\$ (4,160,429)</b>	<b>\$ (855,337)</b>	<b>\$ (4,354,530)</b>
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Plant contributed from developers	\$ -	\$ 307,475	\$ -	\$ -	\$ 307,475
Transfer of capital assets	-	682,007	-	61,570	743,577
<b>Total non-cash capital and related financing activities</b>	<b>\$ -</b>	<b>\$ 989,482</b>	<b>\$ -</b>	<b>\$ 61,570</b>	<b>\$ 1,051,052</b>
					<i>(Concluded)</i>

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# INTERNAL SERVICE FUNDS

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Internal service funds are used to finance and account for special activities and services performed by a designated department to other departments within the same governmental unit on a cost reimbursement basis.

## **Equipment Fund**

This fund was established to account for all motorized and communications equipment utilization by City departments.

## **Information Systems Fund**

This fund was established to account for the data processing activities utilized by all City departments.

## **General Support Services Fund**

This fund was established to account for general support services utilized by all City departments.

## **Risk Management Fund**

This fund was established to account for the self-insurance activities of the City.

## **Municipal Utilities Support Fund**

This fund was established to provide management and electrical technician support to the Utilities and Street Maintenance.

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**City of Redding**  
**Combining Statement of Net Position**  
**All Internal Service Funds**  
**June 30, 2016**

	Equipment	Information Systems	General Support Services
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 300,471	\$ 1,064,541	\$ 796,094
Interest receivable	751	2,232	1,645
Accounts receivable, net	757	-	2,166
Prepaid items	30,188	23,366	26,806
Intergovernmental receivable	-	-	-
Inventories	176,601	-	-
Interfund receivable	-	-	-
Total current assets	<u>508,768</u>	<u>1,090,139</u>	<u>826,711</u>
Non-current assets:			
Capital assets:			
Nondepreciable	-	-	110,810
Depreciable, net	4,755,441	595,689	171,187
Capital assets, net	<u>4,755,441</u>	<u>595,689</u>	<u>281,997</u>
Other assets:			
Advances to other funds	-	-	-
Total other assets	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current assets	<u>4,755,441</u>	<u>595,689</u>	<u>281,997</u>
<b>Total assets</b>	<u>5,264,209</u>	<u>1,685,828</u>	<u>1,108,708</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>556,312</u>	<u>709,491</u>	<u>568,470</u>
<b>Total Deferred Outflows</b>	<u>556,312</u>	<u>709,491</u>	<u>568,470</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	34,955	8,542	69,091
Intergovernmental payable	61,520	-	21,541
Accrued liabilities	-	50,243	69,796
Claims and judgements payable	-	-	-
Unearned revenue	-	169	-
Deposits	-	-	12
Compensated absences - current	80,409	39,323	49,035
Total current liabilities	<u>176,884</u>	<u>98,277</u>	<u>209,475</u>
Long-term liabilities:			
Advances from other funds	-	377,503	-
Compensated absences	175,124	85,995	125,696
Accrued liabilities	1,180,860	1,375,001	1,222,269
Claims and judgements	-	-	-
Aggregate net pension liability	2,837,974	4,052,885	2,949,563
Total long-term liabilities	<u>4,193,958</u>	<u>5,891,384</u>	<u>4,297,528</u>
<b>Total liabilities</b>	<u>4,370,842</u>	<u>5,989,661</u>	<u>4,507,003</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>373,982</u>	<u>540,983</u>	<u>387,532</u>
<b>Total Deferred Inflows</b>	<u>373,982</u>	<u>540,983</u>	<u>387,532</u>
<b>NET POSITION</b>			
Investment in capital assets	4,755,441	595,689	281,997
Unrestricted	<u>(3,679,744)</u>	<u>(4,731,014)</u>	<u>(3,499,354)</u>
<b>Total net position</b>	<u>\$ 1,075,697</u>	<u>\$ (4,135,325)</u>	<u>\$ (3,217,357)</u>

**City of Redding**  
**Combining Statement of Net Position (Continued)**  
**All Internal Service Funds**  
**June 30, 2016**

	Risk Management	Municipal Utilities Support	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 12,331,271	\$ 901,089	\$ 15,393,466
Interest receivable	25,962	1,825	32,415
Accounts receivable, net	40,659	-	43,582
Prepaid items	363,792	25,772	469,924
Intergovernmental receivable	545,008	-	545,008
Inventories	-	-	176,601
Interfund receivable	94,794	-	94,794
<b>Total current assets</b>	<b>13,401,486</b>	<b>928,686</b>	<b>16,755,790</b>
Non-current assets:			
Capital assets:			
Nondepreciable	-	-	110,810
Depreciable, net	-	41,749	5,564,066
<b>Capital assets, net</b>	<b>-</b>	<b>41,749</b>	<b>5,674,876</b>
Other assets:			
Advances to other funds	4,104,919	-	4,104,919
<b>Total other assets</b>	<b>4,104,919</b>	<b>-</b>	<b>4,104,919</b>
<b>Total non-current assets</b>	<b>4,104,919</b>	<b>41,749</b>	<b>9,779,795</b>
<b>Total assets</b>	<b>17,506,405</b>	<b>970,435</b>	<b>26,535,585</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	285,272	928,570	3,048,115
<b>Total Deferred Outflows</b>	<b>285,272</b>	<b>928,570</b>	<b>3,048,115</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	176,382	1,408	290,378
Intergovernmental payable	3,082	67	86,210
Accrued liabilities	60,826	87,407	268,272
Claims and judgements payable	3,925,474	-	3,925,474
Unearned revenue	-	-	169
Deposits	-	-	12
Compensated absences - current	28,715	108,314	305,796
<b>Total current liabilities</b>	<b>4,194,479</b>	<b>197,196</b>	<b>4,876,311</b>
Long-term liabilities:			
Advances from other funds	-	-	377,503
Compensated absences	89,605	333,752	810,172
Accrued liabilities	593,610	1,708,526	6,080,266
Claims and judgements	13,293,756	-	13,293,756
Aggregate net pension liability	1,659,460	4,703,831	16,203,713
<b>Total long-term liabilities</b>	<b>15,636,431</b>	<b>6,746,109</b>	<b>36,765,410</b>
<b>Total liabilities</b>	<b>19,830,910</b>	<b>6,943,305</b>	<b>41,641,721</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	216,531	611,245	2,130,273
<b>Total Deferred Inflows</b>	<b>216,531</b>	<b>611,245</b>	<b>2,130,273</b>
<b>NET POSITION</b>			
Investment in capital assets	-	41,749	5,674,876
Unrestricted	(2,255,764)	(5,697,294)	(19,863,170)
<b>Total net position</b>	<b>\$ (2,255,764)</b>	<b>\$ (5,655,545)</b>	<b>\$ (14,188,294)</b>

**City of Redding**  
**Combining Statement of Activities and Changes in Net Position**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
<b>OPERATING REVENUES:</b>						
User fees and charges	\$ 3,621,243	\$ 2,821,185	\$ 4,725,249	\$ 48,874,240	\$ 3,153,790	\$ 63,195,707
Other operating revenue	7,493	878	1,215	6,454	-	16,040
<b>Total operating revenues</b>	<b>3,628,736</b>	<b>2,822,063</b>	<b>4,726,464</b>	<b>48,880,694</b>	<b>3,153,790</b>	<b>63,211,747</b>
<b>OPERATING EXPENSES:</b>						
Maintenance, operations, and administration	3,621,382	2,470,354	4,610,774	50,994,038	3,264,244	64,960,792
Depreciation and amortization	744,287	185,219	28,679	-	12,111	970,296
<b>Total operating expenses</b>	<b>4,365,669</b>	<b>2,655,573</b>	<b>4,639,453</b>	<b>50,994,038</b>	<b>3,276,355</b>	<b>65,931,088</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(736,933)</b>	<b>166,490</b>	<b>87,011</b>	<b>(2,113,344)</b>	<b>(122,565)</b>	<b>(2,719,341)</b>
<b>NONOPERATING REVENUE (EXPENSES):</b>						
Interest revenue	4,255	14,889	11,239	183,474	13,285	227,142
Gain on disposal of capital assets	1,735	(4)	7,544	-	6,800	16,075
Other non-operating revenues(exp)	-	-	-	540	-	540
<b>Total nonoperating expenses</b>	<b>5,990</b>	<b>14,885</b>	<b>18,783</b>	<b>184,014</b>	<b>20,085</b>	<b>243,757</b>
<b>Income (loss) before transfers and contributions</b>	<b>(730,943)</b>	<b>181,375</b>	<b>105,794</b>	<b>(1,929,330)</b>	<b>(102,480)</b>	<b>(2,475,584)</b>
Capital contributions	602,383	-	-	-	-	602,383
Transfers in	6,276	-	-	-	-	6,276
Transfers out	-	-	-	(99,107)	-	(99,107)
<b>Change in net position</b>	<b>(122,284)</b>	<b>181,375</b>	<b>105,794</b>	<b>(2,028,437)</b>	<b>(102,480)</b>	<b>(1,966,032)</b>
<b>NET POSITION:</b>						
Beginning of year	1,197,981	(4,316,700)	(3,323,151)	(227,327)	(5,553,065)	(12,222,262)
End of year	<b>\$ 1,075,697</b>	<b>\$ (4,135,325)</b>	<b>\$ (3,217,357)</b>	<b>\$ (2,255,764)</b>	<b>\$ (5,655,545)</b>	<b>\$ (14,188,294)</b>

**City of Redding**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from other funds	\$ 3,628,071	\$ 2,819,946	\$ 4,726,079	\$ 48,877,017	\$ 3,153,790	\$ 63,204,903
Cash paid to suppliers	(1,780,128)	(714,735)	(3,019,272)	(48,704,524)	(614,863)	(54,833,522)
Cash paid to employees	(1,728,504)	(1,819,371)	(1,601,295)	(754,560)	(2,557,490)	(8,461,220)
Other income received	-	-	-	-	-	-
<b>Net cash provided (used) by operating activities</b>	<b>119,439</b>	<b>285,840</b>	<b>105,512</b>	<b>(582,067)</b>	<b>(18,563)</b>	<b>(89,839)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Repayment of advances from other funds	-	-	-	488,731	-	488,731
Repayment of advances to other funds	-	(159,858)	-	87,306	-	(72,552)
Intergovernmental revenue received	-	-	-	(2,793)	-	(2,793)
Transfers out	-	-	-	(99,107)	-	(99,107)
Property damage claim	-	-	-	540	-	540
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>(159,858)</b>	<b>-</b>	<b>474,677</b>	<b>-</b>	<b>314,819</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from sale of assets	1,967	-	7,975	-	6,800	16,742
Purchase of capital assets	-	(148,037)	(115,849)	-	-	(263,886)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>1,967</b>	<b>(148,037)</b>	<b>(107,874)</b>	<b>-</b>	<b>6,800</b>	<b>(247,144)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment revenue received	3,721	14,426	11,085	178,288	12,937	220,457
<b>Net cash provided (used) by investing activities</b>	<b>3,721</b>	<b>14,426</b>	<b>11,085</b>	<b>178,288</b>	<b>12,937</b>	<b>220,457</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>125,127</b>	<b>(7,629)</b>	<b>8,723</b>	<b>70,898</b>	<b>1,174</b>	<b>198,293</b>
<b>CASH AND CASH EQUIVALENTS:</b>						
Beginning of year	175,344	1,072,170	787,371	12,260,373	899,915	15,195,173
End of year	<u>\$ 300,471</u>	<u>\$ 1,064,541</u>	<u>\$ 796,094</u>	<u>\$ 12,331,271</u>	<u>\$ 901,089</u>	<u>\$ 15,393,466</u>

(Continued)

**City of Redding**  
**Combining Statement of Cash Flows (Continued)**  
**Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
<b>CASH FLOWS FROM</b>						
<b>OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ (736,933)	\$ 166,490	\$ 87,011	\$ (2,113,344)	\$ (122,565)	\$ (2,719,341)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	744,287	185,219	28,679	-	12,111	970,296
Pension expense	(48,931)	(55,711)	(49,662)	(21,872)	(86,656)	(262,832)
(Increase) decrease in accounts receivable	(665)	-	(384)	(3,677)	-	(4,726)
(Increase) decrease in inventories	(18,926)	-	-	-	-	(18,926)
(Increase) decrease in prepaid items	(2,085)	514	(646)	(31,593)	2,465	(31,345)
Increase (decrease) in accounts payable	13,414	(28,052)	(96,783)	127,379	(2,981)	12,977
Increase (decrease) in accrued liabilities	20,131	7,270	12,284	5,738	24,216	69,639
Increase (decrease) in claims and judgements payable	-	-	-	(71,211)	-	(71,211)
Increase (decrease) in deposits	-	-	(1)	-	-	(1)
Increase (decrease) in intergovernmental payable	-	-	228	3,082	67	3,377
Increase (decrease) in unearned revenue	-	(2,117)	-	-	-	(2,117)
Increase (decrease) in accrued compensated absences	25,784	(108,849)	15,648	(55,200)	(17,786)	(140,403)
Increase (decrease) in claims and judgements long-term	-	-	-	1,530,951	-	1,530,951
Increase (decrease) in accrued liabilities long-term	123,363	121,076	109,138	47,680	172,566	573,823
<b>Total adjustments</b>	<b>856,372</b>	<b>119,350</b>	<b>18,501</b>	<b>1,531,277</b>	<b>104,002</b>	<b>2,629,502</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 119,439</b>	<b>\$ 285,840</b>	<b>\$ 105,512</b>	<b>\$ (582,067)</b>	<b>\$ (18,563)</b>	<b>\$ (89,839)</b>
<b>Schedule of noncash capital activities:</b>						
Equipment contributed from customer	\$ 602,383	\$ -	\$ -	\$ -	\$ -	\$ 602,383
Transfer of capital assets	6,276	-	-	-	-	6,276
<b>Total non-cash capital and related financing activities</b>	<b>\$ 608,659</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 608,659</b>

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# AGENCY FUNDS

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Agency Funds are used to account for assets held by a government unit as an agent for individuals, governmental entities (other than the City) and non-public organizations.

## **Special Deposits**

This fund was established to account for deposits and collect monies for various community events, which are remitted to the organizers.

## **IPSS Fund**

This fund collects and disburses payments for a joint powers authority (JPA) between the Cities of Redding, Anderson, and Shasta County. The JPA is responsible for integrating public safety records between the entities.

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**City of Redding**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b><u>Special Deposits</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 1,411,305	\$ 8,505,806	\$ 8,730,521	\$ 1,186,590
Accounts receivable	3,134	5,156,628	5,159,762	-
Interest receivable	7,913	1,144	-	9,057
<b>Total assets</b>	<b>\$ 1,422,352</b>	<b>\$ 13,663,578</b>	<b>\$ 13,890,283</b>	<b>\$ 1,195,647</b>
<b>Liabilities:</b>				
Deposits	\$ 1,422,352	\$ 13,663,578	\$ 13,890,283	\$ 1,195,647
<b>Total liabilities</b>	<b>\$ 1,422,352</b>	<b>\$ 13,663,578</b>	<b>\$ 13,890,283</b>	<b>\$ 1,195,647</b>
<b><u>IPSS</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 86,724	\$ 578	\$ 65	\$ 87,237
Interest receivable	65	17	-	82
<b>Total assets</b>	<b>\$ 86,789</b>	<b>\$ 595</b>	<b>\$ 65</b>	<b>\$ 87,319</b>
<b>Liabilities:</b>				
Deposits	\$ 86,789	\$ 595	\$ 65	\$ 87,319
<b>Total liabilities</b>	<b>\$ 86,789</b>	<b>\$ 595</b>	<b>\$ 65</b>	<b>\$ 87,319</b>
<b><u>Total</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 1,498,029	\$ 8,506,384	\$ 8,730,586	\$ 1,273,827
Accounts receivable	3,134	5,156,628	5,159,762	-
Interest receivable	7,978	1,161	-	9,139
<b>Total assets</b>	<b>\$ 1,509,141</b>	<b>\$ 13,664,173</b>	<b>\$ 13,890,348</b>	<b>\$ 1,282,966</b>
<b>Liabilities:</b>				
Deposits	\$ 1,509,141	\$ 13,664,173	\$ 13,890,348	\$ 1,282,966
<b>Total liabilities</b>	<b>\$ 1,509,141</b>	<b>\$ 13,664,173</b>	<b>\$ 13,890,348</b>	<b>\$ 1,282,966</b>

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# OTHER SUPPLEMENTARY INFORMATION

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**City of Redding**  
**Redding Municipal Airport**  
**Schedule of Passenger Facility Charges Collected and Expended and Interest Collected**  
**For the quarters ended September 30, 2015, December 31, 2015, March 31, 2016, and June 30, 2016**

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**Application 11-04-C-11-RDD**

	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016
Unexpended (over expended) passenger facility charges and interest, beginning of period	\$ (181,400)	\$ (153,736)	\$ (113,384)	\$ (95,133)
Passenger facility charges collected	28,448	40,352	18,251	39,065
Interest earned	-	-	-	-
Subtotal	<u>(152,952)</u>	<u>(113,384)</u>	<u>(95,133)</u>	<u>(56,068)</u>
Expenses for approved passenger facility charges projects	<u>(784)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unexpended (over expended) passenger facility charges and interest, end of period	<u><u>\$ (153,736)</u></u>	<u><u>\$ (113,384)</u></u>	<u><u>\$ (95,133)</u></u>	<u><u>\$ (56,068)</u></u>

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# STATISTICAL SECTION

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**City of Redding**  
**Statistical Section**  
**Overview**

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

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**Financial Trends**

184

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**Revenue Capacity**

195

These schedules contain information to help the reader assess the City's most significant local revenues sources.

**Debt Capacity**

202

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**Demographic and Economic Information**

213

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**Operating Information**

217

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**City of Redding**  
**Net Position by Component**  
**Last Ten Fiscal Years Ended June 30, 2016**  
**(accrual basis of accounting)**

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
Governmental activities					
Net investment in capital assets	\$ 188,370,460	\$ 213,545,402	\$ 215,773,740	\$ 288,328,860	\$ 303,837,954
Restricted	46,293,480	47,999,512	46,969,131	49,612,778	53,687,464
Unrestricted	<u>37,777,707</u>	<u>35,204,839</u>	<u>73,406,378</u>	<u>5,025,229</u>	<u>1,588,034</u>
Total governmental activities net position	<u>\$ 272,441,647</u>	<u>\$ 296,749,753</u>	<u>\$ 336,149,249</u>	<u>\$ 342,966,867</u>	<u>\$ 359,113,452</u>
Business-type activities					
Net investment in capital assets	\$ 238,330,630	\$ 257,415,432	\$ 271,838,921	\$ 267,709,679	\$ 266,569,610
Restricted	15,786,725	14,417,207	13,641,495	11,981,816	17,362,637
Unrestricted	<u>102,615,412</u>	<u>92,480,560</u>	<u>75,311,930</u>	<u>78,797,442</u>	<u>81,074,227</u>
Total business-type activities net position	<u>\$ 356,732,767</u>	<u>\$ 364,313,199</u>	<u>\$ 360,792,346</u>	<u>\$ 358,488,937</u>	<u>\$ 365,006,474</u>
Primary government					
Net investment in capital assets	\$ 426,701,090	\$ 470,960,834	\$ 487,612,661	\$ 556,038,539	\$ 570,407,564
Restricted	62,080,205	62,416,719	60,610,626	61,594,594	71,050,101
Unrestricted	<u>140,393,119</u>	<u>127,685,399</u>	<u>148,718,308</u>	<u>83,822,671</u>	<u>82,662,261</u>
Total primary government net position	<u>\$ 629,174,414</u>	<u>\$ 661,062,952</u>	<u>\$ 696,941,595</u>	<u>\$ 701,455,804</u>	<u>\$ 724,119,926</u>

**City of Redding**  
**Net Position by Component (Continued)**  
**Last Ten Fiscal Years Ended June 30, 2016**  
**(accrual basis of accounting)**

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
Governmental activities					
Net investment in capital assets	\$ 303,499,470	\$ 301,401,234	\$ 299,220,582	\$ 303,789,845	\$ 304,441,380
Restricted	43,830,207	42,200,822	44,242,198	44,242,198	43,495,762
Unrestricted	17,269,063	18,461,336	12,404,054	(150,344,065)	(146,838,910)
Total governmental activities net position	<u>\$ 364,598,740</u>	<u>\$ 362,063,392</u>	<u>\$ 355,866,834</u>	<u>\$ 197,687,978</u>	<u>\$ 201,098,232</u>
Business-type activities					
Net investment in capital assets	\$ 263,727,224	\$ 270,149,380	\$ 276,768,127	\$ 286,401,920	\$ 284,346,442
Restricted	18,929,291	16,554,856	18,564,126	18,326,176	15,155,154
Unrestricted	95,705,374	97,572,863	103,748,759	32,692,674	54,363,934
Total business-type activities net position	<u>\$ 378,361,889</u>	<u>\$ 384,277,099</u>	<u>\$ 399,081,012</u>	<u>\$ 337,420,770</u>	<u>\$ 353,865,530</u>
Primary government					
Net investment in capital assets	\$ 567,226,694	\$ 571,550,614	\$ 575,988,709	\$ 590,191,765	\$ 588,787,822
Restricted	62,759,498	58,755,678	62,806,324	62,568,374	58,650,916
Unrestricted	112,974,437	116,034,199	116,152,813	(117,651,391)	(92,474,976)
Total primary government net position	<u>\$ 742,960,629</u>	<u>\$ 746,340,491</u>	<u>\$ 754,947,846</u>	<u>\$ 535,108,748</u>	<u>\$ 554,963,762</u>

**City of Redding**  
**Change in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Expenses</b>					
<b>Governmental Activities</b>					
General government	\$ 5,840,837	\$ 5,168,803	\$ 7,726,275	\$ 6,383,391	\$ 5,278,782
Police	24,388,239	27,716,907	28,282,449	27,497,342	26,269,521
Fire	14,587,056	17,618,698	17,189,677	17,076,785	16,236,292
Public Works	11,427,486	10,339,597	12,753,802	10,447,617	9,639,403
Planning	4,869,938	5,750,052	5,634,317	4,434,756	3,689,281
Recreation and culture	8,650,759	10,964,863	11,598,055	11,470,482	10,744,101
Community development	13,036,414	15,160,077	20,803,513	24,737,850	18,533,923
Interest on long-term debt	4,743,424	5,367,360	5,168,490	4,760,944	4,899,556
<b>Total governmental activities expenses</b>	<b>87,544,153</b>	<b>98,086,357</b>	<b>109,156,578</b>	<b>106,809,167</b>	<b>95,290,859</b>
<b>Business-Type Activities</b>					
Electric	139,338,821	163,293,058	173,451,814	161,100,955	165,227,316
Water	12,022,834	12,570,242	12,646,773	14,574,967	14,575,101
Wastewater	12,517,219	13,378,188	13,686,453	15,075,253	16,889,147
Storm drainage	2,122,729	2,563,858	2,498,787	2,354,882	2,492,302
Solid waste	17,130,494	18,702,626	18,228,705	18,497,103	18,876,936
Transportation	9,159,483	9,838,187	10,340,798	10,037,079	10,450,822
Convention center	2,495,721	2,952,600	2,966,577	3,131,705	2,457,085
<b>Total business-type activities expenses</b>	<b>194,787,301</b>	<b>223,298,759</b>	<b>233,819,907</b>	<b>224,771,944</b>	<b>230,968,709</b>
<b>Total primary government expenses</b>	<b>\$ 282,331,454</b>	<b>\$ 321,385,116</b>	<b>\$ 342,976,485</b>	<b>\$ 331,581,111</b>	<b>\$ 326,259,568</b>
<b>Program Revenues</b>					
<b>Governmental Activities</b>					
Charges for services:					
General government	\$ 5,933,921	\$ 5,215,942	\$ 5,465,585	\$ 5,211,415	\$ 5,605,847
Public works	219,567	1,279,365	492,040	939,201	811,949
Planning	2,609,623	2,900,666	1,595,092	1,415,218	1,060,499
Other activities	2,976,895	4,153,936	4,044,057	3,772,070	3,499,360
Operating grants and contributions	18,594,929	16,262,587	17,411,451	17,731,034	19,756,822
Capital grants and contributions	18,918,861	22,032,319	52,890,580	20,954,834	19,708,994
<b>Total governmental activities program revenues</b>	<b>49,253,796</b>	<b>51,844,815</b>	<b>81,898,805</b>	<b>50,023,772</b>	<b>50,443,471</b>
<b>Program Revenues</b>					
<b>Business-type activities</b>					
Charges for services:					
Electric	133,308,642	152,834,481	157,529,886	152,499,576	168,333,684
Water	14,264,218	14,550,142	14,128,755	13,968,396	14,653,288
Wastewater	15,768,736	17,128,355	17,190,847	18,287,784	19,503,467
Solid waste	17,317,785	17,985,385	17,201,828	17,614,327	18,395,742
Transportation	2,863,235	3,037,429	3,151,051	3,114,393	3,207,076
Other activities	1,788,340	2,202,160	2,168,958	2,115,383	1,844,432
Operating grants and contributions	5,141,381	4,311,285	4,799,554	5,319,012	5,181,927
Capital grants and contributions	17,199,684	13,702,005	10,276,508	10,685,872	9,368,813
<b>Total business-type activities program revenues</b>	<b>207,652,021</b>	<b>225,751,242</b>	<b>226,447,387</b>	<b>223,604,743</b>	<b>240,488,429</b>
<b>Total primary government program revenues</b>	<b>\$ 256,905,817</b>	<b>\$ 277,596,057</b>	<b>\$ 308,346,192</b>	<b>\$ 273,628,515</b>	<b>\$ 290,931,900</b>
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (38,290,357)	\$ (46,241,542)	\$ (27,257,773)	\$ (56,785,395)	\$ (44,847,388)
Business-type activities	12,864,720	2,452,483	(7,372,520)	(1,167,201)	9,519,720
<b>Total primary government</b>	<b>\$ (25,425,637)</b>	<b>\$ (43,789,059)</b>	<b>\$ (34,630,293)</b>	<b>\$ (57,952,596)</b>	<b>\$ (35,327,668)</b>

**City of Redding**  
**Change in Net Position (Continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Expenses</b>					
<b>Governmental Activities</b>					
General government	\$ 7,217,464	\$ 7,296,724	\$ 6,917,771	\$ 7,112,939	\$ 8,077,255
Police	25,838,317	26,116,291	28,893,564	34,476,947	30,751,887
Fire	16,780,046	17,751,879	20,255,472	20,558,967	20,467,167
Public Works	12,731,599	13,286,742	12,421,262	7,261,903	14,954,615
Planning	3,532,884	3,636,094	3,871,712	3,933,284	4,013,885
Recreation and culture	10,986,615	11,604,233	11,558,733	9,366,789	10,791,830
Community development	14,132,539	10,341,051	10,712,285	9,503,654	9,991,686
Interest on long-term debt	3,459,498	2,036,578	2,458,815	1,840,755	1,720,036
<b>Total governmental activities expenses</b>	<b>94,678,962</b>	<b>92,069,592</b>	<b>97,089,614</b>	<b>94,055,238</b>	<b>100,768,361</b>
<b>Business-Type Activities</b>					
Electric	159,456,608	156,080,538	150,171,628	152,786,522	144,525,611
Water	15,975,372	16,207,794	17,185,065	16,921,142	17,023,112
Wastewater	17,907,974	19,405,723	20,289,784	22,541,672	23,872,035
Storm drainage	2,255,283	2,324,951	2,102,618	1,919,740	2,094,900
Solid waste	19,953,480	20,484,434	22,870,947	20,410,950	20,209,534
Transportation	9,915,606	9,679,832	9,874,891	9,569,808	9,948,552
Convention center	1,642,316	1,176,913	1,275,954	1,229,354	1,187,415
<b>Total business-type activities expenses</b>	<b>227,106,639</b>	<b>225,360,185</b>	<b>223,770,887</b>	<b>225,379,188</b>	<b>218,861,159</b>
<b>Total primary government expenses</b>	<b>\$ 321,785,601</b>	<b>\$ 317,429,777</b>	<b>\$ 320,860,501</b>	<b>\$ 319,434,426</b>	<b>\$ 319,629,520</b>
<b>Program Revenues</b>					
<b>Governmental Activities</b>					
Charges for services:					
General government	\$ 6,128,583	\$ 5,904,251	\$ 5,967,284	\$ 6,516,578	\$ 6,213,317
Public works	717,929	557,062	577,312	682,515	650,616
Planning	1,282,262	1,337,696	1,748,627	1,673,717	1,286,338
Other activities	3,539,227	3,668,956	3,988,580	4,167,614	4,743,501
Operating grants and contributions	17,033,353	17,484,151	22,330,062	18,014,648	18,663,414
Capital grants and contributions	6,854,366	8,717,779	6,942,319	5,505,363	18,960,524
<b>Total governmental activities program revenues</b>	<b>35,555,720</b>	<b>37,669,895</b>	<b>41,554,184</b>	<b>36,560,435</b>	<b>50,517,710</b>
<b>Program Revenues</b>					
<b>Business-type activities</b>					
Charges for services:					
Electric	164,375,161	160,944,663	162,920,950	163,301,368	158,275,732
Water	15,886,937	16,734,627	18,667,027	17,871,349	17,995,434
Wastewater	21,113,321	21,355,779	22,731,807	24,577,645	26,776,762
Solid waste	19,161,513	18,800,831	19,681,867	20,505,176	21,200,419
Transportation	3,530,250	3,603,988	3,772,347	3,790,418	3,717,047
Other activities	1,519,081	1,549,792	1,513,033	1,622,114	1,744,369
Operating grants and contributions	4,450,939	4,170,108	4,159,414	4,405,158	4,300,769
Capital grants and contributions	13,337,075	10,196,914	7,476,968	6,079,058	3,343,536
<b>Total business-type activities program revenues</b>	<b>243,374,277</b>	<b>237,356,702</b>	<b>240,923,413</b>	<b>242,152,286</b>	<b>237,354,068</b>
<b>Total primary government program revenues</b>	<b>\$ 278,929,997</b>	<b>\$ 275,026,597</b>	<b>\$ 282,477,597</b>	<b>\$ 278,712,721</b>	<b>\$ 287,871,778</b>
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (59,123,242)	\$ (54,399,697)	\$ (55,535,430)	\$ (57,494,803)	\$ (50,250,651)
Business-type activities	16,267,638	11,996,517	17,152,526	16,773,098	18,492,909
<b>Total primary government</b>	<b>\$ (42,855,604)</b>	<b>\$ (42,403,180)</b>	<b>\$ (38,382,904)</b>	<b>\$ (40,721,705)</b>	<b>\$ (31,757,742)</b>

**City of Redding**  
**Change in Net Position (Continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>General Revenue and Other Changes in Net Position</b>					
Governmental Activities					
Taxes					
Sales taxes	\$ 23,184,177	\$ 21,647,441	\$ 19,375,971	\$ 18,480,866	\$ 19,157,880
Property taxes	30,017,785	33,238,207	34,820,263	33,540,288	30,583,596
In lieu	-	-	-	-	-
Transient and occupancy taxes	3,966,328	3,957,034	3,625,101	3,497,627	3,635,090
Motor vehicle in-lieu taxes	479,622	384,059	260,061	268,465	293,986
Franchise taxes	997,756	967,150	992,321	888,406	911,180
Other taxes	1,221,396	1,150,466	996,583	931,504	935,173
Investment earnings	5,916,734	6,492,706	4,065,026	1,284,562	1,101,518
Gain on sale of property	-	-	-	76,085	122,183
Miscellaneous	101,000	100,000	100,000	100,000	100,000
Transfers	1,941,445	2,612,585	2,421,943	4,535,210	4,153,367
Extraordinary gain	-	-	-	-	-
Total governmental activities	<u>67,826,243</u>	<u>70,549,648</u>	<u>66,657,269</u>	<u>63,603,013</u>	<u>60,993,973</u>
Business-type activities					
Investment earnings (loss)	8,459,278	7,738,038	6,272,631	3,398,687	1,150,239
Gain on sale of property	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	(1,941,445)	(2,612,585)	(2,421,943)	(4,535,210)	(4,153,367)
Other items	4,685	2,496	979	315	945
Total business activities	<u>6,522,518</u>	<u>5,127,949</u>	<u>3,851,667</u>	<u>(1,136,208)</u>	<u>(3,002,183)</u>
Total primary government	<u>\$ 74,348,761</u>	<u>\$ 75,677,597</u>	<u>\$ 70,508,936</u>	<u>\$ 62,466,805</u>	<u>\$ 57,991,790</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 29,535,886	\$ 24,308,106	\$ 39,399,496	\$ 6,817,618	\$ 16,146,585
Adjustments	10,592	-	-	-	-
Total governmental activities	<u>29,546,478</u>	<u>24,308,106</u>	<u>39,399,496</u>	<u>6,817,618</u>	<u>16,146,585</u>
Business-type activities	19,387,238	7,580,432	(3,520,853)	(2,303,409)	6,517,537
Adjustments - business activities	(3,146,337)	-	-	-	-
Total business activities	<u>16,240,901</u>	<u>7,580,432</u>	<u>(3,520,853)</u>	<u>(2,303,409)</u>	<u>6,517,537</u>
Total changes in net position - primary government	<u>\$ 45,787,379</u>	<u>\$ 31,888,538</u>	<u>\$ 35,878,643</u>	<u>\$ 4,514,209</u>	<u>\$ 22,664,122</u>

**City of Redding**  
**Change in Net Position (Continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>General Revenue and</b>					
<b>Other Changes in Net Position</b>					
Governmental Activities					
Taxes					
Sales taxes	\$ 19,754,922	\$ 20,696,311	\$ 21,662,406	\$ 22,053,840	\$ 22,586,087
Property taxes	22,434,321	19,284,310	15,847,198	16,292,632	17,357,917
In lieu	-	-	-	-	-
Transient and occupancy taxes	3,869,713	4,099,953	4,074,333	4,458,110	4,616,654
Motor vehicle in-lieu taxes	283,588	38,845	37,663	(141)	36,761
Franchise taxes	930,731	896,297	915,623	972,438	1,005,928
Other taxes	895,591	988,154	1,068,561	1,112,392	1,103,021
Investment earnings	820,983	1,011	878,447	582,552	780,348
Gain on sale of property	133,561	299,492	43,617	48,699	1,401,277
Miscellaneous	911,518	143,637	144,036	142,599	203,979
Transfers	4,163,910	5,416,339	4,666,988	5,020,485	4,568,933
Extraordinary gain	10,409,692	-	-	-	-
Total governmental activities	<u>64,608,530</u>	<u>51,864,349</u>	<u>49,338,872</u>	<u>50,683,606</u>	<u>53,660,905</u>
Business-type activities					
Investment earnings (loss)	1,251,057	(667,664)	2,314,998	1,833,914	2,515,901
Gain on sale of property	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	(4,163,910)	(5,416,339)	(4,666,988)	(5,013,200)	(4,568,933)
Other items	630	2,696	3,377	2,361	4,883
Total business activities	<u>(2,912,223)</u>	<u>(6,081,307)</u>	<u>(2,348,613)</u>	<u>(3,176,925)</u>	<u>(2,048,149)</u>
Total primary government	<u>\$ 61,696,307</u>	<u>\$ 45,783,042</u>	<u>\$ 46,990,259</u>	<u>\$ 47,506,681</u>	<u>\$ 51,612,756</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 5,485,288	\$ (2,535,348)	\$ (6,196,558)	\$ (6,811,197)	\$ 3,410,254
Adjustments	-	-	-	(151,367,658)	-
Total governmental activities	<u>5,485,288</u>	<u>(2,535,348)</u>	<u>(6,196,558)</u>	<u>(158,178,855)</u>	<u>3,410,254</u>
Business-type activities	13,355,415	5,915,210	14,803,913	13,596,173	16,444,760
Adjustments - business activities	-	-	-	(75,256,413)	-
Total business activities	<u>13,355,415</u>	<u>5,915,210</u>	<u>14,803,913</u>	<u>(61,660,240)</u>	<u>16,444,760</u>
Total changes in net position - primary government	<u>\$ 18,840,703</u>	<u>\$ 3,379,862</u>	<u>\$ 8,607,355</u>	<u>\$ (219,839,095)</u>	<u>\$ 19,855,014</u>

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**City of Redding**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year			
	2006-07	2007-08	2008-09	2009-10
<b>General Fund</b>				
Reserved	\$ 5,836,083	\$ 6,302,324	\$ 4,905,691	\$ 3,795,073
Unreserved	17,475,454	13,430,337	5,139,052	7,470,433
<b>Total general fund</b>	<u>23,311,537</u>	<u>19,732,661</u>	<u>10,044,743</u>	<u>11,265,506</u>
<b>All Other Governmental Funds</b>				
Reserved	\$ 41,495,690	\$ 57,794,053	\$ 61,453,924	\$ 62,317,199
Unreserved, reported in:				
Special revenue funds	8,939,932	11,306,543	8,933,742	7,258,582
Capital projects funds	62,437,942	40,518,292	21,667,051	17,628,400
Unreserved, reported in:				
Special revenue funds	7,776,230	6,706,906	5,324,788	6,802,994
Capital projects funds	7,582,682	8,782,898	14,820,724	2,361,163
Debt service funds	(1,267,509)	(1,241,046)	(1,213,848)	(1,196,710)
<b>Total all other governmental funds</b>	<u>\$ 126,964,967</u>	<u>\$ 123,867,646</u>	<u>\$ 110,986,381</u>	<u>\$ 95,171,628</u>

	Fiscal Year					
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>General Fund</b>						
Nonspendable	1,710,364	1,743,974	1,767,355	2,884,768	1,726,623	1,875,032
Restricted	1,418,289	1,410,393	1,408,645	853,717	648,655	756,897
Assigned	1,881,098	1,466,454	3,232,344	2,010,851	(720,495)	678,089
Unassigned	4,809,108	5,573,062	12,566,084	15,586,649	20,565,578	18,534,694
<b>Total general fund</b>	<u>\$ 9,818,859</u>	<u>\$ 10,193,883</u>	<u>\$ 18,974,428</u>	<u>\$ 21,335,985</u>	<u>\$ 22,220,361</u>	<u>\$ 21,844,712</u>
<b>All Other Governmental Funds</b>						
Nonspendable	640,713	68,104	55,317	24,306	18,045	20,521
Restricted	101,937,583	63,902,312	57,554,330	57,938,036	47,850,398	53,237,478
Assigned	-	-	-	-	-	-
Unassigned	(1,975,049)	(249,411)	(232,712)	(253,960)	(275,436)	(307,291)
<b>Total all other governmental funds</b>	<u>\$ 100,603,247</u>	<u>\$ 63,721,005</u>	<u>\$ 57,376,935</u>	<u>\$ 57,708,382</u>	<u>\$ 47,593,007</u>	<u>\$ 52,950,708</u>

**City of Redding**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Revenues:</b>					
Taxes	\$ 59,524,861	\$ 60,575,049	\$ 59,231,951	\$ 56,847,912	\$ 55,531,852
Licenses and permits	1,589,747	1,409,549	919,484	904,249	853,202
Intergovernmental revenues	25,835,843	32,130,286	44,205,365	30,291,860	41,308,531
Charges for services	3,730,253	4,828,400	3,693,777	3,218,326	2,697,345
Fines	926,522	1,089,317	1,333,019	1,395,523	1,046,207
Use of money and property	5,639,155	6,318,669	6,434,661	6,015,841	6,311,596
Interest revenue	5,526,660	6,120,195	3,624,089	1,007,459	1,001,286
Special assessments	1,464,323	1,671,937	1,684,815	796,878	751,326
Miscellaneous	6,853,688	4,936,950	6,115,887	3,045,835	3,048,462
<b>Total revenues</b>	<b>111,091,052</b>	<b>119,080,352</b>	<b>127,243,048</b>	<b>103,523,883</b>	<b>112,549,807</b>
<b>Expenditures:</b>					
General government	7,296,375	6,926,626	6,997,295	5,795,422	5,202,372
Community development	14,262,851	15,625,733	21,607,335	25,226,846	18,035,641
Public safety	38,417,064	42,538,068	44,305,381	42,179,779	41,483,662
Public works	5,920,843	5,878,230	7,861,504	5,031,215	4,456,262
Planning	4,714,858	5,419,587	5,437,393	4,172,970	3,485,319
Recreation and culture	5,719,996	7,418,515	7,439,993	6,889,257	6,372,869
Capital outlay	26,539,273	35,872,742	50,136,882	24,231,055	24,467,682
Debt service:					
Principal retirement	4,324,708	5,533,870	5,710,487	6,775,043	5,229,044
Interest and fiscal charges	4,493,534	5,473,145	5,231,749	4,781,807	4,698,793
Bond issuance costs	677,851	5,650	-	-	-
<b>Total expenditures</b>	<b>112,367,353</b>	<b>130,692,166</b>	<b>154,728,019</b>	<b>125,083,394</b>	<b>113,431,644</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,276,301)</b>	<b>(11,611,814)</b>	<b>(27,484,971)</b>	<b>(21,559,511)</b>	<b>(881,837)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of capital asset	696,456	1,851,372	233,399	1,804,652	169,672
Financing proceeds	250,000	400,000	-	-	-
Long-term debt issued	36,415,000	-	-	662,993	343,770
Bond discount	(266,824)	-	-	-	-
Premium on bonds issued	76,427	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-
Transfers in	11,213,114	11,351,753	19,768,205	17,190,872	10,531,521
Transfers out	(8,738,168)	(8,667,508)	(15,085,816)	(12,692,996)	(6,178,154)
<b>Total other financing sources (uses)</b>	<b>39,646,005</b>	<b>4,935,617</b>	<b>4,915,788</b>	<b>6,965,521</b>	<b>4,866,809</b>
<b>Extraordinary Item</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 38,369,704</b>	<b>\$ (6,676,197)</b>	<b>\$ (22,569,183)</b>	<b>\$ (14,593,990)</b>	<b>\$ 3,984,972</b>
Fund Balances (deficit), beginning of year, as originally stated	\$ -	\$ 150,276,504	\$ 143,600,307	\$ 121,031,125	\$ 106,437,134
Prior period adjustment	(85,225)	-	-	-	-
Change in accounting principal	-	-	-	-	-
Fund Balances (deficit), beginning of year, as restated	(85,225)	150,276,504	143,600,307	121,031,125	106,437,134
Residual equity transfer in	-	-	-	-	-
<b>Fund balances (deficit), end of year</b>	<b>\$ 38,284,479</b>	<b>\$ 143,600,307</b>	<b>\$ 121,031,124</b>	<b>\$ 106,437,135</b>	<b>\$ 110,422,106</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>11%</b>	<b>12%</b>	<b>10%</b>	<b>11%</b>	<b>11%</b>

**City of Redding**  
**Changes in Fund Balances of Governmental Funds (Continued)**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Revenues:</b>					
Taxes	\$ 47,806,603	\$ 46,183,002	\$ 43,678,499	\$ 45,125,212	\$ 47,889,908
Licenses and permits	915,422	963,435	1,020,396	1,142,654	1,321,422
Intergovernmental revenues	22,835,959	21,275,544	23,367,310	21,555,631	33,039,876
Charges for services	2,765,973	3,055,935	3,423,766	3,543,025	3,135,897
Fines	1,500,026	923,777	1,050,533	968,591	1,434,429
Use of money and property	6,638,286	6,301,849	6,822,715	6,979,312	7,774,752
Interest revenue	740,063	141,842	642,330	408,382	559,933
Special assessments	761,787	614,387	562,559	480,861	311,291
Miscellaneous	2,587,503	4,167,895	2,786,993	2,917,802	6,151,375
<b>Total revenues</b>	<b>86,551,622</b>	<b>83,627,666</b>	<b>83,355,101</b>	<b>83,121,470</b>	<b>101,618,883</b>
<b>Expenditures:</b>					
General government	5,627,595	5,283,779	5,339,521	5,335,175	5,531,550
Community development	16,360,799	10,094,221	10,594,203	9,391,315	9,833,058
Public safety	40,629,153	41,319,683	44,050,576	44,658,160	47,667,150
Public works	4,089,781	5,075,245	5,143,666	5,333,076	7,736,374
Planning	3,106,140	3,214,827	3,593,044	3,643,893	4,005,836
Recreation and culture	6,273,179	6,843,716	7,036,366	6,923,444	7,090,091
Capital outlay	12,195,037	9,657,100	9,792,385	16,601,544	16,012,801
Debt service:					
Principal retirement	5,706,539	3,558,947	3,512,856	3,721,171	2,785,484
Interest and fiscal charges	3,348,200	2,007,629	1,924,737	1,812,496	1,658,488
Bond issuance costs	-	-	266,462	450	-
<b>Total expenditures</b>	<b>97,336,423</b>	<b>87,055,147</b>	<b>91,253,816</b>	<b>97,420,724</b>	<b>102,320,832</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(10,784,801)</b>	<b>(3,427,481)</b>	<b>(7,898,715)</b>	<b>(14,299,254)</b>	<b>(701,949)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of capital asset	187,120	299,492	41,909	55,055	1,401,276
Financing proceeds	-	-	565,048	-	-
Long-term debt issued	1,401,803	-	11,181,060	-	-
Bond discount	-	-	(80,666)	-	-
Premium on bonds issued	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	(5,925,272)	-	-
Transfers in	11,087,998	14,430,062	13,001,893	14,082,943	12,233,284
Transfers out	(6,804,428)	(8,865,598)	(8,192,253)	(9,069,743)	(7,950,559)
<b>Total other financing sources (uses)</b>	<b>5,872,493</b>	<b>5,863,956</b>	<b>10,591,719</b>	<b>5,068,255</b>	<b>5,684,001</b>
<b>Extraordinary Item</b>	<b>(31,594,910)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (36,507,218)</b>	<b>\$ 2,436,475</b>	<b>\$ 2,693,004</b>	<b>\$ (9,230,999)</b>	<b>\$ 4,982,052</b>
Fund Balances (deficit), beginning of year, as originally stated	\$ 110,422,106	\$ 73,914,888	\$ 76,351,363	\$ 79,044,367	\$ 69,813,368
Prior period adjustment	-	-	-	-	-
Change in accounting principal	-	-	-	-	-
Fund Balances (deficit), beginning of year, as restated	110,422,106	73,914,888	76,351,363	79,044,367	69,813,368
Residual equity transfer in	-	-	-	-	-
<b>Fund balances (deficit), end of year</b>	<b>\$ 73,914,888</b>	<b>\$ 76,351,363</b>	<b>\$ 79,044,367</b>	<b>\$ 69,813,368</b>	<b>\$ 74,795,420</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>11%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>5%</b>

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**City of Redding**  
**General Governmental Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(in thousands)**

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<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Transient Occupancy Tax</b>	<b>Sales Tax</b>	<b>Other Taxes</b>	<b>Total</b>
2006-2007	29,781	3,966	23,558	2,220	59,525
2007-2008	32,884	3,957	21,616	2,118	60,575
2008-2009	34,311	3,625	19,307	1,989	59,232
2009-2010	33,447	3,497	18,083	1,821	56,848
2010-2011	30,571	3,635	19,479	1,847	55,532
2011-2012	22,574	3,870	19,536	1,827	47,807
2012-2013	19,402	4,100	20,797	1,884	46,183
2013-2014	15,942	4,074	21,678	1,984	43,678
2014-2015	16,253	4,459	22,330	2,083	45,125
2015-2016	17,247	4,616	23,918	2,110	47,891

**City of Redding**  
**Revenue Base - Own Source Revenue**  
**Metered Customers and MWHs Sold**  
**Last Ten Fiscal Years**

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<u>Type of Customer</u>	<b>Fiscal Year ended June 30,</b>			
	<b>2007</b>		<b>2008</b>	
	<u>Base rate customers</u>	<u>Electricity Sold (MWHs)</u>	<u>Base rate customers</u>	<u>Electricity Sold (MWHs)</u>
Residential	36,264	388,390	36,486	381,654
Commercial	5,019	350,435	5,063	345,468
Industrial	333	16,808	341	15,967
Other	800	47,376	877	48,248
<b>Total</b>	<u>42,416</u>	<u>803,009</u>	<u>42,767</u>	<u>791,337</u>

<u>Type of Customer</u>	<b>Fiscal Year ended June 30,</b>			
	<b>2009</b>		<b>2010</b>	
	<u>Base rate customers</u>	<u>Electricity Sold (MWHs)</u>	<u>Base rate customers</u>	<u>Electricity Sold (MWHs)</u>
Residential	36,601	386,638	36,676	381,904
Commercial	5,068	344,764	5,044	330,097
Industrial	356	14,934	359	14,127
Other	882	45,936	880	43,872
<b>Total</b>	<u>42,907</u>	<u>792,272</u>	<u>42,959</u>	<u>770,000</u>

**City of Redding**  
**Revenue Base - Own Source Revenue (Continued)**  
**Metered Customers and MWHs Sold**  
**Last Ten Fiscal Years**

Type of Customer	Fiscal Year ended June 30,					
	2011		2012		2013	
	Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)
Residential	36,824	377,161	37,032	375,136	37,268	375,606
Commercial	5,032	332,375	5,002	333,200	5,022	338,257
Industrial	355	13,586	335	13,227	334	13,506
Other	902	44,610	912	44,379	927	46,756
<b>Total</b>	<b>43,113</b>	<b>767,732</b>	<b>43,281</b>	<b>765,942</b>	<b>43,551</b>	<b>774,125</b>

Type of Customer	Fiscal Year ended June 30,					
	2014		2015		2016	
	Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)
Residential	37,387	361,106	37,561	356,071	37,751	361,427
Commercial	5,011	336,507	5,034	338,292	5,025	332,232
Industrial	330	12,303	322	12,366	335	13,394
Other	934	45,923	915	43,087	928	42,358
<b>Total</b>	<b>43,662</b>	<b>755,839</b>	<b>43,832</b>	<b>749,816</b>	<b>44,039</b>	<b>749,411</b>

**City of Redding  
Electric Utility Rates  
Last Ten Fiscal Years**

Fiscal Year	Residential		Commercial			
	Monthly Base Rate	Energy charge per kwh	Monthly Base Rate		Energy charge	
			Small Commercial (< 15,000 kwh)	Large Commercial (> 15,000 kwh)	All kwh	Per kwh in excess of 15,000
2007	6.01	0.0934	5.96	13.74	0.1046	0.0486
2008	6.36	0.9890	6.31	14.54	0.1107	0.0514
2009	6.86	0.1067	6.86	15.70	0.1288	0.0598
2010	7.40	0.1151	7.40	16.90	0.1288	0.0598
2011	8.50	0.1239	11.00	21.00	0.137	0.0645
2012	9.80	0.1330	16.50	25.00	0.1448	0.0696
2013	11.30	0.1426	18.00	29.00	0.1560	0.0750
2014	13.00	0.1528	20.00	33.00	0.1679	0.0809
2015	13.00	0.1528	20.00	33.00	0.1679	0.0809
2016	15.00	0.1528	25.00	140.00	0.1679	0.0809

Source: City of Redding Utility Rate Schedules

**City of Redding**  
**Electric Utility Rates (Continued)**  
**Last Ten Fiscal Years**

Industrial					
Fiscal Year	Monthly Base Rate	On Peak Energy Charge		Off Peak Energy Charge	
		All kwh	Per kWh in excess of 15,000		If off-peak demand is less than on-peak demand
2007	28.62	0.1062	0.0492	0.0416	0.0492
2008	30.29	0.1124	0.0521	0.0440	0.0521
2009	32.65	0.1212	0.0562	0.0475	0.0562
2010	35.20	0.1307	0.0606	0.0606	0.0562
2011	42.00	0.1409	0.0654	0.0552	0.0654
2012	50.00	0.1519	0.0705	0.0595	0.0705
2013	66.00	0.1766	0.0820	0.0692	0.0820
2014	66.00	0.1766	0.0820	0.0692	0.0820
2015	66.00	0.1766	0.0820	0.0692	0.0820
2016	230.00	0.1766	0.0820	0.0692	0.0820

*Source: City of Redding Utility Rate Schedules*

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**City of Redding**  
**Principal Electric Utility Payers**  
**Fiscal Years 2015-16 and 2006-07**

Utility Payer	June 30, 2016 Fiscal Year			June 30, 2007 Fiscal Year		
	2016 Utilities Paid	Rank	Percentage of City Total Utilities Paid	2007 Utilities Paid	Rank	Percentage of City Total Utilities Paid
Customer #1	\$5,189,393	1	4.03%	\$3,532,109	1	4.57%
Customer #2	1,976,162	2	1.54%	954,742	3	1.24%
Customer #3	1,962,435	3	1.52%			
Customer #4	1,934,960	4	1.50%	1,383,290	2	1.79%
Customer #5	1,496,858	5	1.16%	892,772	4	1.16%
Customer #6	1,181,791	6	0.92%			
Customer #7	987,333	7	0.77%	464,982	6	0.60%
Customer #8	765,411	8	0.59%	420,343	9	0.54%
Customer #9	708,831	9	0.55%	496,484	5	0.64%
Customer #10	677,193	10	0.53%			
Customer #11				444,719	7	0.58%
Customer #12				429,836	8	0.56%
Customer #13				403,059	10	0.52%
Customer #14						
Customer #15						
<b>Total</b>	<b>\$16,880,367</b>		<b>13.11%</b>	<b>\$9,422,336</b>		<b>12.19%</b>

Source: City of Redding Electric Utility

**City of Redding**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands, except per capita amount)**

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Governmental Activities

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Fiscal Year Ending	Revenue Bonds	Tax Allocation Bonds <sup>(1)</sup>	Loans	Special Assessment Bonds	Capital Leases
2007	\$ 52,103	\$ 53,196	52	\$ 5,321	715
2008	49,680	51,324	34	4,393	868
2009	47,262	49,387	16	3,452	559
2010	44,755	47,380	401	1,661	377
2011	42,151	45,288	316	1,379	567
2012	39,764	-	1,360	1,097	388
2013	36,938	-	1,042	825	221
2014	39,772	-	616	510	692
2015	36,632	-	320	123	574
2016	34,318	-	-	92	405

<sup>(1)</sup> Tax Allocation Bonds were associated with the Redevelopment Agency (RDA). The RDA's debt was removed from the City of Redding's totals as the RDA was dissolved by the State of California in 2012.

**City of Redding**  
**Ratios of Outstanding Debt by Type (Continued)**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands, except per capita amount)**

Business-Type Activities

Fiscal Year Ending	General Obligation Bonds	Revenue Bonds	Certificates of Participation	Loans	Special Assessment Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income <sup>(1)</sup>	Per Capita <sup>(1)</sup>
2007	-	\$ 33,719	\$ 115,832	\$ 16,258	108	375	\$ 277,678	9.52%	3,203
2008	-	31,281	182,140	22,562	74	317	342,673	11.29%	3,960
2009	-	28,773	177,997	35,940	-	256	343,641	11.25%	3,930
2010	-	26,163	173,514	39,709	-	199	334,161	11.18%	3,861
2011	-	23,461	168,896	44,289	-	3,238	329,586	11.33%	3,794
2012	-	20,833	164,028	65,362	-	2,930	295,762	9.76%	3,394
2013	-	18,092	159,001	74,571	-	2,559	293,249	9.03%	3,228
2014	-	14,446	166,777	84,258	-	2,156	309,226	9.35%	3,400
2015	-	12,081	160,556	84,429	-	1,774	295,914	8.57%	3,248
2016	-	46,761	126,082	84,164	-	1,356	293,178	7.83%	3,201

<sup>(1)</sup> See the Schedule of Demographics for population information by year and personal income.

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**City of Redding**  
**Computation of Direct and Overlapping Debt**  
**As of June 30, 2016**

<b>Jurisdiction</b>	<b>Net Debt Outstanding</b>	<b>Percentage Applicable to City of Redding (4)</b>	<b>Amount Applicable to City of Redding</b>
<b>Direct:</b>			
City of Redding: (1)			
City of Redding 1915 Act Bonds	\$ 91,725	100.000%	\$ 91,725
Revenue bonds	34,318,062	100.000%	34,318,062
Loans	0	100.000%	0
Capital leases	405,165	100.000%	405,165
<b>Total direct debt</b>	<b>34,814,952</b>		<b>34,814,952</b>
<b>Overlapping:</b>			
County of Shasta: (2)			
Bonds	33,249,220	50.592%	16,821,445
Notes	385,956	50.592%	195,263
Shasta County Schools: (2)			
Enterprise School District	29,069,796	99.018%	28,784,331
Shasta Union High	16,938,793	68.358%	11,579,020
Gateway School	34,413,360	39.947%	13,747,105
Redding School District	5,980,000	99.151%	5,929,230
Columbia School District	5,250,000	75.641%	3,971,153
Shasta College	43,470,000	50.763%	22,066,676
Cascade School	5,116,025	2.190%	112,041
Pacheco School	3,763,931	56.073%	2,110,549
Grant School	1,815,000	4.235%	76,865
Centerville (3)	32,032	27.725%	8,881
<b>Total overlapping debt</b>	<b>179,484,113</b>		<b>105,402,559</b>
<b>Total direct and overlapping debt</b>	<b>\$214,299,065</b>		<b>\$140,217,511</b>

Source: (1) City of Redding  
(2) Shasta County Auditor-Controller's Office  
(3) Centerville District Office  
(4) Percentages for Computation of Direct and Overlapping Debt are calculated by using the Shasta County valuations by taxing district for fiscal year 2013-14.

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

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
Debt Limit	\$ 262,662	\$ 286,996	\$ 300,235	\$ 292,840	\$ 279,873
Total net debt applicable to limit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legal debt margin	<u>\$ 262,662</u>	<u>\$ 286,996</u>	<u>\$ 300,235</u>	<u>\$ 292,840</u>	<u>\$ 279,873</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Debt limit of 15% is based on assessed valuation being equivalent to 25% of full market valuation.

In 1981-1982, assessed valuation became equal to full market valuation. As a result, 1981-1982 and subsequent years' debt limit is computed at 1/4 of 15% or 3.75% of full market valuation.

(1) Assessed valuation includes supplemental tax rolls.

**City of Redding**  
**Legal Debt Margin Information (Continued)**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

	Fiscal Year				
	2011-12	2012-13	2013-14	2014-15	2015-16
Debt Limit	\$ 260,142	\$ 254,417	\$267,472	\$275,782	\$289,290
Total net debt applicable to limit	<u>1,097</u>	<u>825</u>	<u>510</u>	<u>123</u>	<u>92</u>
Legal debt margin	<u>\$ 259,045</u>	<u>\$ 253,592</u>	<u>\$ 266,962</u>	<u>\$ 275,659</u>	<u>\$ 289,198</u>
Total net debt applicable to the limit as a percentage of debt limit	0.42%	0.32%	0.19%	0.04%	0.03%

**Legal Debt Margin Calculation for Fiscal Year 2014-15**

Assessed Value (1)	<u>\$ 7,714,388</u>
Debt Limit - 3.75% of Total Assessed Value	\$ 289,290
Amount of Debt Applicable to the Limit	<u>92</u>
Legal Debt Margin	<u>\$ 289,198</u>

Note: Debt limit of 15% is based on assessed valuation being equivalent to 25% of full market valuation. In 1981-1982, assessed valuation became equal to full market valuation. As a result, 1981-1982 and subsequent years' debt limit is computed at 1/4 of 15% or 3.75% of full market valuation.

(1) Assessed valuation includes supplemental tax rolls.

**City of Redding**  
**Wastewater Revenue Bond Coverage**  
**Last Ten Fiscal Years**

	<b>Fiscal Year Ending</b>				
	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Operating Revenue	\$ 15,696,939	\$ 17,108,790	\$ 17,165,662	\$ 18,280,681	\$ 19,492,643
Other Revenue**	88,188	19,663	25,186	2,152	10,824
Interest Revenue	1,473,122	1,605,727	1,266,665	649,481	215,469
Adjusted Revenue	<u>17,258,249</u>	<u>18,734,180</u>	<u>18,457,513</u>	<u>18,932,314</u>	<u>19,718,936</u>
25% of Adjusted Revenue	4,314,562	4,683,545	4,614,378	4,733,079	4,929,734
Actual Connection Fees	<u>2,941,713</u>	<u>2,933,424</u>	<u>1,680,074</u>	<u>1,717,427</u>	<u>1,335,741</u>
Allowable Connection Fees	<u>2,941,713</u>	<u>2,933,424</u>	<u>1,680,074</u>	<u>1,717,427</u>	<u>1,335,741</u>
Total Revenue	<u><u>\$ 20,199,962</u></u>	<u><u>\$ 21,667,604</u></u>	<u><u>\$ 20,137,587</u></u>	<u><u>\$ 20,649,741</u></u>	<u><u>\$ 21,054,677</u></u>
Operating Expense	(11,277,304)	(12,424,166)	(12,894,743)	(14,214,867)	(15,275,899)
Add back In-Lieu	-	-	-	-	-
Add back Depreciation/Amortization	<u>3,488,891</u>	<u>3,817,656</u>	<u>4,021,167</u>	<u>4,361,325</u>	<u>4,896,408</u>
Net Operating Expense	<u>(7,788,413)</u>	<u>(8,606,510)</u>	<u>(8,873,576)</u>	<u>(9,853,542)</u>	<u>(10,379,491)</u>
Net Wastewater Revenues*	<u><u>12,411,549</u></u>	<u><u>13,061,094</u></u>	<u><u>11,264,011</u></u>	<u><u>10,796,199</u></u>	<u><u>10,675,186</u></u>
Total Debt Service	<u><u>\$ 3,042,063</u></u>	<u><u>\$ 3,040,868</u></u>	<u><u>\$ 3,309,313</u></u>	<u><u>\$ 3,621,312</u></u>	<u><u>\$ 4,838,627</u></u>
Debt Coverage Ratio	<u><b>4.08</b></u>	<u><b>4.30</b></u>	<u><b>3.40</b></u>	<u><b>2.98</b></u>	<u><b>2.21</b></u>

\* Excludes interest expense and gain/loss on disposal of assets.

\*\* Excludes capital grants.

**City of Redding**  
**Wastewater Revenue Bond Coverage (Continued)**  
**Last Ten Fiscal Years**

	<b>Fiscal Year Ending</b>				
	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Operating Revenue	\$ 21,099,386	\$ 21,342,485	\$ 22,720,092	\$ 24,563,888	\$ 25,451,684
Other Revenue**	13,935	13,295	(86,499)	13,756	15,453
Interest Revenue	350,722	(241,696)	582,376	468,529	609,119
Adjusted Revenue	<u>21,464,043</u>	<u>21,114,084</u>	<u>23,215,969</u>	<u>25,046,173</u>	<u>26,076,256</u>
25% of Adjusted Revenue	5,366,011	5,278,521	5,803,992	6,261,543	6,519,064
Actual Connection Fees	<u>664,223</u>	<u>1,214,938</u>	<u>956,137</u>	<u>842,721</u>	<u>1,309,625</u>
Allowable Connection Fees	<u>664,223</u>	<u>1,214,938</u>	<u>956,137</u>	<u>842,721</u>	<u>1,309,625</u>
Total Revenue	<u>\$ 22,128,266</u>	<u>\$ 22,329,022</u>	<u>\$ 24,172,106</u>	<u>\$ 25,888,894</u>	<u>\$ 27,385,881</u>
Operating Expense	(16,093,343)	(17,188,977)	(18,451,474)	(20,045,882)	(21,561,048)
Add back In-Lieu	-	-	-	-	-
Add back Depreciation/Amortization	<u>5,141,880</u>	<u>5,572,955</u>	<u>5,924,400</u>	<u>6,886,048</u>	<u>7,026,394</u>
Net Operating Expense	<u>(10,951,463)</u>	<u>(11,616,022)</u>	<u>(12,527,074)</u>	<u>(13,159,834)</u>	<u>(14,534,654)</u>
Net Wastewater Revenues*	<u>11,176,803</u>	<u>10,713,000</u>	<u>11,645,032</u>	<u>12,729,060</u>	<u>12,851,227</u>
Total Debt Service	<u>\$ 5,591,172</u>	<u>\$ 6,122,885</u>	<u>\$ 8,117,463</u> ***	<u>\$ 8,131,564</u>	<u>\$ 8,129,964</u>
Debt Coverage Ratio	<u>2.00</u>	<u>1.75</u>	<u>1.43</u>	<u>1.57</u>	<u>1.58</u>

\* Excludes interest expense and gain/loss on disposal of assets.

\*\* Excludes capital grants.

\*\*\* Excludes 2014 defeased debt of \$9,126,250

**City of Redding**  
**Water Revenue Bond Coverage**  
**Last Ten Fiscal Years**

	<b>Fiscal Year Ending</b>				
	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Operating Revenue	\$ 13,824,991	\$ 14,341,120	\$ 13,914,397	\$ 13,748,499	\$ 14,427,814
Other Revenue**	661,080	209,022	194,358	219,897	225,474
Interest Revenue	1,139,710	907,870	734,418	479,524	199,863
Adjusted Revenue	<u>15,625,781</u>	<u>15,458,012</u>	<u>14,843,173</u>	<u>14,447,920</u>	<u>14,853,151</u>
25% of Adjusted Revenue	3,906,445	3,864,503	3,710,793	3,611,980	3,713,288
Actual Connection Fees	<u>2,779,003</u>	<u>2,049,142</u>	<u>1,437,290</u>	<u>1,294,343</u>	<u>1,018,718</u>
Allowable Connection Fees	<u>2,779,003</u>	<u>2,049,142</u>	<u>1,437,290</u>	<u>1,294,343</u>	<u>1,018,718</u>
Total Revenue	<u>18,404,784</u>	<u>17,507,154</u>	<u>16,280,463</u>	<u>15,742,263</u>	<u>15,871,869</u>
Operating Expense	(11,397,057)	(12,280,801)	(12,456,147)	(14,044,979)	(14,179,843)
Add back In-Lieu	-	-	-	-	-
Add back Depreciation/Amortization	<u>2,431,867</u>	<u>2,705,995</u>	<u>3,020,054</u>	<u>3,300,595</u>	<u>3,322,769</u>
Net Operating Expense	<u>(8,965,190)</u>	<u>(9,574,806)</u>	<u>(9,436,093)</u>	<u>(10,744,384)</u>	<u>(10,857,074)</u>
Net Water Revenues*	<u>9,439,594</u>	<u>7,932,348</u>	<u>6,844,370</u>	<u>4,997,879</u>	<u>5,014,795</u>
Total Debt Service	<u>\$ 1,217,893</u>	<u>\$ 1,228,088</u>	<u>\$ 1,224,838</u>	<u>\$ 1,222,488</u>	<u>\$ 1,217,626</u>
Debt Coverage Ratio	<u>7.75</u>	<u>6.46</u>	<u>5.59</u>	<u>4.09</u>	<u>4.12</u>

\* Excludes interest expense and gain/loss on disposal of assets.

\*\* Excludes capital grants.

**City of Redding**  
**Water Revenue Bond Coverage (Continued)**  
**Last Ten Fiscal Years**

	<b>Fiscal Year Ending</b>				
	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Operating Revenue	\$ 15,655,601	\$ 16,497,288	\$ 18,423,339	\$ 17,646,476	\$ 16,860,160
Other Revenue**	231,336	237,340	172,996	224,874	149,471
Interest Revenue	205,711	(172,089)	411,799	330,137	439,975
Adjusted Revenue	<u>16,092,648</u>	<u>16,562,539</u>	<u>19,008,134</u>	<u>18,201,487</u>	<u>17,449,606</u>
25% of Adjusted Revenue	4,023,162	4,140,635	4,752,034	4,550,372	4,362,402
Actual Connection Fees	<u>602,128</u>	<u>1,389,868</u>	<u>753,633</u>	<u>662,463</u>	<u>985,803</u>
Allowable Connection Fees	<u>602,128</u>	<u>1,389,868</u>	<u>753,633</u>	<u>662,463</u>	<u>985,803</u>
Total Revenue	<u>16,694,776</u>	<u>17,952,407</u>	<u>19,761,767</u>	<u>18,863,950</u>	<u>18,435,409</u>
Operating Expense	(15,300,320)	(15,532,856)	(16,703,721)	(16,588,595)	(16,224,118)
Add back In-Lieu	-	-	-	-	-
Add back Depreciation/Amortization	<u>3,482,093</u>	<u>3,623,164</u>	<u>3,457,758</u>	<u>3,342,717</u>	<u>3,425,653</u>
Net Operating Expense	<u>(11,818,227)</u>	<u>(11,909,692)</u>	<u>(13,245,963)</u>	<u>(13,245,878)</u>	<u>(12,798,465)</u>
Net Water Revenues*	<u>4,876,549</u>	<u>6,042,715</u>	<u>6,515,804</u>	<u>5,618,072</u>	<u>5,636,944</u>
Total Debt Service	<u>\$ 1,025,150</u>	<u>\$ 1,027,210</u>	<u>\$ 1,091,335</u> ***	<u>\$ 764,100</u>	<u>\$ 768,100</u>
Debt Coverage Ratio	<u>4.76</u>	<u>5.88</u>	<u>5.97</u>	<u>7.35</u>	<u>7.34</u>

\* Excludes interest expense and gain/loss on disposal of assets.

\*\* Excludes capital grants.

\*\*\* Excludes 2014 defeased debt of \$7,547,500

**City of Redding**  
**Electric Revenue Bond Coverage**  
**Last Ten Fiscal Years**

Fiscal Year	Revenue	Expense	Available Reserves	Funds Available for Debt Service	Debt Service	Debt Service Coverage
2006-2007	\$ 138,035,984	\$ 120,052,752	\$ 41,649,569	\$ 59,632,801	\$ 9,573,078	6.23
2007-2008	156,839,571	142,101,108	38,929,919	53,668,382	9,083,139	5.91
2008-2009	157,477,449	152,534,009	37,000,967	41,944,407	5,067,968	8.28
2009-2010	153,119,347	141,852,601	33,562,914	44,829,660	10,110,131	4.43
2010-2011	168,305,285	146,270,267	31,793,172	53,828,190	13,754,317	3.91
2011-2012	164,353,261	135,263,876	34,352,264	63,441,649	13,829,150	4.59
2012-2013	160,924,425	130,644,921	41,918,740	72,198,244	13,834,475	5.22
2013-2014	162,898,133	125,129,935	45,760,302	83,528,500	13,858,275	6.03
2014-2015	163,267,269	129,689,792	50,497,852	84,075,329	13,857,050	6.07
2015-2016	158,250,632	122,768,167	66,910,359	102,392,824	14,941,042	6.85

Source: *Electric Utility Bond Disclosure Reports*

**City of Redding  
Demographic Statistics  
Last Ten Fiscal Years**

Fiscal Year	Square Miles (1)	Population (2)	Personal Income (thousands of dollars)	Per Capita Personal Income (3)	Unemployment Rates (4)
2006-2007	59.82	89,682	\$ 3,016,095	\$ 33,631	7.00
2007-2008	59.82	90,192	3,162,763	35,067	9.30
2008-2009	59.82	90,931	3,177,675	34,946	14.10
2009-2010	59.82	89,878	3,105,015	34,547	16.20
2010-2011	59.82	90,050	3,016,405	33,497	15.90
2011-2012	59.82	90,342	3,141,553	34,774	14.20
2012-2013	60.68	90,848	3,248,543	35,758	11.70
2013-2014	60.68	90,950	3,307,306	36,364	9.20
2014-2015	60.68	91,110	3,453,525	37,905	7.30
2015-2016	60.68	91,582	3,744,055	40,882	7.20

Source: (1) City of Redding - Development Services  
(2) State of California  
(3) Bureau of Economic Analysis, U.S. Department of Commerce  
(4) State of California Employment Development Department

Note: Per capita personal income is based on the calendar year information ending during that fiscal year.

**City of Redding**  
**Principal Employers in the Greater Redding Metropolitan Area**  
**Last Six Fiscal Years**

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Area Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Area Employment</u>
Mercy Medical Center	1,832	1	2.44%	1,600	2	2.01%
Shasta County *	1,750	2	2.33%	1,918	1	2.40%
City of Redding **	1,129	3	1.50%	860	4	1.08%
Shasta Regional Medical Center	856	4	1.14%	899	3	1.13%
CA Transportation Department	663	5	0.88%	-		
Redding Rancheria	523	6	0.70%	416	7	0.52%
Wal Mart	450	7	0.60%	384	8	0.48%
Shasta Union High School District	406	8	0.54%	-		
Shasta Community College	352	9	0.47%	700	5	0.88%
Blue Shield of California	330	10	0.44%	435	6	0.55%
United States Postal Office	-			300	10	0.38%
Northern California Rehab	-			331	9	0.41%
<b>Total</b>	<b>8,291</b>			<b>7,843</b>		

\* Full-time equivalent budgeted positions. This includes employees who work outside of the City.

\*\* Full-time budgeted positions.

In 2015-16 there were 735 full-time and 399 part-time/temporary positions filled.

In 2006-07 there were 830 full-time and 264 part-time/temporary positions filled.

Information for 2005-06 represents principal non-governmental employers.

Source: Derived roughly from the Employment Development Department's (EDD) listing of the top 25 employers in Shasta County.

**City of Redding**  
**Full -Time City Budgeted Employees by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<b>Budgeted Full-time Employees</b>									
	<b>at June 30,</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
General Government	107	106	104	90	89	86	85	88	88	91
Police	172	173	167	150	141	141	130	131	131	135
Fire	81	84	81	80	70	70	75	85	85	85
Public Works	61	69	69	67	66	65	65	66	66	66
Planning	52	52	45	39	32	29	29	29	29	29
Recreation and Culture	28	29	27	25	23	20	21	21	21	21
Community Development	24	22	23	22	20	15	20	12	8	10
Electric	169	174	180	183	183	185	185	179	180	180
Water	31	27	27	28	28	28	28	27	27	28
Wastewater	32	31	31	32	32	33	33	34	34	36
Storm Drainage	5	6	6	5	5	5	5	5	5	5
Solid Waste	78	80	81	81	81	79	79	79	79	79
Transportation	7	7	7	7	7	7	7	6	7	7
Convention Center	13	13	12	13	13	10	-	-	-	-
	<b>860</b>	<b>873</b>	<b>860</b>	<b>822</b>	<b>790</b>	<b>773</b>	<b>762</b>	<b>762</b>	<b>760</b>	<b>772</b>

*Source: City of Redding Personnel Division*

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**City of Redding**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	39	40	40	38	39	38	39	38	41	41
Fire stations	8	8	8	8	7	7	8	8	8	8
Public works										
Streets (miles)	454.0	462.5	464.0	464.0	464.0	464.0	465.0	465.0	468.0	468.7
Streetlights	7,270	7,450	7,517	7,568	7,575	7,581	8,013	8,025	8,051	8,086
Recreation and culture										
Maintained trails (miles)	61	62	62	62	62	63	66	66	67	68
Parks acreage (improved)	588	590	593	593	593	620	635	635	636	636
Parks acreage (unimproved)	406	428	425	487	487	487	487	487	487	487
Electric										
Transmission & Distribution system (miles)	697	704	704	705	710	710	793	798	798	812
Water										
Length of water mains	485	550	556	558	558.7	556	556	556	557	58
Wastewater										
Sewer lines (miles)	409	423	426	430	430.1	431.1	430.3	431.4	431.5	433.2
Solid Waste										
Collection trucks	32	32	32	32	32	32	32	32	36	38
Storm Drainage										
Length of system (miles) *	413	429	433	440.5	441	442	442	399	397	397 *
Catch basins*	8,777	9,328	10,041	10,253	10,553	10,593	10,711	7,068	6,594	6,590 *
Transportation										
Buses	19	16	17	17	16	16	16	18	18	20

\* Prior to 2014 the storm drain data included both public and private segments and facilities (the data for only the public portion for years prior to 2014 is not available). Starting in 2014 the storm drain data only includes public segments and facilities.

Source: City of Redding

**City of Redding**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Police</b>					
Calls for service	85,213	86,099	85,885	84,236	85,336
Felony arrests	2,661	2,368	2,321	2,522	2,280
Misdemeanor arrests	5,457	6,397	6,779	5,551	4,838
Total arrests	8,118	8,765	9,100	8,073	7,118
<b>Fire</b>					
Fire, explosion	520	477	454	402	381
Rescue, emergency medical call	9,037	9,166	9,308	9,032	9,212
Fire safety inspections	2,989	2,965	3,745	4,590	3,762
<b>Public Works</b>					
Miles of roadway resurfaced	2.9	0.5	8.0	2.4	7.8
Miles of roadway slurry sealed	11.5	0	26	0	0
<b>Planning</b>					
Number of building permits issued	3,887	3,380	2,819	2,634	2,744
<b>Recreation and Culture</b>					
Recreation Division programs	2,789	2,803	2,807	2,800	2,800
Program participants	13,191	13,547	13,682	13,597	13,613
<b>Community Development</b>					
Number of households assisted (Rental Assistance)	1,364	1,394	1,546	1,470	1,471
Owner occupied loans made for rehabilitation/purchase	17	32	55	22	17
Rental loans/grants for rehabilitation/purchase	41	6	-	29	9
<b>Electric</b>					
Electric customers billed monthly	42,639	42,810	42,910	43,035	43,144
Average sustained outages per customer per year	0.35	0.18	0.28	0.43	0.31
System average retail rates	9.6	10.3	10.9	11.8	12.7
<b>Water</b>					
Water produced (acre ft.)	29,390	29,486	27,446	25,818	23,201
<b>Wastewater</b>					
Totals household equivalents served	40,506	41,207	42,079	41,523	41,431
Clear Creek dry flow	7.6	7.3	7.5	7.2	7.8
Stillwater dry flow	2.6	2.5	2.6	2.6	3.1
<b>Storm Drains</b>					
Percentage of inlets cleaned/maintained (annually)	0.9%	1.3%	1.4%	1.4%	4.5%
<b>Solid Waste</b>					
Total waste collected (tons)	107,228	85,305	77,944	78,868	77,793
Recyclables sales (tons)	10,054	8,581	8,486	8,447	8,180
<b>Transportation</b>					
Airport passenger movements/enplanements	66,307	63,394	63,205	57,105	51,088
RABA bus passengers	728,614	735,568	743,455	723,452	727,094

Source: City of Redding

**City of Redding**  
**Operating Indicators by Function/Program (Continued)**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Police</b>					
Calls for service	87,069	91,501	91,917	95,237	96,436
Felony arrests	2,603	2,905	2,658	2,237	2,259
Misdemeanor arrests	4,462	7,596	4,010	5,668	6,039
Total arrests	7,065	10,501	6,668	7,905	8,298
<b>Fire</b>					
Fire, explosion	387	436	527	466	476
Rescue, emergency medical call	8,467	7,913	8,277	8,334	8,131
Fire safety inspections	2,195	2,972	3,452	3,511	3,661
<b>Public Works</b>					
Miles of roadway resurfaced	1.5	2.7	1.8	1.4	7.0
Miles of roadway slurry sealed	0	11.5	0.7	26.1	18
<b>Planning</b>					
Number of building permits issued	2,552	3,043	3,167	3,575	3,813
<b>Recreation and Culture</b>					
Recreation Division programs	2,800	2,800	2,800	2,800	2,650
Program participants	13,439	13,605	13,717	13,854	13,793
<b>Community Development</b>					
Number of households assisted (Rental Assistance)	1,599	1,450	1,485	1,447	1,556
Owner occupied loans made for rehabilitation/purchase	10	21	16	20	17
Rental loans/grants for rehabilitation/purchase	5	3	3	3	1
<b>Electric</b>					
Electric customers billed monthly	43,281	43,551	43,662	43,832	44,039
Average sustained outages per customer per year	0.29	0.62	0.26	0.49	0.38
System average retail rates	13.8	14.6	15.7	16.6	16.7
<b>Water</b>					
Water produced (acre ft.)	23,186	27,994	29,307	21,514	20,411
<b>Wastewater</b>					
Totals household equivalents served	41,710	40,598	41,988	42,641	42,209
Clear Creek dry flow	7.1	7.3	7.6	5.7	5.7
Stillwater dry flow	2.7	2.4	2.0	1.9	1.9
<b>Storm Drains</b>					
Percentage of inlets cleaned/maintained (annually)	4.3%	4.0%	4.0%	4.0%	4.0%
<b>Solid Waste</b>					
Total waste collected (tons)	75,875	75,126	75,527	75,929	82,985
Recyclables sales (tons)	8,026	7,705	7,385	6,846	7,860
<b>Transportation</b>					
Airport passenger movements/enplanements	33,638	26,785	24,951	27,148	35,844
RABA bus passengers	812,347	814,123	827,924	742,712	664,367

Source: City of Redding

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# **SUPPLEMENTAL HISTORICAL INFORMATION**

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## CITY OF REDDING

### AIRPORTS

#### **Redding Municipal Airport**

Redding Municipal Airport serves the regional area of Northern California consisting of approximately 25,000 square miles covering some eight California counties. The population served is over 277,000 in the primary market. Commercial, freight, and passenger services are provided by United Express / SkyWest Airlines, Peninsula Airways (PenAir), Federal Express, UPS, and Ameriflight. Fixed-based operations provide a wide range of services including general airplane and engine maintenance as well as avionics, charter services, facilitation of sales of used aircraft, and sales of fuels, lubricants, and accessories. Medical helicopter services and helicopter charters, repairs, and sales, are also available. Currently, four car rental agencies serve the traveling public from the passenger terminal area, three are on-site.

There are 36 permanently assigned tie-downs, 95 more aircraft and eight helicopter tie-downs for transients, 113 T-hangars, and 15 large commercial / corporate hangars that are maintained and leased out by the City of Redding – Airports Division. The T-hangars are approximately 92% occupied, with very few vacancies. Last fiscal year, a total of approximately 55,000 aircraft operations were recorded during the FAA Contract Air Traffic Control Tower operating hours from 6:30 a.m. to 9:30 p.m.

The Airport features a 32,000 square foot terminal to serve the traveling public that was recently expanded and remodeled. It also features a full-service restaurant and lounge, as well as full services for all business tenants. There is a 333 space public automobile parking lot as well as 77 spaces for rental cars, adjacent to the terminal building. The passenger terminal aircraft parking ramp is capable of receiving six medium-size jet aircraft at one time. During the 2015 calendar year, over 62,374 passengers traveled through the terminal building. The airport property includes a total of 1,511 acres.

The primary runway (16/34) is 7,003 feet in length with lighted distance-remaining markers. It also has a high-intensity approach lighting system with runway alignment indicator lights, an instrument landing system, runway-end identifier lights, precision approach path indicator, visual approach slope indicator, a back course instrument landing system, a global position system (GPS) approach, and a VHF omni-directional range with distance-measuring equipment. The crosswind runway (12/30) is 5,067 feet long. It has a medium-intensity approach lighting system with precision approach path indicator lights on the Runway 30 approach.

#### **Benton Airpark**

Benton Airpark is located within the city limits of Redding, only a few blocks from the downtown area. It features a runway that is 2,420 feet in length and lighted for night operations. There is a fixed-base operation which provides a full range of aircraft services, as well as a café. The California Highway Patrol bases two helicopters and two fixed-wing aircraft at Benton. Also, there are 60 T-Hangars, 30 sun /shade covered aircraft parking spaces and 64 open tie-downs. Additionally, Benton has two designated helicopter pads and two privately built T-Hangars buildings with approximately ten T-Hangars each. Benton experiences an estimated 35,000 annual aircraft operations.

## **CITY OF REDDING ELECTRIC UTILITY SYSTEM**

### **History**

Electric service in Redding was started prior to 1900 by a private utility, the Redding Electric Light and Power Company, which obtained electric power from a small hydroelectric plant on the Sacramento River near Redding. On November 28, 1901, the Keswick Electric Power Company began supplying the utility with electric power from its new Volta Hydro Plant, which had just started operation. Shortly thereafter, the Keswick Company acquired the capital stock of the Redding Electric Light and Power Company. Subsequently, on March 13, 1902, the Northern California Power Company was incorporated and proceedings were initiated to acquire control of all properties of the Keswick Company through an exchange of stock. This was succeeded in 1908 by the Northern California Power Company Consolidated, which continued operation until October 3, 1919, when it was acquired by Pacific Gas and Electric Company (PG&E) under a merger authorized by the California Railroad Commission.

Prior to the merger, a group of Redding citizens started a movement to acquire the municipal street-lighting system because of dissatisfaction with the existing system and its operation. As a result, in 1916, a municipal street-lighting system was established. Soon after the municipal street-lighting system began operation, a movement was started for the City of Redding to purchase the electric distribution system from the Northern California Power Company Consolidated, and preliminary negotiations were initiated.

During the period of negotiations between the City and the Northern California Power Company Consolidated, PG&E acquired the Northern California Power Company Consolidated. Final payment was made by the City to PG&E on December 21, 1921, on which date the property and its operations were turned over to the City. Under City ownership and operation, Redding's Electric Utility (REU) has consistently provided superior service at a competitive price, with rates well below those in the surrounding service territory in which service is provided by PG&E.

### **Distribution Service**

The City's Electric Utility currently provides service to its customers in an area approximately 61 square miles in size, with 62 miles of 115-kV lines and 739 miles of overhead and underground 12-kV distribution lines. The City is proud of its record over the past five years of 99.997 percent electric service availability to its customers.

Redding is presently interconnected with the Northern California 230-kV power grid at two points - Western Area Power Administration's (Western) Keswick Switchyard and the Western/Redding Airport 230/115-kV Substation. Delivery of all power from sources outside of the City is made to Redding at the Keswick Switchyard and Airport Substation. The City owns and operates the 115-kV lines that interconnect the City's 115/12-kV distribution substations to these delivery points. This system is designed as a highly reliable looped system (there are at least two sources for every distribution substation) with state-of-the-art 115-kV circuit breakers and relay systems, which ensure that an outage or failure of any 115-kV line will not interrupt power to any City customer. All 115-kV lines in the City's electric system are in generally excellent condition. The majority were constructed after 1985.

Design and right-of-way acquisition for distribution service to the Stillwater Business Park was completed in FY08. The Stillwater 115-kV line termination work was completed on August 15, 2008. The Stillwater 115-kV transmission project began construction in April 2012, and is expected to be completed by 2017. The City's current distribution system consists of eleven 115/12-kV distribution substations where power is transformed from 115-kV to 12-kV distribution voltage and connected to the service distribution transformers via the 12-kV distribution lines. The 12-kV distribution system is a very reliable radial-type system designed such that all customers can be served from another feeder if the normal source is experiencing a problem.

## **Power Supply**

The City's retail power supply comes from a diverse portfolio. Redding typically receives about 35% of its power supply from Western in an average hydro year. FY 2015-16 were below normal hydro years and as a result Western provided 24% of the City's system load. Western's power is generated at Shasta Dam and 11 other facilities, which are a part of the Central Valley Project (CVP). Redding also relies on the City's existing generation resources and other power-purchase and exchange contracts, as well as short-term firm purchases to provide low-cost service to all of the City's customers.

In order to accommodate anticipated growth, the City has developed several projects to generate power. The City's Whiskeytown Hydroelectric Project became operational on September 3, 1986. In August 1991, the City purchased a 28-MW steam turbine generation project located within the City's limits at Redding Power Plant. Three combustion turbine generators totaling 70-MW were added in 1996. In June 2002, the City commissioned Unit 5, a 43-MW highly efficient combined-cycle gas turbine with a heat recovery steam generator to be operated with the 28-MW steam turbine, bringing total on site generation to 141-MW. Construction began in September 2008 on Unit 6, which is a 47-MW combined cycle gas turbine nearly identical to the existing Unit 5. Unit 6 went into service in August 2011. In addition to its own generation, the City has acquired several other sources of electric power through long-term, purchase-power contracts and through its membership in a joint powers agency consisting of Modesto Irrigation District, City of Santa Clara, and City of Redding (M-S-R). Through the M-S-R joint powers agency, the City entered into a long-term power purchase agreement for 70-MW of wind generated energy, with deliveries that began October 1, 2006. On June 1, 1994, the City began scheduling and dispatching the power produced by these various resources. The scheduling and dispatching operations allow Redding to take advantage of relatively inexpensive energy, which becomes available from time to time in the short-term wholesale power market.

The City is a member of various organizations and agencies including: Balancing Authority of Northern California, Northern California Power Agency, M-S-R, Transmission Agency of Northern California, and Western Systems Power Pool. Through these affiliations, the City contracted for and developed various power generation and transmission resources including: partial ownership of the San Juan coal-fired generating station, the Desert Southwest Transmission Project, and the California-Oregon Transmission Project. Currently, the City and M-S-R is in the process of divesting itself of its ownership of the San Juan generating station. The Southwest Transmission Project, which wheeled the San Juan power to Redding was sold May 2016 and the exit of the San Juan generating station will take place on December 31, 2017.

To operate most cost-effectively, the City has developed several load-management and energy- conservation programs, which include public awareness campaigns, technical conservation assistance, rebates on energy-efficient products and technologies including Energy Star appliances, air-conditioners, renewable technologies, and the use of energy-efficient street lights. In addition to resource development and conservation programs, the City has provided opportunities for additional conservation and load management through applicable rate design.

## Customer Base

The table below shows a five-year history of the growth in electric system customer accounts.

	<b>Number of Customer Accounts</b>		
<b>Fiscal Year Ending June 30</b>	<b>Residential</b>	<b>Non-Residential</b>	<b>Total</b>
2012	37,032	6,249	43,281
2013	37,268	6,283	43,551
2014	37,387	6,275	43,662
2015	37,561	6,271	43,832
2016	37,751	6,288	44,039

*Source: Utility Billing System Marketing Report of Quarterly NAICS Usage.*

The total number of electric system customer accounts increased 2 percent during the last five years, primarily due to residential account growth as non-residential account growth remains flat.

**CITY OF REDDING**  
**STORM DRAINAGE UTILITY SYSTEM**

**History**

The City Council established the Storm Drainage Utility on September 21, 1993. The utility is part of the Public Works Department. Responsibilities include monitoring, maintaining, and cleaning the storm drainage networks of the City.

**Service Area and Customers**

The service area encompasses storm drainage facilities within the City limits. The overall conveyance system is comprised of both public and private segments. The Storm Drain Utility responds to the needs of the public component of the overall conveyance system. The following table provides an overview of the storm drainage system as of June 30, 2016:

<b>Workload and Performance Measures</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
Miles of Storm Drain Pipe	245	199*	197*	197*
Miles of Channels/Ditches	197	200**	200	200
Miles of Maintained Channels/Ditches	26	23*	24*	17*
Number of Inlets	10,711	7,068*	6,594*	6,590*
Number of Outfalls	1,793	1,258*	1,256*	1,389*

\*Reconciled to reflect public facilities only. Private facilities not included.

\*\*Clover Creek Preserve and Stillwater Business Park channels added.

The Storm Drainage Utility charges are based on impervious area. An impervious area is one that prohibits the natural drainage of rainwater into the ground (i.e., building, parking lot, etc.). Effective February 4, 2014, the City directed the Shasta County Auditor-Controller to collect the Storm Drain service charges. Storm Drain service fees have been frozen since 1993. The annual fees are as follows:

Commercial	\$19.07 per impervious acre x 12
Multi-family/Mobile Home	\$9.96 per unit
Residential	\$15.84 per household

**Condition of System**

The City of Redding maintains a well-trained and well-equipped work force with very limited funding. The Storm Drain Utility's primary function is to operate the Storm Drainage system to prevent flooding, make systematic inspections as part of the preventive maintenance program, and plan and construct replacements.

The City of Redding completed a Citywide Master Storm Drain Study in October 1993. A new Operations and Maintenance Plan was prepared in 2003, along with a project update of the 1993 Master Plan, which included a survey of the storm drain system. In 2015, City Council gave direction to proceed with an update to the Citywide Master Storm Drain Study.

In 2003, the City applied for a National Pollution Discharge Elimination System (NPDES Phase II) permit that was to be implemented over the five years of the permit life. The State of California Water Quality Control Board approved the permit and its proposed work plan in 2005. The individual City permit was superseded by the Statewide NPDES Phase II Small MS4 (municipal separate storm sewer system) permit effective July 1, 2013, with a five year implementation schedule of increased activities.

Additionally, a trash provision amendment to the Statewide permit was approved in April 2015. While the prevention of trash entering the waterways has multiple benefits, the realities of capturing all trash as small as 5mm in high priority areas (high density residential, industrial, commercial, mixed urban and public transportation stations) will prove to be challenging. The State is preparing guidance documents for compliance with a Track 1 (full capture systems) or Track 2 (plan with combination of full capture systems, multi benefit projects, institutional controls, and other treatment controls) approach within 10 years of implementing the amendment and no later than 15 years of the effective date of the Trash Amendments.

## **CITY OF REDDING**

### **WASTEWATER UTILITY SYSTEM**

#### **History**

The City began construction of the Wastewater System soon after its incorporation in 1887. The Wastewater System developed slowly until the early 1950s, at which time approximately 20 percent of the City's approximate 5,200 acres were served. Recognizing the need for a systematic expansion of the Wastewater System, in 1956 the City commissioned the development of a master plan for the City to follow in making necessary improvements. As a result of this plan, which was updated in 1964, the City added approximately 27 miles of sewer lines, primarily as a result of a series of sewer assessment districts, and in 1966 relocated its wastewater treatment plant from a location near the Cypress Avenue Bridge, to the present Clear Creek site, approximately 5.5 miles to the south.

Over the succeeding ten years, various districts, including the Buckeye County Water District, the Cascade Community Services District, and the Enterprise Public Utilities District, were annexed to the City, resulting in 1981 in the elimination of the existing treatment plants of such districts and the consolidation of the wastewater treatment and disposal at the City's Clear Creek Regional Wastewater Treatment Plant (described below). To maintain compliance with the Clean Water Act, the Clear Creek Plant was expanded and upgraded to an advanced secondary wastewater treatment plant in 1979. Additional upgrades to the sludge handling facilities occurred in 1989; upgrades to the influent pumping system occurred in 1996 and upgrades to the sludge aeration system occurred in 2004.

In 1983, the City, Shasta County, and Shasta Dam Area Public Utility District (the "Shasta Dam PUD") commissioned Ott Water Engineers to prepare a regional sewage study of the Central Shasta County area. It was determined that the Clear Creek Wastewater Treatment Plant was operating at two-thirds of its capacity and the Shasta Dam PUD was operating essentially at its capacity. Additionally, significant growth for this area was projected. As a result of this study and an analysis of various alternatives, it was determined that an additional wastewater treatment plant on the east side of the City near Stillwater Creek and the Sacramento River would be constructed and that the Clear Creek Wastewater Treatment Plant would continue operation on the west side of the City. The advanced secondary Stillwater Regional Wastewater Treatment Plant was constructed near the confluence of Clover Creek and the Sacramento River and began operation in 1990.

#### **Existing Facilities**

The Wastewater System consists of the domestic and industrial sewage collection, treatment, and disposal facilities serving the City, including over 430 miles of interceptor and trunk sewers, 17 sewage lift stations, and two tertiary treatment plants.

#### **Clear Creek Wastewater Treatment Plant**

The Clear Creek Wastewater Treatment Plant, is located at the confluence of Clear Creek and the Sacramento River. The plant has a dry weather daily flow capacity of 9.4 million gallons per day (MGD) and a peak day flow capacity of 40 MGD. The unit processes utilized at the plant include, among other things, the Clear Creek Lift Station, with an estimated effective pump capacity of 40 MGD, primary and secondary clarification, gravity filtration, chlorination for disinfection and sulfonation for dechlorination prior to discharge into the Sacramento River outfall via a new diffuser system. In addition, a series of eight flow equalization ponds provide raw sewage and/or primary effluent temporary flow storage should the influent flow exceed the capacity of the secondary treatment and filtration processes. Solids handling process include primary and secondary waste sludge streams being mixed, thickened and anaerobically digested. Additional solids treatment can take place in facultative sludge lagoons. A new Biosolids Handling Facility recently completed construction and is now in operation. This facility was designed for future centralization of biosolids for both Wastewater Treatment Plants. In 2005, the

City Council had authorized modifications to the Clear Creek Plant at an estimated cost exceeding \$80 million. The upgrades were constructed in the following seven Bid Packages:

- Bid Package I began construction in the fall of 2006
- Bid Package II began construction in the fall of 2007
- Bid Package III began construction in the spring of 2008
- Bid Package IV began construction in the fall of 2008
- Bid Package V began construction in the summer of 2011
- Bid Package VI began construction in the winter of 2010
- Bid Package VII began construction in the fall of 2012 and was completed in the spring of 2014

The plant expansion and upgrades were funded by a loan from the State of California Revolving Loan Fund, ARRA Stimulus funds, with repayment through a combination of new connection fee revenue and monthly service charges.

### **Stillwater Regional Wastewater Treatment Plant**

The Stillwater Regional Wastewater Treatment Plant is located on an approximately 300-acre site along Airport Road at the Sacramento River. The plant is designed for an average dry weather flow of 3.4 MGD and a peak wet weather flow of 14.4 MGD.

A facilities plan was prepared in 2008 for expansion of the plant in stages to treat an average dry weather flow capacity to 8 MGD and a peak wet weather flow capacity to 24 MGD. The first plant expansion project (Phase 1 A/B) began construction in the spring of 2012, and was completed in the spring of 2014. This plant expansion was funded by Wastewater Utility funds, and a loan from the State of California Revolving Loan Fund, with repayment through a combination of new connection fee revenue and monthly service charges.

### **Environmental Compliance**

The discharge requirements for the wastewater system are established by the State of California Water Resources Control Board, Central Valley Region (the “Regional Board”) which administers and enforces all Federal and State of California discharge requirements. The Regional Board administers regulations promulgated under the National Pollutant Discharge Elimination System (NPDES) by the United States Environmental Protection Agency (the “EPA”). The Clear Creek Wastewater System’s present discharge permit was adopted in 2010 and is expected to be renewed in late 2016. The Stillwater Wastewater system permit was adopted in 2013 and will expire in 2018.

The City is responsible for satisfying these Federal and State-mandated discharge requirements. The requirements include provisions requiring the City to comply with all pretreatment requirements contained in the Federal Water Pollution Control Act. The City has an approved pretreatment program that includes local limits for priority pollutants and inspection and permitting of industrial discharges.

In general, plant performance has consistently met discharge requirements, and any instances of noncompliance have been isolated incidents that have not reoccurred.

### **Service Area**

The service area of the wastewater system is primarily the City, but includes small-unincorporated areas in the county. The service area lies entirely within the City’s sphere of influence.

## Historical Operations

The following table shows the historical number of residential customer household equivalents and the combined commercial and industrial customer household equivalents for the five fiscal years ending June 30, 2016. One household equivalent (HE) is the quantity of wastewater produced in the City of Redding by an average single-family residential household, which is 240 gallons per day (GPD). Since customer fees and charges are based on the HE for each customer, the revenue amounts are proportional to these HE counts.

### Historical Residential and Commercial/Industrial Household Equivalents

	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Residential HEs</b>	31,217	31,172	31,365	31,970	31,763
<b>Commercial/Industrial HEs</b>	10,493	9,426	10,239	10,668	10,446
<b>Total System HEs</b>	41,710	40,598	41,604	42,638	42,209
<b>Annual System Growth</b>	3%	(3%)	3%	2%	(1%)

The wastewater system currently has an average dry weather daily design flow capacity of 12.8 MGD. The actual average dry weather daily flow (months of July, August, and September) of the wastewater system for the five fiscal years ending June 30, 2016, is shown below.

### Average Dry Weather Daily Flows Fiscal Years Ended June 30, 2016

	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Clear Creek Plant</b>	7.1	7.3	7.7	6.6	5.7
<b>Stillwater Plant</b>	2.7	2.4	2.0	2.0	1.9
<b>Total Wastewater System</b>	9.8	9.7	9.7	8.6	7.6

## **CITY OF REDDING WATER UTILITY SYSTEM**

### **History**

The Redding water supply and treatment facilities date back to the early 1900s. The raw water supply pump station on the Sacramento River was built in stages beginning in 1939.

The City's rights to water from the Sacramento River stem from the 1941 acquisition of the local facilities of the California Water Service Company, together with its water rights, which date from 1886 and from a license to appropriate 5 cfs, issued in 1944.

Since 1939 when the City of Redding assumed control and operation of the water system, the City's population has grown from approximately 7,500 to 91,207. This growth includes two large increases in 1976 and 1977, when Redding annexed the Cascade Community Services District (serving approximately 4,450 residents) and the Enterprise Public Utility District (serving approximately 13,500 residents). Additionally, in 1967, the City assumed operation of the Buckeye County Water District serving about 1,500 residents outside the City limits.

A 1966 contract with the United States Bureau of Reclamation (USBR or Bureau) was renegotiated in June 2005, with the USBR extending the contract for an additional 40 years through March 31, 2045. It details Redding's principal rights to the Sacramento River. The "Sacramento River" contract permits renegotiation at any time for more or less water subject to need and availability of water in the river. Water to be diverted consists of "base" and "project water" supplies. The Base Supply is 85 percent of the total, with Project Water being the remaining 15 percent of the total river water supply. The total entitlement is 21,000 acre-feet. Due to Pre-1914 water rights, our Base Water has no charge. Water charges per acre-foot for Project Water under this contract total \$36.09 (\$15.72 average water cost, \$20.14 restoration charge and \$0.23 Trinity PUD fee).

These entitlements were subject to renegotiation by mutual agreement in 1985, as they were in 1975 when no change occurred, and the annual entitlement is subject to reduction in "Critical Water Years." In 1992, 2007, 2014, and 2015 the Bureau decreased Redding's Project Supply entitlement by 25 percent.

In 1967, the City of Redding took over Buckeye County Water District facilities and the rights to a 1964 USBR contract. In February 1971, the City executed a new USBR contract to serve the Buckeye service area. In November 1994, the City amended this contract with the Bureau to add the Spring Creek Conduit as a point of diversion for the new Buckeye Water Treatment Plant. The Buckeye Contract's annual entitlement is also subject to reduction in "Critical Water Years." In 1992, 2008, 2009, and 2012 the Bureau decreased the Buckeye Contract Supply entitlement by 25 percent and in 2014, the contract entitlement was decreased by 50 percent. In 2015, the contract entitlement was decreased by 75 percent. This contract with the Bureau of Reclamation, which runs through February 28, 2045, allows Redding to obtain 6,140 acre-feet of water per year. The 2015/16 delivery from that contract was 4,580 acre-feet. Water charges under this contract total approximately \$58.00 per acre-foot (\$18.76 average water cost, \$20.14 average restoration, \$0.23 Trinity PUD fee and a variable \$17.69 to \$20.82 foregone power charge per acre-foot).

Despite the cutbacks, the City's water supply was sufficient to meet its needs.

The Foothill Water Treatment Plant was constructed in 1981. The plant has a rated capacity of 28 million gallons per day (MGD). Facilities provide for online filtration following the existing sedimentation basin and a 6 million gallon (MG) covered storage reservoir. Both these additions were needed to meet the requirements of the State of California, Department of Public Health Division of Drinking Water and Environmental Management.

**Performance Measures and Workload Indicators**

The Water Utility Staff has met the established goals, with the majority of the workload objectives being accomplished:

ACTIVITY	2011/12	2012/13	2013/14	2014/15	2015/16
Number of customers/services	28,276	28,388	28,527	28,573	29,114
Number of new meter sets	99	185	89	197	163
Quantity of water produced (acre feet)	23,186	27,994	27,722	22,385	24,511
Percentage of days water quality met standards	100%	100%	100%	100%	100%
Number of service calls (Includes water quality)	1,901	2,446	3,579	4,025	2,239
Miles of water mains	556*	556	556	557	559
Number of main and water service failures/disruptions per year	406	424	486	942	115
Miles of substandard mains	42	42	42	42	42
Customers/service connections per employee	1,131	1,135	1,141	1,143	1,040

\* Reconciled to reflect pipes abandoned as part of pipe replacement projects

**Current System**

***Buckeye Zone***

The Buckeye Water District water system was acquired by the City of Redding in 1967 following dissolution of that District. Water supply for that District was extremely limited. Upon assuming the operation of the Buckeye system, the City of Redding provided the additional supply by pumping from the northern end of its water system. Pump House No. 3, located at the foot of North Market Street hill, and Pump House No. 4, off Benton Drive northeast of the Diestlehorst Bridge, serve the Buckeye Zone. Storage for the Buckeye Zone is located off Lake Boulevard, outside the City limits, near Walker Mine Road. Two steel reservoirs exist at this site--one 200,000-gallon tank and one 2 MG tank with an overflow elevation of 955 feet above mean sea level (msl). In 2002, an additional 4 MG reservoir was constructed ¼ mile east of the Buckeye Water Treatment Plant with an overflow elevation of 1,034 feet msl.

The Buckeye Water Treatment Plant (BWTP), completed in January 1995, serves the Buckeye Zone. The BWTP is located in unincorporated Shasta County, off Benson Drive, north of Rock Creek Road. The water plant has an interconnection to the USBR Spring Creek Conduit. Treated water is conveyed from the treatment plant through five miles of transmission main to the Buckeye area. The initial treatment capacity was 7 MGD with the ability to expand to 28 MGD capacity. In 2007, construction was completed on an expansion of the treatment plant to 14 MGD capacity. Along with the treatment plant expansion, 8,000 feet of 30-inch water transmission main was installed to provide treated water to the Buckeye Pressure Zone. This treatment plant meets all the existing United States Environmental Protection Agency (USEPA) regulations, including the 1986 & 1996 Safe Water Drinking Act amendments. The treatment plant also meets all the requirements of the State of California, Department of Public Health, Division of Drinking Water and Environmental Management. (State regulatory authority was transferred from the California Department of Public Health to the California State Water Resources Control Board during the summer 2014.)

### ***Foothill and Hill 900 Zones***

Construction of Redding's Foothill Water Treatment Plant (FWTP) was completed in September 1981. The treatment plant consists of pre-chlorination and chemical treatment followed by filtration and post-chlorination. River water from Pump House No. 1, located on the south side of the Sacramento River, west of the Diestlehorst Bridge, enters the treatment plant through a 36-inch main. In 2006, Pump Station No. 1 Fish Screen Retrofit Project was completed to meet the requirements of the CAL-FED Anadromous Fish Screen Program. In 2010, an additional 30-inch main from Pump House No. 1 was installed to the FWTP.

At the FWTP, chlorine is added for disinfection and odor control. Water then flows through dual media filtration and is post-chlorinated prior to entering a 6 MG covered storage reservoir.

Finished water storage for water produced at FWTP is provided as follows:

1. One 6 MG covered storage reservoir at the treatment plant, and one 4 MG steel reservoir at Foothill Blvd, each with an overflow elevation of 743 feet msl.
2. One 2.0 MG pre-stressed concrete reservoir and one 2 MG steel reservoir having an overflow elevation of 925 feet msl near the FWTP at the top of Hill 900.

The Foothill Zone is served by gravity flow from the Foothill reservoirs. The Hill 900 Zone is served by Pump House No. 2, which is located at the treatment plant and is taking suction from the 48-inch main served by the 6 MG reservoir. An additional booster pump was added to the El Reno booster pump station in 1995. This supply is an additional 1.4 MGD to the southern end of the Hill 900 Zone from the Cascade Zone, if necessary.

### ***Enterprise Zone***

In 1976, the Enterprise Public Utility District and the City of Redding voted to annex the Enterprise District to the City of Redding. Shortly after this, responsibility for the Enterprise water system was assumed by the City of Redding.

The system was served originally by five wells located over the Enterprise Sub-basin of the Redding Groundwater Basin. However, in 1978, the Cross Town Main, a large pipeline, was constructed which enabled the City to serve the Enterprise and Cascade areas with water from the FWTP. In 1985, approximately five miles of 12, 16, and 24-inch transmission mains were constructed from the Enterprise well fields on Goodwater Avenue to serve the U.S. Forest Service and Municipal Airport off Airport Road. In 1986, three 2 MGD capacity wells were added to the Enterprise Zone. In 1988, a 24-inch transmission main was constructed from Goodwater Avenue along Rancho Road westerly via South Bonnyview Road to the Cascade Zone. In 2002, 2.5 miles of 24-inch transmission main was constructed from Rancho Road north along Airport Road in the Enterprise Zone to maximize the production of the groundwater wells. In 1991, another 2 MGD capacity well was added to the Enterprise Zone. Two additional 2 MGD capacity wells were added during 2003. In 2007, another 2 MGD capacity well was added to the Enterprise Zone and in 2008, an additional 2 MGD capacity well was added.

Groundwater is treated with orthopolyphosphate for iron and manganese annoyances and chlorine is used for disinfection.

The main storage reservoirs are located above the Quail Ridge Subdivision off Canby Road. Two steel storage tanks are located at the same site, with a capacity of 3.5 and 6.0 MG and an overflow elevation of 706 feet msl. During periods of peak demand, these tanks and the well field, at the southwestern boundary of the zone, and treated water from the FWTP through the Cross-Town water main, supply the entire system from three directions.

### ***Hilltop-Dana Zone***

The Hilltop-Dana pressure zone is located north of Highway 44 and east of Interstate 5 and is supplied from the Enterprise Zone by Pump Station No. 5, and the Buckeye Zone by gravity.

### ***Cascade Zone***

The supply source for this zone comprises five wells, located over the Anderson Sub-basin, with a maximum capacity of 0.75 MGD. This supply is augmented by connection to the south end of Redding's central system, and in 1978, the Cross-Town water main was completed. This supply can furnish up to 3.2 MGD to the Cascade area. Additional supply is obtained by a large transmission main connecting the Cascade Zone to the Enterprise well system via South Bonnyview Road. This supply can furnish an additional 2 MGD. In the summer 1995, a booster pump station was installed on the South Bonnyview transmission main to increase the supply to the Cascade Zone to 4.3 MGD.

In 1985, the City took over the operation of the Pinal Water Company serving the Westwood Manor Subdivision located off State Route 273 south. The subdivision is currently being supplied water from the FWTP through two 8-inch interconnections. Storage to the Cascade Zone is provided by a 1 MG tank located off Kenyon Drive and a 2 MG tank in the Redding Ranchettes area. Both tanks have an overflow elevation of 696 feet msl.

### **Condition of System**

The City of Redding maintains a well-trained and well-equipped work force. Its primary function is to operate the system, make systematic inspections as part of the preventive maintenance program, and plan and construct replacements. Undersized and old lines are being replaced when maintenance costs indicate that they should be replaced or additional capacities are needed. The City of Redding maintains a Water Master Plan; revisions to the system are programmed, designed, and installed in accordance with this plan. The system is well-maintained in all regards, including raw water supply, pumping structures, equipment, transmission lines, and water treatment facilities. However, continual renewed investment in capital facilities such as distribution pipelines, reservoirs, and wells will be necessary to maintain the current level of service, due to the demands of population growth and aging infrastructure.