

COMPREHENSIVE
ANNUAL FINANCIAL
REPORT
for the
CITY OF REDDING



Redding, California

FISCAL YEAR ENDED JUNE 30, 2005

ISSUED BY THE FINANCE DIVISION

STEPHEN W. STRONG
FINANCE OFFICER

CITY OF REDDING
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Year Ended June 30, 2005

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INTRODUCTORY SECTION

CITY OF REDDING



ADMINISTRATIVE SERVICES DEPARTMENT

FINANCE DIVISION

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530.225.4079 FAX 530.225-4324

December 22, 2005

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, 2005. 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.

Hathaway and Ksenzulak, LLP, 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, 2005.

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 88,549 and encompasses approximately 60 square miles within the corporate limits. Extracting timber and the processing of wood byproducts 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 Redevelopment Agency, 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.

City Council members in separate sessions serve as the governing board of the Redding Joint Powers Financing Authority, the Redding Capital Services Corporation and Redding Redevelopment Agency. 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 five 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, 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 66,462 residents in 1990 from 16,659 in 1970. Since 1990 the City's population growth has been approximately 2% per year. The City's population of 88,459 has increased 8.58% over the 2000 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 2005:

City of Redding			Shasta County	
Year	Population	Annualized Percent Change Over Interval	Population	Annualized Percent Change Over Population
1970	16,659	3.04%	77,640	9.67%
1980	41,995	15.21%	119,449	5.38%
1990	66,432	5.83%	147,036	2.31%
2000	80,865	2.17%	163,256	1.10%
2001	82,543	2.08%	165,669	1.48%
2002	84,560	2.44%	169,300	2.19%
2003	85,703	1.35%	172,000	1.59%
2004	87,280	1.84%	175,705	2.15%
2005	88,459	1.14%	178,197	1.21%

Source: 1970-2000 data from U.S. Census; 2001 – 05 data from the California State Department of Finance as of January 1.

The City's population, over the next 10 years, is projected to grow by approximately 15,000 an increase of approximately 17.1%. 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 Redding as of June 2005:

<u>Region</u>	<u>Single Family Homes</u>
Redding	\$315,000
Sacramento	\$381,990
Los Angeles County	\$512,890
Orange County	\$702,400
San Francisco	\$734,610

Source: California Association of Realtors & Shasta County Board 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, heavy forest products, and retail services. Major private employers in the Redding area, their products or services, and the approximate number of their respective full time employees as of June 2005 are listed in the following table:

<u>Company</u>	<u>Product/Services</u>	<u>Employees</u>
Mercy Medical Center	Medical Facilities/Services	1,562
Holiday Markets	Grocery	1,050
Shasta Reg. Medical Cntr.	Medical Facilities/Services	850
Sierra Pacific Industries	Manufacturing	690
Redding Rancheria	Casino/Health Clinic	612
Blue Shield of California	Health Care Insurance	600
J & A Food Service	Food Services/Restaurants	600
Shasta Nursery	Plants	600
Wal Mart	Retail	456
PG&E	Utilities	275

Source: Greater Redding Chamber of Commerce

According to the State Employment Development Department, the unemployment rate of the City's metropolitan area was 6.5% on June 30, 2005. 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 1997 through June 2005:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Labor Force</u>	<u>Unemployment</u> <u>Number</u>	<u>Rate</u>
1997	73,400	6,500	8.9%
1998	72,400	6,600	9.2%
1999	73,100	5,100	7.0%
2000	75,700	4,400	5.8%
2001	77,100	4,400	5.7%
2002	82,300	5,600	6.8%
2003	83,900	6,200	7.4%
2004	84,300	6,200	7.3%
2005	86,600	5,600	6.5%

Source: State Department of Employment

Construction Activity - For the past ten calendar years ending December 2004, the City issued building permits valued at a total of \$1,209,956,494. New construction over the ten-year period represents 74% of the total construction activity. For the 2004 calendar year 4,073 building permits were issued, with a total permit valuation of \$156,729,228. The City of Redding is experiencing moderate growth at this time. Current trends indicate that the City of Redding will continue to grow at a moderate growth rate in the years to come.

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 three calendar years:

	2002	2003	2004
Value Single Family*	\$96,289,276	\$85,405,901	\$73,217,109
Number of Permits	587	471	383
Value Multi-dwellings	\$6,451,892	\$7,852,015	\$11,364,890
Number of Permits	24	7	6
Number of Units	97	129	225
Value Business	\$34,446,221	\$25,138,672	\$29,032,702
Number of Permits	45	74	70
Value Total all Permits	\$178,620,374	\$183,513,594	\$156,729,228
Total permits **	3840	4242	4073

* Value of new Construction only

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

Source: COR Development Services Dept.

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 176,000 in the primary trade area and approximately 246,000 in the secondary trade area. The primary trade area consists of the metropolitan urban area, including the cities of Redding, Shasta Lake, and Anderson. The secondary trade area consists of Shasta, Trinity, and Tehama counties.

Taxable transactions in the City reached \$1,898,286,000 in calendar year 2004, an 8.5% increase over the same period for 2003. The number of outlets reporting taxable sales to the California State Board of Equalization increased from 2863 in 2000 to 3,216 in 2004 as follows:

Year	Number of Outlets	Taxable Transactions (In Thousands)	Taxable Transactions Percentage (In Thousands) Increase (Decrease)
2000	2,863	1,453,052	9.5
2001	2,906	1,561,842	7.5
2002	2,984	1,652,064	5.8
2003	3,061	1,748,793	5.9
2004	3,216	1,898,286	8.5

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 and Horizon Air provide air service from Redding Municipal Airport to cities throughout California and the Pacific Northwest.

“THE RIDE” is the City’s multi-bus transportation system and offers thirteen different fixed routes, rural service and demand response (curb-to-curb) services. THE RIDE had an average total monthly ridership of more than 64,000 for fiscal year 2004-05.

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 SBC.

Community Services - Youth in the area attend school at one of 29 elementary schools, 13 middle schools, and 15 high schools. Shasta College, a two-year institution, offers both day and evening courses to approximately 9,300 students. Simpson University, a four-year liberal arts institution, has current enrollment of approximately 1,100 students.

The City’s parks system includes 66 developed parks, encompassing 582 acres. Included in this total acreage are 175 acres of natural area parks (improved open space), and 60 miles of trails. In addition, the City has 14 special purpose facilities, including the Redding Convention Center, which hosts cultural/performing arts programs, conferences, and conventions; The Redding Aquatic Center; the Redding Big League Dreams Sports Park; the Senior Citizens Center; 3 boat ramp facilities providing access to the Sacramento River; and various community centers and special event venues such as the Martin Luther King, Jr. Center, the Caldwell Recreation Center, and the Civic Center's Community Room.

The City serves as the primary medical center for Northern California. The City’s two general care hospitals serve approximately 360,000 people in Shasta, Tehama, Trinity, Siskiyou, and Lassen counties. The two hospitals have a total of 519 beds and employ approximately 2,400 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.

City plans include developing four soccer fields adjacent to Big League Dreams Sports Park, which should be completed by early 2007. Long range plans also include the development of Stillwater Business Park. The Stillwater Business Park is envisioned as a medium to large parcel business park necessary to support the economic development goals of the City of Redding and

the region. The core facility will consist of 687 acres, of which approximately 340 acres will be developed and more that 300 acres set aside as preserve. The Business Park design will allow for various uses which include Light Industrial, General Industrial and Professional Offices. Other park amenities will also include restaurant, fitness center, day care facilities, and a complete pedestrian/bicycle trail system. The project is designed to accommodate as many as 7,500 employees and an estimated 4,400,000 square feet of floor area.

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 oversight agency or oversight agency of the Office of Management and Budget. In the case of the City of Redding, the Housing and Urban Development Office has been assigned 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, 2004 provided no instances of material weaknesses in the internal control structure or significant violation of applicable laws and regulations.

CERTIFICATE OF ACHIEVEMENT

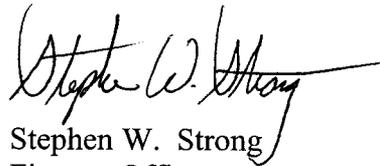
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redding for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the 21st consecutive 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.

In addition, the government also received GFOA's Distinguished Budget Presentation award for its biennial budget document dated June 30, 2005. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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 City's professional and accounting staff who made this presentation possible. In addition, I would like to extend a special thanks and recognition to Dennice Maxwell, Assistant Finance Officer, who was primarily responsible for the coordination of the audit and preparation of the financial report. It is the combined effort of all participants that resulted in the issuance of this document.



Stephen W. Strong
Finance Officer

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, 2004

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



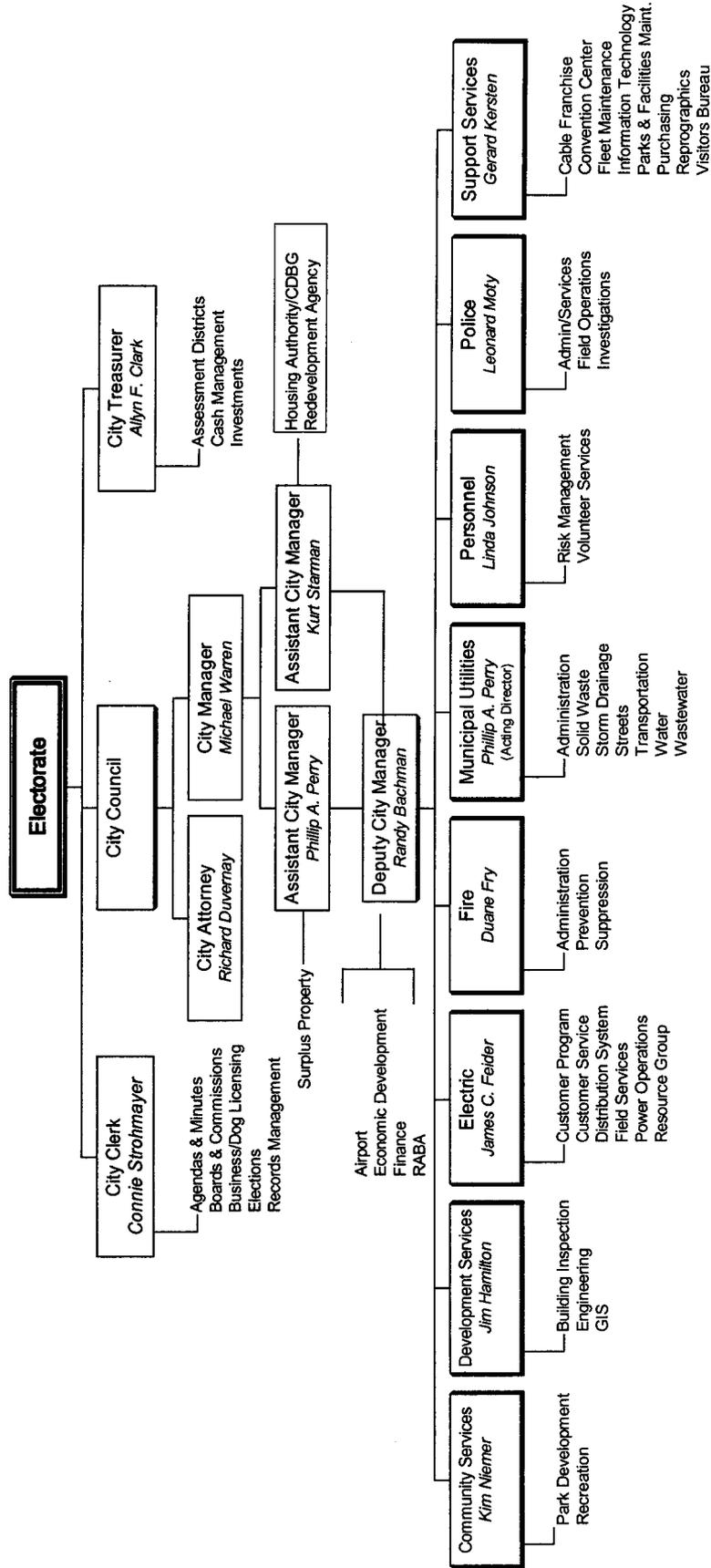
Nancy L. Zjelke

President

Jeffrey R. Emer

Executive Director

City of Redding Organizational Chart



MUNICIPAL OFFICIALS

City Council

Mayor John R. Mathena
Vice Mayor Ken Murray
Council Member Dick Dickerson
Council Member Michael Pohlmeier
Council Member Mary Stegall

Administrative Personnel

City Manager Michael Warren
Assistant City Manager Phillip A. Perry
Assistant City Manager Kurt J. Starman
Deputy City Manager Randy Bachman
City Attorney Richard Duvernay
City Clerk Connie Strohmayer
City Treasurer Allyn Feci Clark
Director of Community Services Kim Niemer
Director of Development Services Jim Hamilton
Director of Electric Jim Feider
Director of Municipal Utilities (Acting) Phillip A. Perry
Director of Personnel Linda Johnson
Director of Support Services Gerard Kersten
Fire Chief Duane D. Fry
Police Chief Leonard F. Moty

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FINANCIAL SECTION



**Hathaway &
Ksenzulak, LLP**

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INDEPENDENT AUDITORS' REPORT

Honorable City Council
City of Redding
Redding, CA

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, as of and for the year ended June 30, 2005, which collectively comprise the City of Redding's financial statements as listed in the table of contents. These financial statements are the responsibility of City of Redding's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redding as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 9, 2005, on our consideration of the City of Redding's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis are not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of the City of Redding taken as a whole. The accompanying information identified in the table of contents as combining financial statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The information identified in the table of contents as the Introductory Section, Statistical Section, and Supplemental Historical Information is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Redding. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Hathaway & Ksenzulak, LLP

December 9, 2005



Management's Discussion and Analysis

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, 2005. 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 3) and the financial statements (beginning on page 34).

FINANCIAL HIGHLIGHTS

- The City's net assets increased by \$22.9 million. The governmental net assets increased by \$14.4 million and the business-type net assets increased by \$8.5 million
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$109 million, an increase of \$11.8 million in comparison with the prior year. Approximately 52.6% of this total amount, \$57.3 million, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$14.1 million, or 21.8% of the total general fund expenditures. This is a \$4.5 million decrease from the prior year. The decrease is primarily due to State revenue take away and planned reserve draw down.
- The City net debt decreased by \$4.8 million. The City issued new debt totaling \$17.3 million (7.2%) during the current fiscal year. The increase was due to issuing \$9.3 million of refunding bonds, borrowing \$7.7 million for recreation projects, and \$0.3 million for new equipment capital leases. The City debt decreased by \$22.1 million due to defeasing debt and regular scheduled debt service.

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 Assets: This statement presents information on all the City's assets and liabilities, with the difference between the two reported as **net assets**. Over time, the change in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 water, wastewater, electric, 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 Redevelopment Agency, 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 34 - 37 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, use 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 seventeen 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, which is considered to be a major fund. Data from the other seventeen 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 38-47 of this report.

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 Water Utility, Wastewater Utility, Electric Utility, Airport Fund, Redding Area Bus Authority, Storm Drainage Utility, Solid Waste Utility 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 four 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; and the General Support Services Fund which accounts for mail, printing, records management and building maintenance activities. 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 nonmajor 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 48-57 of this report.

Fiduciary Funds: The City only maintains agency funds. Agency funds are used to account for resources held for other parties outside the government. Agency 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. Only a separate statement of net assets is presented, since assets equal liabilities.

The basic fiduciary fund financial statement can be found on page 58 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 59-96 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. During the City's fiscal year ended 2005, net assets changed as follows: (all amounts are in thousands)

	Government Activities	Business Activities	Total
Beginning net assets, restated	\$ 213,264	\$ 308,865	\$ 522,129
Increase net assets	\$ 14,387	\$ 8,476	\$ 22,863
Ending net assets	<u>\$ 227,651</u>	<u>\$ 317,341</u>	<u>\$ 544,992</u>

The City's total net assets increased by 4.4% from a year ago, increasing from \$522.1 million to \$545 million. Net assets from governmental activities increased by 6.7% while net assets from business activities increased by 2.7%. The \$14.4 million increase in net assets from governmental activities is primarily due to the purchase and/or construction of capital assets, which does not result in an offsetting expense in the current year government-wide financial statements.

The \$8.5 million increase in net assets from business-type activities is primarily due to funds being accumulated for current and future capital projects offset by a planned draw down of Electric reserves.

The following schedule displays a summary breakdown of the City's net assets as of June 30, 2005 and 2004:

Net Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 147,949	\$ 142,725	\$ 140,500	\$ 146,970	\$ 288,449	\$ 289,695
Capital Assets, net	191,869	182,061	345,419	337,307	537,288	519,368
Total Assets	<u>339,818</u>	<u>324,786</u>	<u>485,919</u>	<u>484,277</u>	<u>825,737</u>	<u>809,063</u>
Current liabilities	15,654	15,298	25,779	27,169	41,433	42,467
Long Term Liabilities	96,514	95,486	142,798	148,243	239,312	243,729
Total Liabilities	<u>112,168</u>	<u>110,784</u>	<u>168,577</u>	<u>175,412</u>	<u>280,745</u>	<u>286,196</u>
Net Assets:						
Invested in capital assets, net of related debt	160,826	152,600	220,180	200,044	381,006	352,644
Restricted	40,434	37,186	34,051	31,011	74,485	68,197
Unrestricted	26,390	24,216	63,111	77,810	89,501	102,026
Total net assets	<u>\$ 227,650</u>	<u>\$ 214,002</u>	<u>\$ 317,342</u>	<u>\$ 308,865</u>	<u>\$ 544,992</u>	<u>\$ 522,867</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$545 million at the June 30, 2005. Most of the City's net assets (70%) are 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.

An additional portion of the City's net assets, (14%) represent resources that are subject to external restrictions as to how they may be used. The remaining balance of \$89.5 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors or for investments in capital assets. Only \$ 26.4 million of the unrestricted net assets pertain to governmental activities, the balance can only be used for the utilities and other business activities of the City.

The following schedule shows the various components that caused the City's net assets to increase:

Changes in Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues						
Charges for service	\$ 8,801	\$ 7,937	\$ 171,677	\$ 166,802	\$ 180,478	\$ 174,739
Operating grants	16,331	14,347	4,000	3,594	20,331	17,941
Capital grants and contributions	11,838	39,516	17,316	10,080	29,154	49,596
General Revenues						
Sales Tax	21,696	20,298			21,696	20,298
Property Tax	17,901	16,966			17,901	16,966
Motor Vehicle In-Lieu	6,971	3,961			6,971	3,961
Investment earnings	3,107	2,031	3,658	1,867	6,765	3,898
Other	5,788	4,964		(192)	5,788	4,772
Total Revenues	<u>92,433</u>	<u>110,020</u>	<u>196,651</u>	<u>182,151</u>	<u>289,084</u>	<u>292,171</u>
Expenses:						
General Government	7,823	6,461			7,823	6,461
Police	22,640	21,554			22,640	21,554
Fire	13,615	12,568			13,615	12,568
Public Works	8,440	9,617			8,440	9,617
Planning	4,871	4,202			4,871	4,202
Recreation and Culture	9,076	5,733			9,076	5,733
Community Development	15,517	11,707			15,517	11,707
Interest on Long-term debt	3,731	3,976			3,731	3,976
Electric			133,187	114,865	133,187	114,865
Water			9,780	9,692	9,780	9,692
Wastewater			10,609	10,507	10,609	10,507
Storm Drainage			1,510	1,567	1,510	1,567
Solid Waste			14,617	15,599	14,617	15,599
Transportation			8,302	8,150	8,302	8,150
Convention Center			2,503	2,621	2,503	2,621
Total Expenses	<u>85,713</u>	<u>75,818</u>	<u>180,508</u>	<u>163,001</u>	<u>266,221</u>	<u>238,819</u>
Increase in net assets before transfers	6,720	34,202	16,143	19,150	22,863	53,352
Transfers	7,666	1,574	(7,666)	(1,574)	-	
Increase in net assets	<u>14,386</u>	<u>35,776</u>	<u>8,477</u>	<u>17,576</u>	<u>22,863</u>	<u>53,352</u>
Net assets July 1, as restated	<u>213,264</u>	<u>177,488</u>	<u>308,865</u>	<u>291,289</u>	<u>522,129</u>	<u>468,777</u>
Net assets June 30	<u>\$ 227,650</u>	<u>\$ 213,264</u>	<u>\$ 317,342</u>	<u>\$ 308,865</u>	<u>\$ 544,992</u>	<u>\$ 522,129</u>

Governmental Activities

Motor vehicle in-lieu is up over \$3 million in fiscal year 2005 as compared to fiscal year 2004 due to the State not paying the City \$1.5 million of its in-lieu tax in 2004 and then deciding in fiscal year 2005 to pay the City these funds.

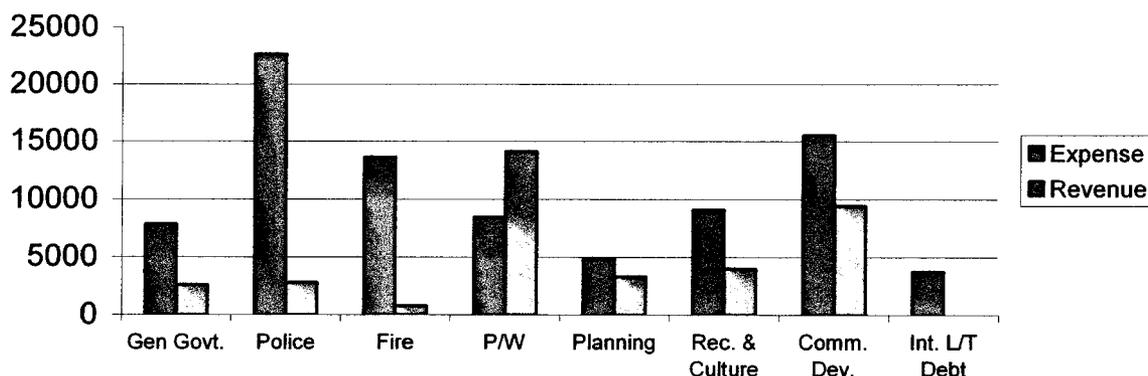
The governmental activities program expenses exceed program revenues by \$48.7 million, however general revenues and transfers were \$63.1 million resulting in an increase in governmental activities net assets of \$14.4 million. This increase accounted for 63% of the total growth in the net assets of the City.

Taxes increased by 6.3% from the prior year. The increase in taxes is primarily due to the continued strong economy. Tax rates were not increased during the year. Capital grants and contributions decreased by 70% from the prior year. The decrease is due to the one-time \$20 million contribution of the Sundial Pedestrian Bridge to the City in fiscal year ended 2004.

Governmental activity expense increased by \$9.9 million (13%). The primary reasons for the increases are:

- Increases in payroll and payroll related costs. Payroll and Payroll associated costs increased by over \$7 million primarily due to increased retirement costs and medical costs. Retirement costs increased by over \$4 million (77%) and medical costs increased by \$1.4 million (24%).
- The City contributed \$2.4 million towards the construction of a new County Library, which increased Recreation and Culture cost in the current year.
- Community Development cost increased by \$1.9 million due to increased depreciation. The increase in depreciation is primarily due to the donation at the end of the prior fiscal year of the \$23 million sundial Pedestrian Bridge and the completion early in the current fiscal year of the \$16 million Big League Dreams Sports Park.
- Community Development cost increased by \$0.9 million due to increased Redevelopment Agency pass-through to schools.
- General Government increased by \$0.6 million due to losses on disposal of assets

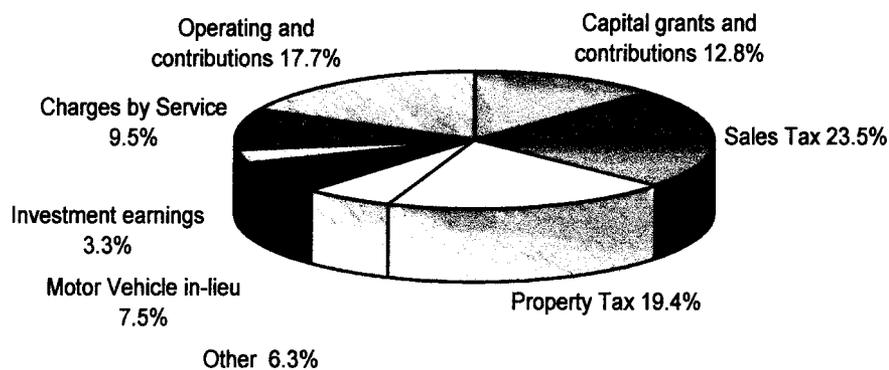
Expenses and Program Revenues - Governmental Activities
(in thousands)



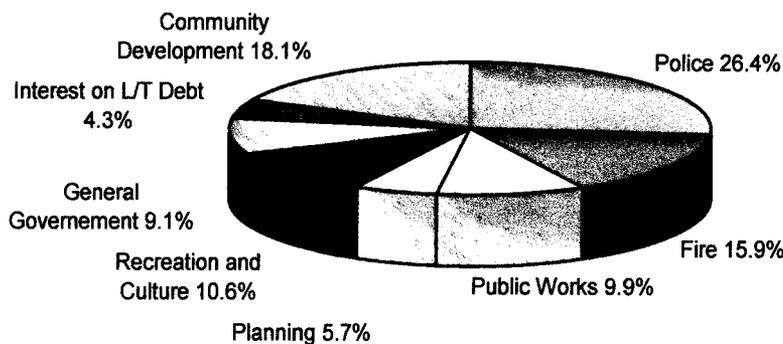
As shown in the expenses and program revenue graph above, Public Works revenues exceeded program expenses by \$5.7 million. The reason for revenues exceeding expenses is that program revenues from Public Works include \$8.3 million in capital grants and contributions. The capital grants and contributions 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



Expenses by Source - Governmental Activities



Business-Type Activities

Business-type activities increased the City's net assets by \$8.5 million, accounting for 37% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Revenues exceed expenses for water, wastewater, and storm drainage as funds are being accumulated for current and future capital projects. The increase was offset by a planned reduction in Electric reserves.

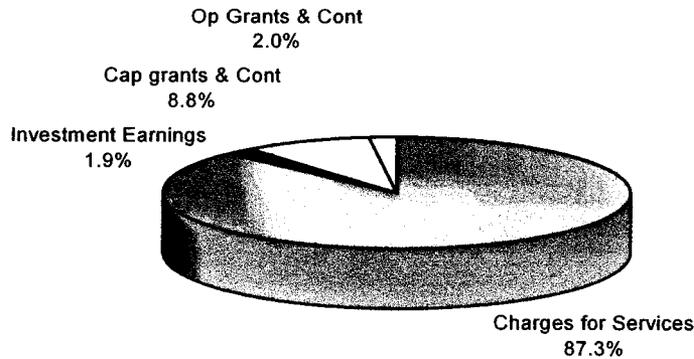
The following schedule shows business-type activities revenues and expenses.

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

	Revenue		Expense		Changes in net assets	
	2005	2004	2005	2004	2004	2004
Electric	\$ 129,520	\$ 125,587	\$ 133,187	\$ 118,023	\$ (3,667)	\$ 7,564
Water	15,550	14,879	9,780	10,447	5,770	4,432
Wastewater	16,506	14,070	10,609	11,744	5,897	2,326
Storm Drainage	3,738	2,229	1,510	1,765	2,228	464
Solid Waste	16,029	15,831	14,617	15,881	1,412	(50)
Transportation	10,866	7,043	8,302	8,215	2,564	(1,172)
Convention Center	784	796	2,503	2,680	(1,719)	(1,884)
Investment earnings	3,658	1,867			3,658	1,867
Transfers	(7,666)	4,180			(7,666)	4,180
Extraordinary loss		(151)			-	(151)
Total	\$ 188,985	\$ 186,331	\$ 180,508	\$ 168,755	\$ 8,477	\$ 17,576

The Electric Utility change in net assets is \$11.2 million less than in the prior year primarily due to planned reduction in reserve levels.

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 graph on the previous page, charges for services make up the vast majority (87.3%) of the revenues of the business-type activities.

Financial Analysis of the Government's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the fiscal year ended June 30, 2005, the City's governmental funds reported combined ending fund balances of \$109 million, an increase of \$11.8 million in comparison to June 30, 2004. Approximately 52.6% of this total (\$57.3 million) is considered unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for 1) non current advances, notes and receivables (\$26.1 million), 2) to pay debt service (\$6 million), 3) for capital projects (\$17.8 million), or 4) miscellaneous other items.

The General Fund is the chief operating fund of the City. At June 30, 2005, unreserved fund balance was \$14.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21.9% of the total General Fund expenditures, while total fund balance represents 34.2% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$4.5 million during the year ending June 30, 2005. The decrease in the General Fund's fund balance is due to the following three factors:

1. In order to balance the State's budget, the City was required to pay \$1.1 million to the education augmentation fund and also the State withheld \$1.4 million in local sales tax for a total of \$2.5 million reduction in revenue.
2. Fund balance was reduced by \$1 million due to refunding bonds
3. Based on the City's Ten-Year Financial Plan, an additional \$4 million reduction in reserves was anticipated, however, due to budget savings, the actual reduction was only \$1 million.

General Fund revenues increased by \$4.0 million, while expenditures increased by \$6.5 million from FYE 2004 to 2005. The largest increase in revenue was due to an increase in motor vehicle in-lieu tax that the State withheld in the prior year in order to help balance their budget being restored in the current year for a total increase of about \$2.7 million. Public safety grants increased by \$0.5 million.

The \$6.5 million increase in expenditures is due to the following:

- Retirement costs increased by \$3.6 million, a 67% increase.
- Group Health costs increased by \$1.2 million, a 25% increase.
- Professional fees for EIR studies, public safety dispatch contract costs and road maintenance all increased for a total of \$0.9 million.

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 assets of the major proprietary funds and restricted and unrestricted portions of net assets of the major proprietary funds of the City.

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

	Net Assets July 1, 2004	Changes in Net Assets	Net Assets July 1, 2005
Electric Utility	\$ 150,462	\$ (4,817)	\$ 145,645
Water Utility	44,214	5,534	49,748
Wastewater Utility	55,935	5,206	61,141
Solid Waste Collection/Disposal	22,244	1,959	24,203

**Net Assets - Restricted and Unrestricted
Major Proprietary Funds as of June 30, 2005
(in thousands)**

	Invested in Capital Assets, Net of Related Debt	Restricted Net Assets	Unrestricted Net Assets	Total Net Assets
Electric Utility	\$ 93,675	\$ 16,714	\$ 35,255	\$ 145,644
Water Utility	32,020	1,147	16,581	49,748
Wastewater Utility	36,589	13,894	10,658	61,141
Solid Waste Collection/Disposal	13,293	858	10,052	24,203

The factors affecting the above changes in net assets 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, 2005 was the second year of the two-year budget process. Differences between the original General Fund budget and the amended General Fund budget expenditures are shown below:

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

	Original	Amended	Increase
General Government	\$ 10,923	\$ 11,887	\$ 964
Public Safety:			
Police	22,296	24,195	1,899
Fire Safety	12,667	14,209	1,542
Public Works	9,580	11,264	1,684
Planning	4,639	5,249	610
Recreation and culture	4,362	5,177	815
Principal payments	714	1,180	466
Interest Payments & bond costs	1,706	1,700	(6)
Total Expenditures	\$ 66,887	\$ 74,861	\$ 7,974

As shown in the previous table, the General Fund's original budget was increased by \$8 million or approximately 11.9%. The reasons for this increase are as follows:

- \$3.8 million was appropriated for grants and grant-type revenue obtained by the City after the budget was adopted.
- The City does not budget for certain equipment (primarily rolling stock) in the General Fund, but transfers cash from another fund and appropriates the amounts in the General Fund when the equipment is purchased. Additional equipment appropriations totaled \$1.1 million
- Three positions were added in the fire Department and additional overtime for a total of \$0.4 million.
- The City added \$0.4 million to its budget to contribute to Turtle Bay Museum.
- Due to higher than anticipated costs for medical and retirement benefits the city increased its budget by \$0.4 million.
- The budget was increased by \$0.6 million for additional operation costs at the Aquatic Center, maintenance of the new Sundial Bridge, for the Oasis Road area planning, and City Special Events.
- Other miscellaneous appropriations totaled \$0.9 million or 1.6% of the original adopted budget.

During the year revenues exceeding budgetary estimates and expenditures were less than budgetary estimates, thus reducing the need to draw upon existing fund balances.

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, 2005, totaled \$537 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 increase in the City's investment in capital assets for the current year was \$18million (a 14.2% increase for governmental activities and 2.4% for business-type activities).

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

- Developers added an estimated \$7 million of water, wastewater, electric and storm drainage improvements.
- Developers added an estimated \$3.5 million of streets and sidewalks.
- Work continued on the Clover Creek Preserve, which when completed at an estimated cost of \$10 million will serve as a water retention holding area for storm drainage runoff and as park and preserve area. The current year cost of the project is \$3.8 million.
- Work was completed on a \$16 million sports park. The Sports Park opened in August of 2004 featuring replicas of three big league baseball park fields, two baseball fields, indoor multi-purpose sports room, restaurant and other amenities. The current year cost of the project was \$0.4 million.
- The City spent \$4.3 million on reconstruction of the airport apron and runway.
- The City purchased various land around the Airport for \$1.8 million
- The City purchased an additional 1.5856% of the California Oregon Transmission Project for \$7.2 million to provide additional electric transmission capabilities.

Changes in capital assets consist of the following:

Changes in Capital Assets
(in thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 19,401	\$ 3,461	\$ (451)	\$ 22,411
Construction in progress	21,825	2,625	(17,682)	6,768
Total capital assets, not being depreciated	<u>41,226</u>	<u>6,086</u>	<u>(18,133)</u>	<u>29,179</u>
Capital assets, being depreciated:				
Buildings	37,480	222	(12)	37,690
Improvements other than buildings	152,107	28,898	(71)	180,934
Automotive equipment	8,788	706	(491)	9,003
Furnishings and equipment	5,435	402	(396)	5,441
Assets under capital lease	1,037	-	(225)	812
Total capital assets, being depreciated	<u>204,847</u>	<u>30,228</u>	<u>(1,195)</u>	<u>233,880</u>
Less accumulated depreciation for:				
Buildings	(11,018)	(1,142)	11	(12,149)
Improvements other than buildings	(42,274)	(5,730)	71	(47,933)
Automotive equipment	(5,896)	(757)	471	(6,182)
Furnishings and equipment	(4,342)	(391)	206	(4,527)
Assets under capital lease	(482)	(51)	134	(399)
Transfers between categories	-	69	(69)	-
Total accumulated depreciation	<u>(64,012)</u>	<u>(8,002)</u>	<u>824</u>	<u>(71,190)</u>
Total capital assets, being depreciated, net	<u>140,835</u>	<u>22,226</u>	<u>(371)</u>	<u>162,690</u>
Governmental activities capital assets, net	<u>\$ 182,061</u>	<u>\$ 28,312</u>	<u>\$ (18,504)</u>	<u>\$ 191,869</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 16,223	\$ 2,541	\$ (1,635)	17,129
Construction in progress	9,524	2,693	(8,126)	4,091
Total capital assets, not being depreciated	<u>25,747</u>	<u>5,234</u>	<u>(9,761)</u>	<u>21,220</u>
Capital assets, being depreciated:				
Utility plants	439,910	28,658	(1,010)	467,558
Buildings	40,465	50	-	40,515
Improvements other than buildings	26,447	5,045	-	31,492
Automotive equipment	25,270	958	(923)	25,305
Furnishings and equipment	15,728	1,100	(775)	16,053
Assets under capital lease	1,050	-	-	1,050
Total capital assets, being depreciated	<u>548,870</u>	<u>35,811</u>	<u>(2,708)</u>	<u>581,973</u>
Less accumulated depreciation for:				
Utility plants	(180,584)	(15,851)	823	(195,612)
Buildings	(18,282)	(1,128)	-	(19,410)
Improvements other than buildings	(14,314)	(1,769)	-	(16,083)
Automotive equipment	(13,583)	(1,720)	848	(14,455)
Furnishings and equipment	(10,119)	(1,620)	84	(11,655)
Assets under capital lease	(428)	(131)	-	(559)
Transfers between categories	-	10	(10)	-
Total accumulated depreciation	<u>(237,310)</u>	<u>(22,209)</u>	<u>1,745</u>	<u>(257,774)</u>
Total capital assets, being depreciated, net	<u>311,560</u>	<u>13,602</u>	<u>(963)</u>	<u>324,199</u>
Business-type activities capital assets, net	<u>\$ 337,307</u>	<u>\$ 18,836</u>	<u>\$ (10,724)</u>	<u>\$ 345,419</u>

See Note 5 to the Financial Statements for additional information regarding capital assets.

Long Term Debt

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

	Balance June 30, 2004	Additions/ Transfers	Reductions	Balance June 30, 2005
Governmental activities:				
Capital Leases Payable	\$ 773	\$ 290	\$ 224	\$ 839
Lease revenue bonds	28,090	16,970	10,634	34,426
1993 revenue bonds				-
Redevelopment bonds	42,925		1,500	41,425
Special assessment debt	8,940		1,573	7,367
State Loans	194		56	138
Total governmental activities	<u>80,922</u>	<u>17,260</u>	<u>13,987</u>	<u>84,195</u>
Business -Type Activities				
General Obligation debt (payable from enterprise funds)	350		350	-
State loans payable	15,108		675	14,433
Revenue bonds	45,275		2,971	42,304
Certificates of participation	102,830		3,915	98,915
Capital leases	561		125	436
Special Assessment debt (payable from enterprise funds)	200		29	171
Total Business-type activities	<u>164,324</u>	<u></u>	<u>8,065</u>	<u>156,259</u>
Total outstanding long term debt	<u><u>\$ 245,246</u></u>	<u><u>\$ 17,260</u></u>	<u><u>\$ 22,052</u></u>	<u><u>\$ 240,454</u></u>

The City's total debt decreased by \$4.8 million during the year ending June 30, 2005. The decrease is due primarily to regular scheduled debt payments and the City refinancing \$10 million of bonds issued in 1997 for the City Civic Center by issuing \$9 million in new bonds along with an additional \$7.7 million to fund future park projects.

Currently, the City's legal debt margin is \$211 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.

As a result of the implementation of Governmental Accounting Standards Board Statement No. 6, it was determined that the City is obligated in some manner on the 1915 Act Assessment District Bonds. The obligation is a result of the City management's prior practice of temporarily advancing funds to the Assessment districts when delinquencies exceed the amounts available in the assessment district's cash reserve fund, if directed by Council. In 1999, Council directed staff not to advance funds to assessment districts unless legally obligated to do so. As a result, during part of the year, principle and interest payments on two special assessment bond issues were delinquent due to a high delinquency rate in those assessment districts. The City was not liable for these bonds. The security for the bondholders is the property on which

assessments have been levied and not paid. The City has no obligation to advance funds to these assessment districts. The delinquencies were both brought current in February, 2005. See note 18 to the Financial Statement for further discussion.

Additional information on the City's long-term debt can be found in note 9 on pages 77-84 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City of Redding has experienced a steady increase in population since 1998 of one to four percent per year while the unemployment rate has decreased from 9.1% in 1998 to 6.5% in 2005.
- Inflationary trends in the region compare favorably to national indices.
- The assessed valuation within the City increased by \$473 million or (9.2%) in the current year.
- Overall tax revenue for the City has increased by 11% during the year. This was primarily due to the State shifting tax from FYE 2004 to FYE 2005. If this shift is excluded, taxes grew by 6%. The City expects this growth rate to return to approximately 4.25% during the fiscal year 2005-06.

All of these factors were considered in preparing the City's budget for 2005-06 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund decreased to \$22 million. The City appropriated \$3.6 million of this amount for spending in the 2005-06 fiscal year budget. This amount, adjusted for certain known factors, has been included in the City's 10-year financial plan and the City continues to maintain above a 5% cash reserve in all years.

Most of the Utilities have a planned rate increase of approximately 3% that their budgets were built on for fiscal year 2005-06.

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.ci.redding.ca.us under City Departments, Administrative Services, Finance. Questions concerning any information provided in this report or request for additional financial information should be directed to:

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

CITY OF REDDING
Statement of Net Assets
June 30, 2005

ASSETS:	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and investments	\$62,795,494	\$83,990,090	\$146,785,584
Current restricted cash and investments	—	124,118	124,118
Receivables:			
Interest	2,170,395	714,318	2,884,713
Accounts, net	967,427	19,125,463	20,092,890
Taxes	5,788,652	—	5,788,652
Current intergovernmental	6,967,078	1,311,207	8,278,285
Notes	19,015,719	—	19,015,719
Special assessments	6,227,091	—	6,227,091
PacifiCorp Energy	—	1,965,532	1,965,532
Other	28,224	—	28,224
Internal balances	7,004,410	(7,004,410)	—
Inventories	328,134	6,838,714	7,166,848
Prepaid items	760,099	1,400,000	2,160,099
Deposits	25,000	—	25,000
Assets held for sale	798,608	—	798,608
Restricted assets:			
Cash and investments	31,951,417	19,721,493	51,672,910
Interest receivable	148,808	83,528	232,336
Taxes receivable	524,836	—	524,836
Long-term intergovernmental receivable	748,229	—	748,229
Prepaid power	—	9,710,000	9,710,000
Purchased power	—	1,770,440	1,770,440
Financing costs, net	1,700,710	720,275	2,420,985
Capital assets:			
Land and construction in progress	29,178,650	21,220,197	50,398,847
Other capital assets, net of depreciation	162,689,496	324,198,710	486,888,206
Investment in JPA	<u>—</u>	<u>29,047</u>	<u>29,047</u>
 Total assets	 <u>339,818,477</u>	 <u>485,918,722</u>	 <u>825,737,199</u>

(continued)

LIABILITIES:	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts payable	\$ 1,387,929	\$ 8,545,471	\$ 9,933,400
Accrued liabilities	5,339,402	2,898,820	8,238,222
Intergovernmental payable	54,360	3,128,754	3,183,114
Accrued interest payable	1,124,600	495,329	1,619,929
Deferred revenue	1,902,993	414,267	2,317,260
Current portion of landfill closing costs	—	100,000	100,000
Current portion of claims and judgements payable	1,097,100	—	1,097,100
Deposits	164,549	3,549,419	3,713,968
Current portion of long-term debt	4,478,087	6,522,488	11,000,575
Accounts payable from restricted	104,175	124,118	228,293
Long-term claims and judgements payable	10,770,000	—	10,770,000
Long-term landfill closing costs	—	1,906,598	1,906,598
Long-term accrued liabilities	6,549,781	3,906,745	10,456,526
Long-term debt	<u>79,194,836</u>	<u>136,985,152</u>	<u>216,179,988</u>
 Total liabilities	 <u>112,167,812</u>	 <u>168,577,161</u>	 <u>280,744,973</u>
 NET ASSETS:			
Invested in capital assets, net of related debt	160,825,551	220,179,734	381,005,285
Restricted for:			
Capital outlay	—	24,271,911	24,271,911
Debt service	990,015	8,924,229	9,914,244
Housing	21,122,334	—	21,122,334
Community development	13,901,798	—	13,901,798
Public works	4,420,812	—	4,420,812
Other	—	855,055	855,055
Unrestricted	<u>26,390,155</u>	<u>63,110,632</u>	<u>89,500,787</u>
 Total net assets	 <u>\$227,650,665</u>	 <u>\$317,341,561</u>	 <u>\$544,992,226</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Activities
For the Year Ended June 30, 2005

<u>Functions/Programs</u>	Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 7,823,328	\$ 2,293,668	\$ 200,817	\$ 94,915
Police	22,639,639	1,049,742	1,675,906	56,000
Fire	13,614,525	403,194	32,112	354,923
Public works	8,439,622	1,013,954	4,801,196	8,286,271
Planning	4,871,248	3,059,516	294,734	—
Recreation and culture	9,075,527	752,725	130,375	3,045,518
Community development	15,516,690	227,794	9,195,981	—
Interest on long-term debt	<u>3,731,476</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total governmental activities	<u>85,712,055</u>	<u>8,800,593</u>	<u>16,331,121</u>	<u>11,837,627</u>
Business-type activities:				
Electric	133,187,082	127,893,208	1,000	1,625,448
Water	9,779,384	11,966,513	34,472	3,548,550
Wastewater	10,609,067	11,806,688	—	4,699,164
Storm drainage	1,510,206	914,331	—	2,823,250
Solid waste	14,617,316	15,984,667	20,857	23,783
Transportation	8,301,803	2,363,703	3,944,086	4,558,590
Convention center	<u>2,503,314</u>	<u>747,653</u>	<u>—</u>	<u>36,855</u>
Total business-type activities	<u>180,508,172</u>	<u>171,676,763</u>	<u>4,000,415</u>	<u>17,315,640</u>
Total government	<u>\$266,220,227</u>	<u>\$180,477,356</u>	<u>\$20,331,536</u>	<u>\$29,153,267</u>

General revenues:

- Taxes
 - Property taxes, levied for general purpose
 - Dedicated property taxes
 - Transient occupancy taxes
 - Sales taxes
 - Motor vehicle taxes
 - Franchise taxes
 - Other taxes
- Investment income
- Other
- Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning

Adjustments

Net assets, beginning (as restated)

Net assets, ending

Net (Expense) Revenue and
Changes in Net Assets

Total Governmental	Total Business-type	Total
\$ (5,233,928)	\$ —	\$ (5,233,928)
(19,857,991)	—	(19,857,991)
(12,824,296)	—	(12,824,296)
5,661,799	—	5,661,799
(1,516,998)	—	(1,516,998)
(5,146,909)	—	(5,146,909)
(6,092,915)	—	(6,092,915)
<u>(3,731,476)</u>	<u>—</u>	<u>(3,731,476)</u>
<u>(48,742,714)</u>	<u>—</u>	<u>(48,742,714)</u>
—	(3,667,426)	(3,667,426)
—	5,770,151	5,770,151
—	5,896,785	5,896,785
—	2,227,375	2,227,375
—	1,411,991	1,411,991
—	2,564,576	2,564,576
<u>—</u>	<u>(1,718,806)</u>	<u>(1,718,806)</u>
<u>—</u>	<u>12,484,646</u>	<u>12,484,646</u>
<u>(48,742,714)</u>	<u>12,484,646</u>	<u>(36,258,068)</u>
6,180,790	—	6,180,790
11,720,151	—	11,720,151
3,512,022	—	3,512,022
21,696,313	—	21,696,313
6,971,460	—	6,971,460
827,175	—	827,175
1,329,072	—	1,329,072
3,106,598	3,657,749	6,764,347
120,092	—	120,092
<u>7,666,014</u>	<u>(7,666,014)</u>	<u>—</u>
<u>63,129,687</u>	<u>(4,008,265)</u>	<u>59,121,422</u>
<u>14,386,973</u>	<u>8,476,381</u>	<u>22,863,354</u>
214,002,343	308,865,180	522,867,523
<u>(738,651)</u>	<u>—</u>	<u>(738,651)</u>
<u>213,263,692</u>	<u>308,865,180</u>	<u>522,128,872</u>
<u>\$227,650,665</u>	<u>\$317,341,561</u>	<u>\$544,992,226</u>

See accompanying notes to financial statements.

CITY OF REDDING
Balance Sheet
Governmental Funds
June 30, 2005

ASSETS	General Fund	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$10,339,440	\$42,394,890	\$52,734,330
Interest receivable	94,935	2,002,329	2,097,264
Accounts receivable, net	693,691	260,523	954,214
Intergovernmental receivable	3,534,536	4,180,771	7,715,307
Taxes receivable	5,253,388	535,264	5,788,652
Other receivable	—	27,163	27,163
Due from other funds	329,101	—	329,101
Inventories	245,851	—	245,851
Prepaid items	580,217	—	580,217
Restricted assets:			
Cash and investments	2,813,714	29,137,703	31,951,417
Interest receivable	10,687	138,121	148,808
Taxes receivable	—	524,836	524,836
Interfund receivable	—	74,585	74,585
Deposits	—	25,000	25,000
Assets held for sale	—	798,608	798,608
Advances to other funds	7,110,440	731,658	7,842,098
Special assessments receivable	—	6,227,091	6,227,091
Notes receivable	—	19,015,719	19,015,719
 Total assets	 <u>\$31,006,000</u>	 <u>\$106,074,261</u>	 <u>\$137,080,261</u>

(continued)

LIABILITIES AND FUND BALANCES:

	General Fund	Other Governmental Funds	Total Governmental Funds
Liabilities:			
Accounts payable	\$ 350,262	\$ 811,224	\$ 1,161,486
Accrued liabilities	2,179,316	386,736	2,566,052
Intergovernmental payable	49,043	3,545	52,588
Due to other funds	—	95,219	95,219
Accounts payable from restricted assets	104,175	—	104,175
Deferred revenues	4,750,765	12,615,167	17,365,932
Interfund payables	—	134,585	134,585
Deposits	4,746	152,139	156,885
Advances from other funds	<u>1,555,740</u>	<u>4,931,552</u>	<u>6,487,292</u>
Total liabilities	<u>8,994,047</u>	<u>19,130,167</u>	<u>28,124,214</u>
Fund balances:			
Reserved for:			
Inventories	245,851	—	245,851
Prepaid items	580,217	—	580,217
Noncurrent advances	7,110,440	—	7,110,440
Debt service	—	5,991,258	5,991,258
Capital projects	23,863	4,420,812	4,444,675
School projects	—	918,866	918,866
Noncurrent notes receivable	—	18,978,257	18,978,257
Fire projects	—	110,926	110,926
Parks projects	—	1,232,916	1,232,916
Public works projects	—	12,058,296	12,058,296
Unreserved, designated for:			
Encumbrances	3,121,126	9,573,553	12,694,679
Rolling stock	1,267,363	—	1,267,363
Future expenditures/contingencies	5,459,000	7,461,920	12,920,920
Reported in:			
Capital projects funds	—	22,557,489	22,557,489
Unreserved, undesignated reported in:			
General fund	4,204,093	—	4,204,093
Special revenue funds	—	877,114	877,114
Capital projects fund	—	296,773	296,773
Debt service funds	<u>—</u>	<u>2,465,914</u>	<u>2,465,914</u>
Total fund balances	<u>22,011,953</u>	<u>86,944,094</u>	<u>108,956,047</u>
Total liabilities and fund balances	<u>\$31,006,000</u>	<u>\$106,074,261</u>	<u>\$137,080,261</u>

See accompanying notes to financial statements.

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CITY OF REDDING
 Governmental Funds
 Reconciliation of the Balance Sheet of
 Governmental Funds to the Statement of Net Assets
 June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balances	\$108,956,047
Capital assets have not been included as financial resources in governmental fund activity.	251,703,814
Accumulated depreciation has not been included in the governmental fund financial statements.	(63,617,578)
Financing costs net of amortization	1,700,710
Long-term debt that has not been included in the governmental fund activity.	(83,672,923)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(1,124,600)
Revenue reported as deferred revenue in the governmental funds was recorded as revenue in the statement of activities.	15,540,136
Internal service fund revenue included in the governmental activities on the statement of activities.	6,501,605
Accrued vacation and other leave not reported in governmental funds, but recorded as expense in the statement of activities.	<u>(8,336,546)</u>
Net assets of governmental activities	<u>\$227,650,665</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property taxes	\$ 6,192,627	\$11,720,151	\$17,912,778
Sales and use taxes	20,003,018	272,517	20,275,535
Other taxes	5,668,269	—	5,668,269
Special assessments	—	2,887,274	2,887,274
Licenses and permits	2,083,842	75,667	2,159,509
Intergovernmental revenues	9,024,000	20,514,610	29,538,610
Charges for services	2,698,496	—	2,698,496
Fines, forfeitures, and penalties	923,668	139,834	1,063,502
Use of money and property	3,591,483	87,667	3,679,150
Interest revenue	326,273	2,528,409	2,854,682
Other	<u>1,030,095</u>	<u>5,114,949</u>	<u>6,145,044</u>
 Total revenues	 <u>51,541,771</u>	 <u>43,341,078</u>	 <u>94,882,849</u>
EXPENDITURES:			
Current:			
Community development	—	14,226,661	14,226,661
General government	6,447,893	200,525	6,648,418
Public safety:			
Police	22,049,628	140,812	22,190,440
Fire	13,435,041	—	13,435,041
Public works	5,674,651	241,191	5,915,842
Planning	4,859,683	—	4,859,683
Recreation and culture	5,727,890	28,064	5,755,954
Capital outlay	3,651,176	9,555,328	13,206,504
Debt service:			
Principal retirement	910,357	3,102,000	4,012,357
Interest and fiscal charges	1,343,897	2,557,304	3,901,201
Bond issuance costs	<u>202,216</u>	<u>147,095</u>	<u>349,311</u>
 Total expenditures	 <u>64,302,432</u>	 <u>30,198,980</u>	 <u>94,501,412</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(12,760,661)</u>	 <u>13,142,098</u>	 <u>381,437</u>

OTHER FINANCING SOURCES (USES):	General Fund	Other Governmental Funds	Total Governmental Funds
Sale of capital assets	48,907	(15,849)	33,058
Capital leases	290,891	—	290,891
Long-term debt issued	9,460,000	7,510,000	16,970,000
Premium on bonds issued	258,012	353,612	611,624
Payment to refunding bonds escrow agent	(10,548,316)	—	(10,548,316)
Transfers in	10,900,948	22,899,065	33,800,013
Transfers out	<u>(2,151,420)</u>	<u>(27,612,803)</u>	<u>(29,764,223)</u>
 Total other financing sources (uses)	 <u>8,259,022</u>	 <u>3,134,025</u>	 <u>11,393,047</u>
 Net change in fund balance	 (4,501,639)	 16,276,123	 11,774,484
 FUND BALANCE, beginning of year, as originally reported	 26,513,592	 70,934,303	 97,447,895
 Prior period adjustment	 <u>—</u>	 <u>(266,332)</u>	 <u>(266,332)</u>
 FUND BALANCE, beginning of year, as restated	 <u>26,513,592</u>	 <u>70,667,971</u>	 <u>97,181,563</u>
 FUND BALANCE, end of year	 <u>\$22,011,953</u>	 <u>\$86,944,094</u>	 <u>\$108,956,047</u>

See accompanying notes to financial statements.

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CITY OF REDDING
Governmental Funds
Reconciliation of The Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to
the Statement of Activities
For the Year Ending June 30, 2005

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

Net Change in Fund Balances - Total Governmental Funds	\$ 11,774,484
Governmental funds report capital outlays as expenditures.	13,921,091
Transfers of capital assets from enterprise funds to governmental funds.	3,630,224
In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation/amortization expense.	(7,255,718)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the net book value of the assets which were disposed.	(645,504)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Sales tax	1,420,778
Motor vehicle tax	295,766
Other revenues	(6,139,753)
Repayment of bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	13,949,049
Proceeds from debt are a financing source in the governmental funds, but a liability in the statement of net assets.	(17,260,891)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(64,240)
In the statement of activities, financing costs are capitalized, whereas in the governmental funds, an expenditure is reported.	349,311
Compensated absences in the statement of activities is reported as an expense but is not reported in the governmental funds.	(715,851)
Internal service funds revenue that is recognized in the governmental activities in the statement of activities.	<u>1,128,227</u>
Change in Net Assets of Governmental Activities	<u>\$14,386,973</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Revenues, Expenditures, and Changes
In Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Property taxes	\$ 6,196,000	\$10,057,320	\$10,849,949	\$ 792,629
Sales and use taxes	19,000,000	21,200,000	20,911,949	(288,051)
Other taxes	5,196,000	5,325,000	5,657,300	332,300
Licenses and permits	1,786,500	1,777,500	2,083,842	306,342
Intergovernmental revenues	6,072,920	4,193,573	3,390,513	(803,060)
Charges for services	1,768,600	2,368,850	2,650,066	281,216
Fines, forfeitures, and penalties	470,000	492,000	923,668	431,668
Use of money and property	3,454,470	3,572,640	3,591,482	18,842
Investment revenue	660,000	680,000	221,798	(458,202)
Other revenue	<u>1,164,230</u>	<u>898,244</u>	<u>1,013,438</u>	<u>115,194</u>
 Total revenues	 <u>45,768,720</u>	 <u>50,565,127</u>	 <u>51,294,005</u>	 <u>728,878</u>
 EXPENDITURES:				
Current:				
General government	10,923,250	11,886,826	11,319,886	566,940
Public safety:				
Police	22,296,370	24,195,410	23,124,631	1,070,779
Fire safety	12,667,210	14,209,072	14,180,897	28,175
Public works	9,579,940	11,263,910	7,895,857	3,368,053
Planning	4,639,210	5,248,684	5,208,394	40,290
Recreation and culture	4,361,790	5,177,020	4,935,621	241,399
Principal payments	713,950	1,180,280	910,357	269,923
Interest and fiscal charges	1,706,150	1,498,091	1,297,706	200,385
Bond issuance costs	<u>—</u>	<u>202,220</u>	<u>202,216</u>	<u>4</u>
 Total expenditures	 <u>66,887,870</u>	 <u>74,861,513</u>	 <u>69,075,565</u>	 <u>5,785,948</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(21,119,150)</u>	 <u>(24,296,386)</u>	 <u>(17,781,560)</u>	 <u>6,514,826</u>
 OTHER FINANCING SOURCES (USES):				
Sale of capital assets	5,000	10,600	9,047	(1,553)
Capital leases	—	290,900	290,891	(9)
Long-term debt issued	—	9,460,000	9,460,000	—
Premium on bonds issued	—	258,020	258,012	(8)
Payment to refunding bond escrow agent	—	(10,548,320)	(10,548,316)	4
Transfers in	7,691,330	9,733,230	10,431,711	698,481
Transfers out	<u>(3,029,190)</u>	<u>(5,228,610)</u>	<u>(5,296,311)</u>	<u>(67,701)</u>
 Total other financing sources (uses)	 <u>4,667,140</u>	 <u>3,975,820</u>	 <u>4,605,034</u>	 <u>629,214</u>

(continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Net change in fund balances	(16,452,010)	(20,320,566)	(13,176,526)	7,144,040
BUDGETARY FUND BALANCES, beginning of year	<u>26,513,592</u>	<u>26,513,592</u>	<u>26,513,592</u>	<u>—</u>
BUDGETARY FUND BALANCES, end of year	<u>\$10,061,582</u>	<u>\$ 6,193,026</u>	<u>\$13,337,066</u>	<u>\$ 7,144,040</u>
Fund balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$22,011,953	
1. The City budgets for taxes on a cash basis.			(179,804)	
2. The City budgets for grants on a cash basis.			144,396	
3. Timing difference due to GASB 33.			(19,260)	
4. The City does not budget for accounts payable adjustments.			(1,062,584)	
5. The City does not budget for benefit accruals.			1,862	
6. Financial statement only interest income adjustment per GASB 31.			(47,875)	
7. The City does not budget for the rolling stock fund.			(1,333,319)	
8. The City does not budget for the cash transfer to and from the Airport Fund to cover grant revenue not received as of year end.			(83,959)	
9. The City budgets for the cash transfer to/from other funds as loans, but records the advance in advances receivable/payable in the balance sheet.			(1,642,528)	
10. The City does not budget for interest on long-term advances.			46,192	
11. Encumbrances are not included in the Statement of Revenues, Expenditures and Changes in Fund Balance.			(3,799,748)	
12. The City did not budget for the transfers in from closed assessment districts.			<u>(698,260)</u>	
Budgetary fund balance			<u>\$13,337,066</u>	

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Net Assets
Proprietary Funds
June 30, 2005

ASSETS	Business-Type Activities			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
Current assets:				
Cash and investments	\$29,215,301	\$16,713,940	\$22,369,218	\$13,648,742
Restricted cash and investments	124,118	—	—	—
Interest receivable	269,990	133,541	176,417	117,008
Accounts receivable, net	14,978,659	1,328,803	1,088,217	1,590,240
Prepaid items	1,400,000	—	—	—
Intergovernmental receivable	—	73,972	—	6,314
Inventories	6,105,205	534,281	71,621	—
Interfund receivable	—	—	—	—
Pacificorp Energy receivable	<u>1,965,532</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total current assets	<u>54,058,805</u>	<u>18,784,537</u>	<u>23,705,473</u>	<u>15,362,304</u>
Non-current assets:				
Restricted assets:				
Cash and investments	16,384,729	1,410,119	417	1,762,486
Interest receivable	<u>73,299</u>	<u>10,024</u>	<u>—</u>	<u>19</u>
Total restricted assets	<u>16,458,028</u>	<u>1,420,143</u>	<u>417</u>	<u>1,762,505</u>
Capital assets:				
Land	3,496,868	363,961	2,732,530	1,309,597
Utility plants	272,686,374	66,784,883	108,116,912	—
Buildings	4,585,086	3,073,925	2,323,037	13,830,978
Improvements other than buildings	2,585,076	—	65,984	491,878
Automotive equipment	3,217,358	1,518,556	961,976	11,961,814
Furnishings and equipment	6,435,718	471,474	754,280	6,486,813
Assets under capital lease	—	—	—	—
Construction in progress	<u>1,436,193</u>	<u>1,150,481</u>	<u>911,372</u>	<u>41,400</u>
Total capital assets	294,442,673	73,363,280	115,866,091	34,122,480
Less: accumulated depreciation	<u>(127,393,599)</u>	<u>(30,354,294)</u>	<u>(46,367,634)</u>	<u>(15,537,501)</u>
Net capital assets	<u>167,049,074</u>	<u>43,008,986</u>	<u>69,498,457</u>	<u>18,584,979</u>
Other assets:				
Power acquisition costs, net	1,770,440	—	—	—
Prepaid purchase cost	9,710,000	—	—	—
Advances to other funds	2,648,963	—	1,531,457	—
Financing costs, net	—	235,012	309,663	146,814
Investment in JPA	<u>29,047</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other assets	<u>14,158,450</u>	<u>235,012</u>	<u>1,841,120</u>	<u>146,814</u>
Total non-current assets	<u>197,665,552</u>	<u>44,664,141</u>	<u>71,339,994</u>	<u>20,494,298</u>
Total assets	<u>251,724,357</u>	<u>63,448,678</u>	<u>95,045,467</u>	<u>35,856,602</u>

(continued)

<u>Business-Type Activities</u>		<u>Governmental Activities</u>
<u>Non-Major Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 2,042,889	\$83,990,090	\$10,061,163
—	124,118	
17,362	714,318	73,131
139,544	19,125,463	14,274
—	1,400,000	179,882
1,230,921	1,311,207	—
127,606	6,838,713	82,283
—	—	145,000
<u>—</u>	<u>1,965,532</u>	<u>—</u>
<u>3,558,322</u>	<u>115,469,441</u>	<u>10,555,733</u>
163,742	19,721,493	—
<u>186</u>	<u>83,528</u>	<u>—</u>
<u>163,928</u>	<u>19,805,021</u>	<u>—</u>
9,226,542	17,129,498	110,810
19,969,986	467,558,155	—
16,701,510	40,514,536	—
28,349,330	31,492,268	128,249
7,645,833	25,305,537	9,002,900
1,904,424	16,052,709	1,550,091
1,049,602	1,049,602	561,453
<u>551,253</u>	<u>4,090,699</u>	<u>—</u>
85,398,480	603,193,004	11,353,503
<u>(38,121,069)</u>	<u>(257,774,097)</u>	<u>(7,571,593)</u>
<u>47,277,411</u>	<u>345,418,907</u>	<u>3,781,910</u>
—	1,770,440	—
—	9,710,000	—
—	4,180,420	2,385,496
28,786	720,275	—
<u>—</u>	<u>29,047</u>	<u>—</u>
<u>28,786</u>	<u>16,410,182</u>	<u>2,385,496</u>
<u>47,470,125</u>	<u>381,634,110</u>	<u>6,167,406</u>
<u>51,028,447</u>	<u>497,103,551</u>	<u>16,723,139</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Net Assets
Proprietary Funds
June 30, 2005

LIABILITIES AND NET ASSETS	Business-Type Activities			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
Current liabilities (payable from current assets):				
Accounts payable	\$ 6,925,361	\$ 435,745	\$ 113,512	\$ 358,978
Accrued liabilities	1,663,921	294,041	271,145	483,257
Accrued interest payable	136,361	43,273	188,411	98,868
Claims and judgements payable	—	—	—	—
Intergovernmental payable	2,949,015	65,660	15,251	15,780
Due to other funds	—	—	—	—
Deferred revenues	386,997	—	—	10,781
Deposits	1,771,393	—	—	1,778,026
Interfund payable	—	—	—	—
Landfill closure costs, current	—	—	—	100,000
Capital leases, current	—	—	—	—
Long-term debt, current	3,420,915	621,539	1,060,124	577,699
State loan, current	—	—	625,922	—
Total current liabilities (payable from current assets)	<u>17,253,963</u>	<u>1,460,258</u>	<u>2,274,365</u>	<u>3,423,389</u>
Current liabilities (payable from restricted assets):				
Accounts payable	<u>124,118</u>	—	—	—
Total current liabilities (payable from restricted assets)	<u>124,118</u>	—	—	—
Long-term liabilities:				
Accrued compensated absences	2,042,571	471,103	406,406	704,301
Landfill closure costs	—	—	—	1,906,598
Advances from other funds	—	—	—	—
Capital leases, net of current	—	—	—	—
Long-term debt, net of current	86,659,395	11,769,628	17,711,483	5,619,225
State loan, net of current	—	—	13,512,128	—
Total long-term liabilities	<u>88,701,966</u>	<u>12,240,731</u>	<u>31,630,017</u>	<u>8,230,124</u>
Total liabilities	<u>106,080,047</u>	<u>13,700,989</u>	<u>33,904,382</u>	<u>11,653,513</u>
NET ASSETS:				
Invested in capital assets, net of related debt	93,675,035	32,020,336	36,588,800	13,292,930
Restricted:				
Capital projects	7,789,471	1,147,106	13,894,423	2,575
Debt service	8,924,229	—	—	—
Other	—	—	—	855,055
Unrestricted	<u>35,255,575</u>	<u>16,580,247</u>	<u>10,657,862</u>	<u>10,052,529</u>
Total net assets	<u>\$145,644,310</u>	<u>\$49,747,689</u>	<u>\$61,141,085</u>	<u>\$24,203,089</u>

<u>Business-Type Activities</u>		<u>Governmental Activities</u>	
<u>Non-Major Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>	
\$ 711,875	\$ 8,545,471	\$ 226,443	Reconciliation of the Statement of Net Assets -
186,456	2,898,820	418,443	Proprietary Funds to the government-wide
28,416	495,329	—	Statement of Net Assets:
—	—	11,867,100	
83,048	3,128,754	1,772	Statement of Net Assets
233,881	233,881	—	Proprietary Funds
16,489	414,267	77,197	Total net assets
—	3,549,419	7,664	\$320,286,787
85,000	85,000	—	Less business-type portion of
—	100,000	—	Internal Service Funds loss
77,015	77,015	—	<u>2,945,226</u>
72,470	5,752,747	—	Statement of Activities:
66,804	692,726	—	Total net assets
			<u>\$317,341,561</u>
<u>1,561,454</u>	<u>25,973,429</u>	<u>12,598,619</u>	
<u>—</u>	<u>124,118</u>	<u>—</u>	
<u>—</u>	<u>124,118</u>	<u>—</u>	
282,364	3,906,745	568,142	
—	1,906,598	—	
7,920,722	7,920,722	—	
359,462	359,462	—	
1,125,658	122,885,389	—	
228,173	13,740,301	—	
<u>9,916,379</u>	<u>150,719,217</u>	<u>568,142</u>	
<u>11,477,833</u>	<u>176,816,764</u>	<u>13,166,761</u>	
44,602,633	220,179,734	3,768,091	
1,438,336	24,271,911	—	
—	8,924,229	—	
—	855,055	—	
<u>(6,490,355)</u>	<u>66,055,858</u>	<u>(211,713)</u>	
<u>\$39,550,614</u>	<u>\$320,286,787</u>	<u>\$ 3,556,378</u>	

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Revenues, Expenses
and Changes in Net Assets - Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
OPERATING REVENUES:				
User fees and charges	\$69,628,409	\$11,849,115	\$11,790,657	\$14,606,721
Wholesale power sales	54,559,257	—	—	—
Rental charges	—	—	9,790	—
Other operating revenue	<u>3,705,542</u>	<u>12,962</u>	<u>6,241</u>	<u>1,375,557</u>
Total operating revenues	<u>127,893,208</u>	<u>11,862,077</u>	<u>11,806,688</u>	<u>15,982,278</u>
OPERATING EXPENSES:				
Cost of power, water, and transportation	69,881,000	271,514	—	—
Maintenance, operations, and administration	45,114,623	6,850,335	5,904,315	12,005,094
Depreciation and amortization	<u>13,074,453</u>	<u>2,166,769</u>	<u>3,488,037</u>	<u>1,864,034</u>
Total operating expenses	<u>128,070,076</u>	<u>9,288,618</u>	<u>9,392,352</u>	<u>13,869,128</u>
Operating income (loss)	<u>(176,868)</u>	<u>2,573,459</u>	<u>2,414,336</u>	<u>2,113,150</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest revenue	2,086,104	506,373	585,167	399,529
Interest expense	(5,013,370)	(493,300)	(1,271,185)	(321,613)
Intergovernmental revenues	—	186,715	—	47,029
Gain (loss) on disposal of assets	(158,323)	17,114	13,480	19,321
Other non-operating revenues (expenses)	<u>125,980</u>	<u>1,645,550</u>	<u>2,812,014</u>	<u>(16,290)</u>
Total non-operating revenues (expenses)	<u>(2,959,609)</u>	<u>1,862,452</u>	<u>2,139,476</u>	<u>127,976</u>
Income (loss) before operating transfers and capital contributions	(3,136,477)	4,435,911	4,553,812	2,241,126
Capital contributions	1,500,468	1,855,193	1,887,150	—
Transfers in	—	—	2,702	—
Transfers out	<u>(3,181,230)</u>	<u>(757,152)</u>	<u>(1,237,100)</u>	<u>(282,190)</u>
Change in net assets	(4,817,239)	5,533,952	5,206,564	1,958,936
Net assets, beginning of year	150,461,549	44,213,737	55,934,521	22,244,153
Prior period adjustments	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net assets, beginning of year as restated	<u>150,461,549</u>	<u>44,213,737</u>	<u>55,934,521</u>	<u>22,244,153</u>
Net assets, end of year	<u>\$145,644,310</u>	<u>\$49,747,689</u>	<u>\$61,141,085</u>	<u>\$24,203,089</u>

<u>Business-Type Activities</u>		<u>Governmental Activities</u>	
<u>Non-Major Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>	
\$ 2,252,765	\$110,127,667	\$38,558,177	Reconciliation of Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds to the Statement of Activities:
—	54,559,257	—	
1,032,516	1,042,306	—	Proprietary Funds changes in net assets. \$ 8,807,869
<u>692,831</u>	<u>5,793,133</u>	<u>7,988</u>	
<u>3,978,112</u>	<u>171,522,363</u>	<u>38,566,165</u>	Add Internal Service Funds income - business-type activity portion. <u>(331,488)</u>
2,362,259	72,514,773	—	Statement of Activities:
6,731,846	76,606,213	37,909,139	Change in net assets. <u>\$ 8,476,381</u>
<u>3,410,843</u>	<u>24,004,136</u>	<u>897,499</u>	
<u>12,504,948</u>	<u>173,125,122</u>	<u>38,806,638</u>	
<u>(8,526,836)</u>	<u>(1,602,759)</u>	<u>(240,473)</u>	
80,575	3,657,748	319,988	
(111,253)	(7,210,721)	(821)	
3,934,186	4,167,930	—	
283,858	175,450	(78,870)	
<u>633,876</u>	<u>5,201,130</u>	<u>—</u>	
<u>4,821,242</u>	<u>5,991,537</u>	<u>240,297</u>	
(3,705,594)	4,388,778	(176)	
6,842,294	12,085,105	796,916	
1,741,320	1,744,022	18,141	
<u>(3,952,364)</u>	<u>(9,410,036)</u>	<u>(18,141)</u>	
<u>925,656</u>	<u>8,807,869</u>	<u>796,740</u>	
38,624,958	311,478,918	1,419,638	
—	—	<u>1,340,000</u>	
<u>38,624,958</u>	<u>311,478,918</u>	<u>2,759,638</u>	
<u>\$39,550,614</u>	<u>\$320,286,787</u>	<u>\$ 3,556,378</u>	

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
Cash flows from operating activities:				
Cash received from customers	\$124,231,564	\$12,077,755	\$11,830,110	\$14,672,282
Cash paid to suppliers	(96,807,658)	(4,418,801)	(3,249,193)	(6,213,109)
Cash paid to employees	(17,171,638)	(2,643,231)	(2,563,490)	(5,242,823)
Other income received	<u>3,705,542</u>	<u>12,962</u>	<u>16,031</u>	<u>1,375,557</u>
Net cash provided (used) by operating activities	<u>13,957,810</u>	<u>5,028,685</u>	<u>6,033,458</u>	<u>4,591,907</u>
Cash flows from noncapital financing activities:				
Intergovernmental revenue received	—	152,243	—	44,933
Advances from other funds	—	—	—	—
Repayment of advances from other funds	—	—	—	—
Advances to other funds	(56,154)	—	(65,912)	—
Repayment of advances to other funds	156,702	34,677	51,192	—
Transfers in	—	—	2,702	—
Transfers (out)	(3,181,230)	(757,152)	(1,237,100)	(282,190)
Other non-operating revenues (expense), net	<u>—</u>	<u>—</u>	<u>—</u>	<u>(16,290)</u>
Net cash provided (used) by noncapital financing activities	<u>(3,080,682)</u>	<u>(570,232)</u>	<u>(1,249,118)</u>	<u>(253,547)</u>
Cash flows from capital and related financing activities:				
Capital grant received	—	—	—	—
Proceeds from sale of assets	30,589	17,114	13,480	49,898
Purchase of capital assets	(17,120,207)	(2,388,546)	(1,542,862)	(1,391,778)
Interest paid	(4,569,527)	(547,593)	(1,094,997)	(243,028)
Principal paid on long-term debt	(4,265,000)	(1,055,000)	(1,820,061)	(660,000)
Principal paid on capital leases	—	—	—	—
Cash collected for future capital outlay	<u>125,980</u>	<u>1,645,550</u>	<u>2,812,014</u>	<u>—</u>
Net cash provided (used) by capital and related financing activities	<u>(25,798,165)</u>	<u>(2,328,475)</u>	<u>(1,632,426)</u>	<u>(2,244,908)</u>
Cash flows from investing activities:				
Investment revenue received	<u>2,168,845</u>	<u>480,086</u>	<u>558,456</u>	<u>384,029</u>
Net cash provided (used) by investing activities	<u>2,168,845</u>	<u>480,086</u>	<u>558,456</u>	<u>384,029</u>
Net increase (decrease) in cash	(12,752,192)	2,610,064	3,710,370	2,477,481
Cash and investments, beginning of year	<u>58,476,340</u>	<u>15,513,995</u>	<u>18,659,265</u>	<u>12,933,747</u>
Cash and investments, end of year	<u>\$45,724,148</u>	<u>\$18,124,059</u>	<u>\$22,369,635</u>	<u>\$15,411,228</u>

(continued)

<u>Business-Type Activities</u>		<u>Governmental Activities</u>
<u>Non-Major Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 3,981,974	\$166,793,685	\$38,646,018
(6,810,981)	(117,499,742)	(33,725,562)
(2,000,558)	(29,621,740)	(4,435,711)
<u>—</u>	<u>5,110,092</u>	<u>—</u>
<u>(4,829,565)</u>	<u>24,782,295</u>	<u>484,745</u>
3,139,532	3,336,708	—
1,937,465	1,937,465	—
(195,870)	(195,870)	—
—	(122,066)	(1,172,336)
—	242,571	539,758
1,741,320	1,744,022	—
(322,140)	(5,779,812)	—
<u>—</u>	<u>(16,290)</u>	<u>—</u>
<u>6,300,307</u>	<u>1,146,728</u>	<u>(632,578)</u>
6,891,061	6,891,061	—
324,280	435,361	23,304
(10,243,443)	(32,686,836)	(214,586)
(138,898)	(6,594,043)	(821)
(111,327)	(7,911,388)	—
(124,392)	(124,392)	(39,436)
<u>633,876</u>	<u>5,217,420</u>	<u>—</u>
<u>(2,768,843)</u>	<u>(34,772,817)</u>	<u>(231,539)</u>
<u>83,374</u>	<u>3,674,790</u>	<u>327,235</u>
<u>83,374</u>	<u>3,674,790</u>	<u>327,235</u>
(1,214,727)	(5,169,004)	(52,137)
<u>3,421,358</u>	<u>109,004,705</u>	<u>10,113,300</u>
<u>\$ 2,206,631</u>	<u>\$103,835,701</u>	<u>\$10,061,163</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (176,868)	\$ 2,573,459	\$ 2,414,336	\$ 2,113,150
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	13,074,453	2,166,769	3,488,037	1,864,034
(Increase) decrease in accounts receivable	43,898	228,640	39,453	65,561
(Increase) decrease in inventories	(2,220,968)	(75,189)	(11,040)	—
(Increase) decrease in prepaid items	—	—	—	—
(Increase) decrease in investment in JPA	(767)	—	—	—
Increase (decrease) in accounts payable	3,177,502	(22,454)	15,361	44,697
Increase (decrease) in due to other funds	—	—	—	—
Increase (decrease) in accrued liabilities	173,280	41,857	35,861	73,918
Increase (decrease) in claims and judgments payable	—	—	—	—
Increase (decrease) in deposits	27,679	—	—	462,368
Increase (decrease) in intergovernmental payable	(349,999)	54,706	13,325	(26,850)
Increase (decrease) in deferred revenues	159,091	—	—	(293)
Increase (decrease) in accrued compensated absences	50,509	60,897	38,125	86,321
Increase (decrease) in accrued landfill closure costs	—	—	—	(90,999)
Total adjustments	<u>14,134,678</u>	<u>2,455,226</u>	<u>3,619,122</u>	<u>2,478,757</u>
Net cash provided (used) by operating activities	<u>\$13,957,810</u>	<u>\$ 5,028,685</u>	<u>\$ 6,033,458</u>	<u>\$ 4,591,907</u>
Schedule of noncash capital and related financing activities:				
Plant contributed from developers	\$ 1,500,468	\$ 1,855,193	\$ 1,887,150	\$ —
Equipment contributed from customers	—	—	—	—
Total contributed capital	<u>\$ 1,500,468</u>	<u>\$ 1,855,193</u>	<u>\$ 1,887,150</u>	<u>\$ —</u>

See Note 19 on defeasance of debt.

<u>Business-Type Activities</u>		<u>Governmental</u>
<u>Non-Major</u>		<u>Activities</u>
<u>Enterprise</u>		<u>Internal</u>
<u>Funds</u>	<u>Total</u>	<u>Service</u>
		<u>Funds</u>
\$(8,526,836)	\$(1,602,759)	\$ (240,473)
3,410,843	24,004,136	897,499
3,862	381,414	2,656
19,861	(2,287,336)	2,300
—	—	(4,657)
—	(767)	—
262,028	3,477,134	(118,203)
(15,534)	(15,534)	—
25,556	350,472	24,308
—	—	(169,160)
—	490,047	(1,667)
(3,090)	(311,908)	(14,644)
(45,314)	113,484	77,197
39,059	274,911	29,589
—	(90,999)	—
<u>3,697,271</u>	<u>26,385,054</u>	<u>725,218</u>
<u>\$(4,829,565)</u>	<u>\$24,782,295</u>	<u>\$ 484,745</u>
\$ —	\$ 5,242,811	\$ —
—	—	796,916
<u>\$ —</u>	<u>\$ 5,242,811</u>	<u>\$ 796,916</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Agency Net Assets
Agency Funds
June 30, 2005

ASSETS

Cash and cash equivalents	\$ 1,673,072
Accounts receivable	45,595
Interest receivable	<u>30,017</u>
 Total assets	 <u>\$ 1,748,684</u>

LIABILITIES

Deposits	<u>1,748,684</u>
 Total liabilities	 <u>\$ 1,748,684</u>

See accompanying notes to financial statements.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the City of Redding, all of which conform to generally accepted accounting principles as applicable to governmental units:

A. Reporting Entity

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Redding 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 highways, streets and infrastructure; recreational activities and cultural events.

The primary government of the City of Redding has five component units - Redding Housing Authority, Redding Joint Powers Financing Authority, Redding Capital Service Corporation, Redding Area Bus Authority, and the Redding Redevelopment Agency. Using the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, management determined that all five component units should be blended.

The City of Redding is a general law city in the State of California. The City is governed by an elected City Council consisting of five council members. These financial statements present all the fund types of the City and its component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Following is a brief description of each of the blended component units.

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 of Redding and the Redding Housing Authority 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 in the enterprise funds.

Redding Capital Services 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 of Redding, California, 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 of Redding. 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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Reporting Entity - (Continued)

Redding Redevelopment Agency (Agency) is a separate governmental entity whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of blighted areas within the City. The City Council members, in separate session, serve as the governing board of the Agency. The financial activities of the Agency have been included in these financial statements in the special revenue funds, capital project funds and debt service funds.

Complete financial statements of each of the individual component units may be obtained from the Finance Division of the City of Redding at 777 Cypress Avenue, Redding, California 96001.

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide 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.

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 property taxes as available if they are collected within sixty days of the end of the current fiscal period. A ninety day availability period is used for revenue recognition for all other governmental fund revenues. 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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

Property taxes, sales taxes, transient occupancy tax, grants, licenses, 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.

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

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

D. Basis of 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 in a separate self-balancing set of accounts for its assets, other debits, liabilities, other credits, equity, revenue and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements of this report as follows:

Governmental Funds:

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

Special Revenue Funds - account for proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - account for the accumulation of resources for, and the payment on, long-term general obligation debt principal and interest (other than that serviced primarily by a governmental enterprise).

Capital Projects Funds - account for financial resources to be used for the acquisition and construction of major capital facilities.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Presentation - (Continued)

Proprietary Funds:

Enterprise Funds - account for operations (1) that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 - used to account for the accumulation of monies necessary to pay for worker's compensation claims, health, dental and vision 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 Fund - these funds are used to provide printing, reprographics, geographic services, records retention, building and maintenance services, volunteer services and employee services.

Fiduciary Funds:

Agency Funds - 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 collect monies for various community events which are remitted to the organizers.

The government reports the following major governmental fund:

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 government 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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Presentation - (Continued)

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.

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.

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.

Interest is directly allocated to business-type activities where the proceeds were used strictly for their operations. The following amounts have been included in the expense column of the Statement of Activities:

Electric	\$ 5,013,370
Water	493,300
Wastewater	1,271,185
Storm drainage	4,756
Solid waste	321,613
Transportation - Airport	86,469
Convention Center	<u>20,028</u>
 Total	 <u>\$ 7,210,721</u>

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. 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 nonoperating revenues and expenses. The City has elected to follow Governmental Accounting Standards Board (GASB) pronouncements, and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement Number 20.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Assets, Liabilities, and Net Assets or Equity

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 in accordance with Governmental Accounting Standards Board (GASB) Statement Number 31. 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.

General Receivables and Property Taxes Receivable

The City records an allowance for doubtful accounts on general accounts receivable based on the experience method. At June 30, 2005 accounts receivable included the following allowances by fund type:

General fund	\$ 57,379
Special revenue funds	255,945
Enterprise funds	<u>1,580,293</u>
Total	<u>\$ 1,893,617</u>

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).

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).

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 two years. 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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

Public domain infrastructure	50 years
Utility plants	20 - 50 years
Buildings	10 - 30 years
Improvements other than buildings	5 - 40 years
Equipment, furnishings and vehicles	5 - 7 years
Assets under capital lease	4 - 30 years
System infrastructure	30 years

Pension Plan

All full-time and certain part-time City employees are members of the State of California Public Employees' Retirement System, an agent multiple-employer defined benefit pension plan. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of June 30 by the System's actuary.

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% payoff 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% payoff, 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 one-third to six-tenths 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.

Deferred Revenue

The City reports deferred revenue on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

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

Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by City legislation or external restrictions by other governments, creditors or grantors.

Tap and similar fees have been reported as non-operating revenues in the City's statement of revenue expense and changes in net assets for proprietary funds.

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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Data

The operating budget of the City is adopted by the Redding 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, capital project funds and the debt service funds relating to Redding Redevelopment Agency. The presentations represent original appropriations adjusted for supplemental appropriations, if any, made during the year.

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

Portions of fund equity are recorded as reserves when segregation for future use is necessary and the funds are, therefore, not available for future apportionment or expenditures.

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 GASB 31 interest income.
- B. The City does not budget for accounts payable.
- C. The City does not budget for benefit accruals.
- D. The City does not budget for transfers from the debt service funds when revenue is in excess of debt service requirements.
- E. The City budgets for certain receivables and payables on a cash basis.
- F. The City budgets for land to be held for resale as an expenditure.

Budgetary Basis Reconciliation

Budgets are not adopted for the debt service fund except for the debt service funds of the Redding Redevelopment Agency. Budgets are also not adopted for the landscape maintenance fund.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2005, are as follows:

Cash and investments	\$146,785,584
Restricted cash and investments	51,797,028
Agency funds	<u>1,673,072</u>
Total	<u>\$200,255,684</u>

The City maintains a cash and investment pool that is available for use by all funds, except for funds of the Housing Authority, Redding Redevelopment Agency, and Redding Area Bus Authority (these funds have segregated accounts). Each fund's portion of the cash and investment pool or segregated accounts is displayed on the combined balance sheet as "Cash and Investments."

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 3 - CASH AND INVESTMENTS - (Continued)

Deposits - At June 30, 2005, the carrying amount of the City's deposits was \$7,061,616. The bank balance was \$8,290,993. Of the bank balance, \$459,448 was covered by Federal depository insurance, and \$7,831,545 was covered by collateral held in the pledging bank's trust department. Such collateral is in the City's name (although there is no Government or City Code requirement that collateral be held in the City's name.)

Investments - The City reports its investments in accordance with Governmental Accounting Standards Board (GASB) Statement Number 31. This standard requires that the City's investments be reported at fair value with realized and unrealized gains or losses reported in the statement of revenue, expenditures and changes in fund balance.

The California Government 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.

The City invests funds in the State Treasurer's Pooled Money Investment Account (PMIA) through the Local Agency Investment Fund (LAIF), a voluntary program created by statute in 1977. The PMIA has regulatory oversight from the Pooled Money Investment Board and an in-house Investment Committee. LAIF has oversight by the Local Agency Investment Advisory Board. The fair value of the City's position in the pool is materially equivalent to the value of pool shares.

In accordance with authorized investment laws, the State Treasurer's Investment Pool (LAIF) invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2005, 2.406% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities.

At June 30, 2005, the City's investments and deposits were as follows:

	<u>Fair Value</u>
Medium Term Corporate Notes	\$ 8,806,771
Federal Agency Bonds	102,983,854
U.S. Treasury Notes	3,975,798
Investment in State Treasurer's Investment Pool	54,084,325
Guaranteed investment agreements	13,661,521
Mutual Funds	<u>9,681,799</u>
Total investments	193,194,068
Deposits	<u>7,061,616</u>
Total deposits and investments	<u>\$200,255,684</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 3 - CASH AND INVESTMENTS - (Continued)

As of June 30, 2005, the City had the following investments and maturities (amounts are in thousands):

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>			
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>More Than 5</u>
Medium Term Corporate Notes	\$ 8,807	\$ —	\$ 8,807	\$ —
Federal Agency Bonds	102,984	17,063	85,921	—
U.S. Treasury Notes	3,976	—	3,976	—
Investment in State Treasurer's Investment Pool	54,084	54,084	—	—
Guaranteed investment agreement	13,662	7,790	—	5,872
Mutual Funds	<u>9,682</u>	<u>—</u>	<u>9,682</u>	<u>—</u>
Total	<u>\$ 193,195</u>	<u>\$ 78,937</u>	<u>\$ 108,386</u>	<u>\$ 5,872</u>

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City varies its maturity dates through out the five-year maturity period. The investments with maturities greater than 5 years pertain to investment agreements within our 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.

Credit Risk - As of June 30, 2005, 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 A1, Aa1, Aa2, and Aaa by Moody's Investors Service.

Custodial Credit Risk - All securities are held in the name of the City.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables/payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	Nonmajor Governmental Fund	\$ 74,585 ¹
Internal Service Funds	Nonmajor Enterprise Fund - Airports	85,000 ²
	Nonmajor Governmental Fund	<u>60,000</u> ³
Total Internal Service Fund		<u>145,000</u>
Total interfund receivables/payables		<u>\$ 219,585</u>

1. The Redding Redevelopment Agency Canby-Hilltop-Cypress Fund advanced amounts to cover formation costs for the Redding Redevelopment Agency Buckeye Project Fund.
2. Current portion of interfund payable. See note 10 reference 10.
3. Current portion of interfund payable. See note 10 reference 9.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 5 - CAPITAL ASSETS

Changes in capital assets consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 19,401,278	\$ 3,461,241	\$ (451,451)	\$22,411,068
Construction in progress	<u>21,824,584</u>	<u>2,624,839</u>	<u>(17,681,841)</u>	<u>6,767,582</u>
Total capital assets, not being depreciated	<u>41,225,862</u>	<u>6,086,080</u>	<u>(18,133,292)</u>	<u>29,178,650</u>
Capital assets, being depreciated:				
Buildings	37,480,208	222,260	(12,300)	37,690,168
Improvements other than buildings	152,107,123	28,897,714	(71,229)	180,933,608
Automotive equipment	8,787,846	705,866	(490,813)	9,002,899
Furnishings and equipment	5,434,421	401,977	(395,862)	5,440,536
Assets under capital lease:				
Furnishings and equipment	250,000	—	—	250,000
Automotive equipment	<u>786,514</u>	<u>—</u>	<u>(225,058)</u>	<u>561,456</u>
Total capital assets, being depreciated	<u>204,846,112</u>	<u>30,227,817</u>	<u>(1,195,262)</u>	<u>233,878,667</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings	(11,017,610)	(1,142,443)	11,411	(12,148,642)
Improvements other than buildings	(42,273,788)	(5,729,951)	71,230	(47,932,509)
Automotive equipment	(5,896,603)	(756,725)	471,610	(6,181,718)
Furnishings and equipment	(4,340,998)	(390,941)	204,667	(4,527,272)
Assets under capital lease:				
Furnishings and equipment	(238,542)	(11,458)	—	(250,000)
Automotive equipment	(243,701)	(39,540)	134,211	(149,030)
Accumulated depreciation transferred between asset categories	<u>—</u>	<u>68,660</u>	<u>(68,660)</u>	<u>—</u>
Total accumulated depreciation	<u>(64,011,242)</u>	<u>(8,002,398)</u>	<u>824,469</u>	<u>(71,189,171)</u>
Total capital assets, being depreciated, net	<u>140,834,870</u>	<u>22,225,419</u>	<u>(370,793)</u>	<u>162,689,496</u>
Governmental activities capital assets, net	<u>\$182,060,732</u>	<u>\$28,311,499</u>	<u>\$(18,504,085)</u>	<u>\$191,868,146</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

	<u>Depreciation Expense</u>	<u>Amortization Expense</u>	<u>Total</u>
Governmental activities:			
General government	\$ 1,168,583	\$ —	\$ 1,168,583
Police	189,693	—	189,693
Fire	99,548	—	99,548
Public works	3,752,779	—	3,752,779

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 5 - CAPITAL ASSETS - (Continued)

	Depreciation <u>Expense</u>	Amortization <u>Expense</u>	<u>Total</u>
Recreation and culture	1,884,985	—	1,884,985
Community development	<u>9,311</u>	<u>95,973</u>	<u>105,284</u>
Total	7,104,899	95,973	7,200,872
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>897,499</u>	<u>—</u>	<u>897,499</u>
Total depreciation expense - government activities	<u>\$ 8,002,398</u>	<u>\$ 95,973</u>	<u>\$ 8,098,371</u>

Depreciation expense does not include increases to accumulated depreciation associated with transfers of assets.

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 16,223,430	\$ 2,541,412	\$(1,635,344)	\$17,129,498
Construction in progress	<u>9,524,332</u>	<u>2,692,841</u>	<u>(8,126,474)</u>	<u>4,090,699</u>
Total capital assets, not being depreciated	<u>25,747,762</u>	<u>5,234,253</u>	<u>(9,761,818)</u>	<u>21,220,197</u>
Capital assets, being depreciated:				
Utility plants	439,909,444	28,658,296	(1,009,585)	467,558,155
Buildings	40,464,699	49,837	—	40,514,536
Improvements other than buildings	26,447,680	5,044,588	—	31,492,268
Automotive equipment	25,270,105	958,608	(923,176)	25,305,537
Furnishings and equipment	15,728,479	1,099,675	(775,446)	16,052,709
Assets under capital lease:				
Furnishings and equipment	728,174	—	—	728,174
Automotive equipment	<u>321,428</u>	<u>—</u>	<u>—</u>	<u>321,428</u>
Total capital assets, being depreciated	<u>548,870,010</u>	<u>35,811,004</u>	<u>(2,708,207)</u>	<u>581,972,807</u>
Less accumulated depreciation for:				
Utility plants	(180,584,352)	(15,850,341)	822,501	(195,612,192)
Buildings	(18,281,593)	(1,128,757)	—	(19,410,350)
Improvements other than buildings	(14,314,723)	(1,768,163)	—	(16,082,886)
Automotive equipment	(13,582,885)	(1,720,650)	848,214	(14,455,321)
Furnishings and equipment	(10,118,824)	(1,620,378)	84,686	(11,654,516)
Assets under capital lease:				
Furnishings and equipment	(283,725)	(98,162)	—	(381,887)
Automotive equipment	(144,802)	(32,143)	—	(176,945)
Accumulated depreciation transferred between asset categories	<u>—</u>	<u>10,194</u>	<u>(10,194)</u>	<u>—</u>
Total accumulated depreciation	<u>(237,310,904)</u>	<u>(22,208,400)</u>	<u>1,745,207</u>	<u>(257,774,097)</u>
Total capital assets, being depreciated, net	<u>311,559,106</u>	<u>13,602,604</u>	<u>(963,000)</u>	<u>324,198,710</u>
Business-type capital assets, net	<u>\$337,306,868</u>	<u>\$18,836,857</u>	<u>\$(10,724,818)</u>	<u>\$345,418,907</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 5 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

	Depreciation <u>Expense</u>	Amortization <u>Expense</u>	<u>Total</u>
Business-type activities:			
Electric	\$11,332,385	\$ 1,742,068	\$13,074,453
Water	2,153,466	13,303	2,166,769
Wastewater	3,462,758	25,279	3,488,037
Storm drainage	817,861	—	817,861
Solid waste	1,850,585	13,449	1,864,034
Transportation	2,425,321	1,002	2,426,323
Convention center	<u>166,024</u>	<u>635</u>	<u>166,659</u>
Total depreciation and amortization expense- business-type activities	<u>\$22,208,400</u>	<u>\$ 1,795,736</u>	<u>\$24,004,136</u>

Depreciation expense does not include increases to accumulated depreciation associated with transfers of assets.

NOTE 6 - SELF-INSURANCE

The City administers self-insurance programs for employee health, property, general liability, and workers' compensation. These insurance activities are accounted for in the risk management internal service fund. The liability for insurance claims 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 of Redding Risk Management Fund have exceeded charges to the various funds of the City and its component units by \$681,417. The deficit will be eliminated through user charges over the next few years. 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.

Employee Health Insurance is administered through a private carrier. The City is self-insured up to \$150,000 with an insurance company co-insuring claims from \$150,001 to the statutory limit. 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 at June 30, 2005, 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 \$1,000,000 with an insurance company co-insuring claims from \$1,000,001 to \$25,000,000. 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, 2005, has been included in the Risk Management Fund's claims payable amount as of June 30, 2005.

Liability Insurance is administered as a co-insurance plan. The City is self-insured up to \$500,000 with an insurance company co-insuring claims from \$500,001 to \$25,000,000. 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, 2005.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 6 - SELF-INSURANCE - (Continued)

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 earthquake and flood coverage for the Redding Power Plant up to \$10,000,000. The deductibles on these policies are 5% of insured value and \$500,000 respectively. 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, 2005.

Changes in the Fund's claims liability amounts in fiscal year ended June 30 were:

	<u>Liability at July 1, 2003</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2004 (as restated)</u>
Fiscal Year Ended June 30, 2004:				
Workers' Compensation	\$ 5,660,000	\$ 5,237,430	\$ 1,757,430	\$ 9,140,000
General Liability	1,960,000	836,332	786,332	2,010,000
Health and Dental	<u>970,000</u>	<u>8,440,725</u>	<u>8,524,465</u>	<u>886,260</u>
Total	<u>\$ 8,590,000</u>	<u>\$14,514,487</u>	<u>\$11,068,227</u>	<u>\$12,036,260</u>

Changes in the Fund's claims liability amounts in fiscal year ended June 30 were:

	<u>Liability at July 1, 2004</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2005</u>
Fiscal Year Ended June 30, 2005:				
Workers' Compensation	\$ 9,140,000	\$ 1,299,849	\$ 1,469,849	\$ 8,970,000
General Liability	2,010,000	333,853	543,853	1,800,000
Health and Dental	<u>886,260</u>	<u>10,684,045</u>	<u>10,473,205</u>	<u>1,097,100</u>
Total	<u>\$12,036,260</u>	<u>\$12,317,747</u>	<u>\$12,486,907</u>	<u>\$11,867,100</u>

NOTE 7 - 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:

<u>Fiscal Year Ended June 30,</u>	<u>Capital Leases</u>
2006	\$ 330,263
2007	265,007
2008	238,934

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 7 - LEASES - (Continued)

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Capital</u> <u>Leases</u>
2009	212,859
2010	116,411
2011-2015	<u>360,628</u>
Total minimum lease payments	1,524,102
Less amount representing interest	<u>(248,513)</u>
 Present value of minimum lease payments	 <u>\$ 1,275,589</u>

Debt service for the present value of minimum lease payments will be provided from the following funds:

General	\$ 975,511
Convention center	400,518
Storm drainage utility	37,087
Electric utility	<u>110,986</u>
 Total debt service	 <u>\$ 1,524,102</u>

NOTE 8 - JOINT VENTURES

The City of Redding participates in the following two joint ventures:

M-S-R Public Power Agency

M-S-R Public Power Agency (the 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 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 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 all Agency activities is as follows: Modesto Irrigation District - 50%; City of Santa Clara - 35%; and City of Redding - 15%.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 8 - JOINT VENTURES - (Continued)

M-S-R Public Power Agency - (Continued)

The activities of M-S-R consist principally of 28.8% ownership interest in a 498-megawatt coal-fire electricity generating plant located in New Mexico (the "San Juan" plant). 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%). The Agency is also a participant in the Southwest Transmission Project, a 500 kilovolt alternating current transmission project between Central Arizona and Southern California which provides a firm transmission for most of the transmission path between the San Juan plant and the members' distribution systems.

Summary audited financial information of the M-S-R Public Power Agency as of and for the year ended December 31, 2004, is as follows (in thousands):

Total assets	<u>\$ 257,621</u>	Total revenues	\$ 92,850
		Total expenses	<u>(89,948)</u>
Total liabilities	\$ 489,036		
Total members' deficit	<u>(231,415)</u>	Net (loss) income	2,902
Total liabilities & members' deficit	<u>\$ 257,621</u>	Members' deficit, January 1, 2003	(229,571)
		Member distributions	<u>(4,746)</u>
		Members' deficit, December 31, 2004	<u>\$ (231,415)</u>

The debt of the Agency is comprised entirely of revenue bonds totaling \$479.8 million. These bonds are secured by a pledge and assignment of the net electric revenues of the 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 Agency of \$34.71 million at December 31, 2004. 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 cost, to the extent such funding is necessary. During the year ended June 30, 2005, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in operating expenses.

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 a 8.28% 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. TANC's ownership of COTP transfer capability is 1242 megawatts (MW) and TANC pays 73% of the operating costs. The City's share of the project is 104 MW.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 8 - JOINT VENTURES - (Continued)

Transmission Agency of Northern California - (Continued)

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, 2005.

Summarized financial information of TANC as of and for the year ended June 30, 2005 is as follows (in thousands):

Total assets	<u>\$ 466,228</u>
Total liabilities	\$ 465,858
Total net assets	<u>370</u>
 Total liabilities and net assets	 <u>\$ 466,228</u>
 Net increase (decrease) in net assets	 <u>\$ 12</u>

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

Contingent Liability

Under the terms of the various venture agreements, the City of Redding 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 of Redding 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	\$423,330,000	15.00%	\$63,499,500
TANC	<u>396,851,659</u>	8.28%	<u>32,859,320</u>
 Total	 <u>\$820,181,659</u>		 <u>\$96,358,820</u>

In addition, the City of Redding 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 of Redding 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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 9 - LONG-TERM LIABILITIES

The following is a summary of long-term obligations of the City of Redding at June 30, 2005.

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions/</u> <u>Transfers</u>	<u>Reductions/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Long-term debt:					
Capital leases payable	\$ 733,140	\$ 290,891	\$ 184,918	\$ 839,113	\$ 190,945
Capital leases (payable from internal service funds)	39,436	—	39,436	—	—
Revenue bonds	28,089,844	16,970,000	10,634,100	34,425,744	1,534,100
Redevelopment bonds	42,925,000	—	1,500,000	41,425,000	1,540,000
Special assessment debt with governmental commitment	8,940,312	—	1,573,081	7,367,231	1,037,478
State loans	194,156	—	56,339	137,817	45,173
Long-term debt before bonds	<u>80,921,888</u>	<u>17,260,891</u>	<u>13,987,874</u>	<u>84,194,905</u>	<u>4,347,696</u>
Unamortized deferred loss on defeasance of debt	(763,083)	(583,316)	(54,847)	(1,291,552)	69,428
Bond premiums	361,072	611,624	46,209	926,487	70,340
Bond discount	<u>(169,596)</u>	<u>—</u>	<u>(12,679)</u>	<u>(156,917)</u>	<u>(9,377)</u>
 Total governmental activities long-term debt	 <u>80,350,281</u>	 <u>17,289,199</u>	 <u>13,966,557</u>	 <u>83,672,923</u>	 <u>4,478,087</u>
 Business-type activities:					
Long-term debt:					
General obligation debt (payable from enterprise funds)	350,000	—	350,000	—	—
State loans payable	15,108,416	—	675,389	14,433,027	692,726
Revenue bonds (payable from enterprise funds)	45,275,156	—	2,970,900	42,304,256	2,590,901
Certificates of participation (payable from enterprise funds)	102,830,000	—	3,915,000	98,915,000	4,055,000
Capital leases (payable from enterprise funds)	560,870	—	124,394	436,476	77,015
Special assessment debt (payable from enterprise funds)	199,688	—	28,919	170,769	30,522
Long-term debt before bonds	<u>164,324,130</u>	<u>—</u>	<u>8,064,602</u>	<u>156,259,528</u>	<u>7,446,164</u>
Unamortized deferred loss on defeasance of debt	(14,563,306)	—	(994,179)	(13,569,127)	(994,178)
Bond premium	<u>887,740</u>	<u>—</u>	<u>70,501</u>	<u>817,239</u>	<u>70,502</u>
 Total business-type activities long-term debt	 <u>150,648,564</u>	 <u>—</u>	 <u>7,140,924</u>	 <u>143,507,640</u>	 <u>6,522,488</u>
 Total long-term debt	 <u>\$230,998,845</u>	 <u>\$17,289,199</u>	 <u>\$21,107,481</u>	 <u>\$227,180,563</u>	 <u>\$11,000,575</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Redevelopment Agency Obligation Bonds</u>		
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.		
	\$ 5,015,000	\$ —
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.		
	3,500 000	—
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 \$240,000 to \$2,055,000; final payment September 1, 2023. Original issue \$28,935,000. Proceeds from the Series A Bonds 2003 are being used to finance various capital improvements within the Canby-Hilltop-Cypress Redevelopment Area.		
	27,895,000	—
Tax Allocation Bonds, Series 2003: Interest from 2.0% to 5.375%, payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$170,000 to \$305,000; final payment September 1, 2018. Original issue \$5,185,000. Proceeds from the Series 2003 Bonds are being used to finance various capital improvements within the Market Street Redevelopment Area.		
	<u>5,015,000</u>	<u>—</u>
Total Redevelopment Agency Bonds outstanding	<u>\$41,425,000</u>	<u>\$ —</u>
<u>Special Assessment Debt with Governmental Commitment</u>		
1915 Act Assessment District Bonds: 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, 2018. Original issues totaled \$22,778,150.		
	\$ 7,367,231	\$ —

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Special Assessment Debt with Governmental Commitment - (Continued)</u>		
Interest from 4.40% to 5.6%, payable on March 2 and September 2; maturities payable on September 2 in annual redemptions ranging from \$27,470 to \$38,076, final payment September 2, 2011. Reassessment issues totaled \$345,964.	<u>—</u>	<u>170,769</u>
Total 1915 Act Assessment District Bonds	<u>\$ 7,367,231</u>	<u>\$ 170,769</u>
 <u>Revenue Bonds</u>		
2003 Water Revenue Bonds Series A:		
The 2003 Water Revenue Bonds were issued to refinance the 1993 Water Revenue Bonds. The 1993 Water Revenue Bonds were originally issued to finance capital improvements to the City's water system.		
Serial Bonds of \$11,135,000 bear interest from 2.0% to 5.0%, payable on December 1 and June 1; maturities are payable June 1 in annual redemptions from \$250,000 to \$1,055,000; final payment due June 1, 2018. Two term bonds totaling \$4,225,000 were issued. The first bond bears interest at 5.0% and matures on June 1, 2021 in the amount of \$2,400,000; and the second bond bears interest at 4.65% and matures on June 1, 2023 in the amount of \$1,825,000.		
	\$ —	\$13,385,000
2002 Wastewater Refunding Revenue Bonds, Series A:		
The 2002 Wastewater refunding revenue bonds were issued to refinance 1993 wastewater debt and wastewater's portion of the corporation yard debt.		
Serial Bonds of \$23,575,000 bear interest from 2.0% to 4.0%, payable on December 1 and June 1; maturities are payable December 1 in annual redemption amounts from \$1,190,000 to \$1,885,000; final payment due December 1, 2018.		
	—	21,175,000
2003 Lease Revenue Bond, Series A and Series B:		
Issued to finance the construction of the Redding Aquatic Center, the Sports Complex, and refinance the 1993 Lease Revenue Bonds for Shascom, Convention Center and the Municipal Airport.		

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

<u>Revenue Bonds</u> - (Continued)	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<p>Series A, Serial/Term Bonds: <u>Serial Bonds</u> interest from 2% to 5% payable on March 1 and September 1; maturities payable annually on March 1 in annual redemptions from \$170,000 to \$290,000; final payment due March 1, 2019. Original issue \$3,535,000. <u>Term Bonds</u>, (1) bear interest at 4.75% maturity payable on March 1, 2023, in the amount of \$1,310,000; (2) bear interest at 4.875%, maturity payable on March 1, 2028, in the amount of \$680,000; (3) bear interest at 5.0% maturity payable on March 1, 2033, in the amount of \$865,000.</p>	4,940,744	1,094,256
<p>Series B, Serial/Term Bonds: <u>Serial Bonds</u> interest from 1.8% to 5.0% payable on March 1 and September 1; maturities payable on March 1 in annual redemptions from \$35,000 to \$60,000; final payment due March 1, 2013. <u>Term Bonds</u>, 5.875% interest, maturity payable on March 1, 2033, in the amount of \$2,280,000.</p>	2,690,000	—
<p>2004 Lease Revenue Bonds: Issued to finance the purchase and renovation of certain public safety and recreation facilities of the City of Redding.</p>		
<p>Series A, Serial/Term Bonds: <u>Serial Bonds</u> 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. <u>Term Bonds</u> 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.</p>	9,825,000	6,650,000
<p>Series B, Serial/Term Bonds: <u>Serial Bonds</u> interest from 3.0% to 5.0%, payable on March 1 and September 1, maturities payable annually on March 1 from \$430,000 to \$1,305,000; final payment on March 1, 2020. Original issue: \$16,970,000. <u>Term Bonds</u> 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.</p>	<u>16,970,000</u>	—
<p>Total revenue bonds</p>	<u>\$34,425,744</u>	<u>\$42,304,256</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

<u>State Loans:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
1984 California Airport Loan (Municipal): Original loan amount \$88,705; annual installments of \$3,548 plus interest at 9.2499%, due in January; final payment due January 2010.	\$ —	\$ 17,741
1986 California Airport Loan (Municipal): Original loan amount \$33,640; annual installments of \$1,346 plus interest at 7.4258%, due in February; final payment is due February 2011.	—	8,073
1990 California Airport Loan (Benton): Original loan amount \$250,000; annual installments of \$16,667, plus interest at 6.8450%, due in April; final payment is due April, 2006.	—	16,667
1990 California Loan Agreement (Benton): Original loan amount \$140,000; annual installments of \$9,333, plus interest at 6.845%, due in March; final payment due in 2007.	—	18,667
1997 California Airport Loan (Benton): Original loan amount \$235,000; annual installments ranging from \$10,740 to \$27,100, including 5.4804% interest; final payment due in 2010.	—	125,548
1998 California Airport Loan (Municipal): Original loan amount \$83,000; annual installments ranging from \$3,793 to \$9,571, including 4.9874% interest; final payment due in 2011.	—	51,594
1999 California Airport Loan (Municipal): Original loan amount \$80,746; annual installments ranging from \$43,690 to \$9,311, including 4.78% interest; final payment due 2012.	—	56,687
SWRCB Interceptor Loan: The total loan was \$15,344,784, \$4,731,445 was advanced in 2002 and \$10,613,339 in 2003 to construct the Westside Wastewater interceptor; annual installments ranging from \$610,061 to \$968,335 plus interest; final payment due in 2023.	—	14,138,050
Streets - LED: Original loan amount \$381,080; biannual installments of \$22,742, including 5.4% interest due in December and June; final payment due in 2012.	53,206	—
Police and Fire: Original loan amount \$163,068; biannual installments of \$10,144, including 5.4% interest due in December and June; final payment due in 2013.	<u>84,611</u>	<u>—</u>
Total state loans	<u>\$ 137,817</u>	<u>\$14,433,027</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Capital Leases Payable:</u>		
The capital leases payable from governmental activities were \$839,113 and \$-0- from internal service funds for fiscal year ended June 30, 2005.	\$ 839,113	\$ —
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, 2005, the capital leases in the enterprise funds are \$436,476. The internal service funds capital leases payable have been reported with the governmental activities.	<u>—</u>	<u>436,476</u>
Total capital leases payable	<u>\$ 839,113</u>	<u>\$ 436,476</u>
<u>Certificates of Participation:</u>		
2002 Electric System Revenue Certificates of Participation -Series 2002: \$98,915,000 Bonds due in annual principal installments of \$4,055,000 to \$8,100,000, semi-annual interest installments of \$109,500 to \$1,409,413 as well as weekly variable interest rate payments of \$333,923 to \$2,772,382 on \$67,250,000 of Auction Rate securities. These are subject to a swap agreement with Salomon Smith Barney which results in a fixed rate of 4.1225%. See Swap Payments and Associated Debt below for more information on the swap. Bonds are payable through June 1, 2022; interest accrues at 3.25% to 5.375%. The maximum debt service payments is \$8,433,923. Original issue of \$110,055,000.	<u>\$ —</u>	<u>\$98,915,000</u>
Total Certificated of Participation	<u>\$ —</u>	<u>\$98,915,000</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

Swap Payments and Associated Debt

Using rates as of June 30, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

The following swap payments and associated debt is disclosed below and further detailed in the derivative note.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swaps, net</u>	
2005	\$ —	\$ 1,304,663	\$ 1,412,378	\$ 2,717,041
2006	—	1,304,663	1,412,378	2,717,041
2007	—	1,304,663	1,412,378	2,717,041
2008	—	1,304,663	1,412,378	2,717,041
2009	275,000	1,299,327	1,406,602	2,980,929
2010-2014	17,400,000	5,514,018	5,969,265	28,883,283
2015-2019	26,300,000	3,452,263	3,737,288	33,489,551
2020-2022	<u>23,275,000</u>	<u>464,634</u>	<u>502,996</u>	<u>24,242,630</u>
Total	<u>\$67,250,000</u>	<u>\$15,948,894</u>	<u>\$17,265,663</u>	<u>\$100,464,557</u>

See Note 20 for additional information on the Interest Rate Swap.

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Summary of Outstanding Debt:		
Total Outstanding Debt	\$84,194,905	\$156,259,528
Add: Bond Premiums	926,487	564,739
Less: Bond Discounts	(156,917)	252,500
Less: Unamortized deferred loss on defeased debt	<u>(1,291,552)</u>	<u>(13,569,127)</u>
 Total Outstanding Debt, net of premiums, discounts, unamortized deferred loss	 <u>\$83,672,923</u>	 <u>\$143,507,640</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

The annual requirements to amortize all debt outstanding as of June 30, 2005, excluding obligations associated with compensated absences and housing set aside, are as follows:

	Governmental Activities		Business-Type Activities		Government-Wide	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 4,347,696	\$ 3,199,167	\$ 7,446,162	\$ 6,139,577	\$11,793,858	\$ 9,338,744
2007	4,330,935	3,041,610	7,625,074	5,907,652	11,956,009	8,949,262
2008	4,379,781	2,866,075	7,875,933	5,661,688	12,255,714	8,527,763
2009	4,526,437	2,677,124	8,149,911	5,384,728	12,676,348	8,061,852
2010	4,606,210	2,478,056	8,454,930	5,071,113	13,061,140	7,549,169
2011-2015	22,255,857	9,537,893	45,637,168	20,087,116	67,893,025	29,625,009
2016-2020	19,089,012	4,975,139	49,467,316	10,254,448	68,556,328	15,229,587
2021-2025	17,473,977	1,836,256	21,603,034	1,416,535	39,077,011	3,252,791
2026-2030	2,115,000	556,713	—	—	2,115,000	556,713
Thereafter	1,070,000	116,731	—	—	1,070,000	116,731
Totals	<u>\$84,194,905</u>	<u>\$31,284,764</u>	<u>\$156,259,528</u>	<u>\$59,922,857</u>	<u>\$240,454,433</u>	<u>\$91,207,621</u>

The compensated absences liability will be paid from the General Fund, Parking Fund, Redding Redevelopment Agency, Housing Authority, Street Maintenance, Community Development, Airports, Convention Center, Electric Utility, Water Utility, Wastewater Utility, Solidwaste Utility, Storm Drainage Utility, Redding Area Bus Authority, Information Systems, General Support Services, and Risk Management.

NOTE 10 - ADVANCES TO/FROM OTHER FUNDS

Non-current portions of long-term interfund loan receivables are reported as advances and in all governmental fund types are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

<u>Receivable Fund</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Fund - Parking	\$ 442,159 ³
	Nonmajor Business-Type - Airports	5,687,434 ⁴
	Nonmajor Business-Type - Convention Center	<u>980,847</u> ⁵
Total General Fund		<u>\$ 7,110,440</u>
Electric Utility	General Fund	\$ 1,555,740 ⁶
	Nonmajor Governmental Fund - Parking	554,039 ²
	Nonmajor Governmental Fund - Parking RRA	<u>539,184</u> ¹
Total Electric		<u>\$ 2,648,963</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 10 - ADVANCES TO/FROM OTHER FUNDS - (Continued)

<u>Receivable Fund</u>	<u>Payable</u>	<u>Amount</u>
Wastewater Utility	Assessment District	\$ 652,521 ⁸
	Nonmajor Enterprise - Airports	<u>878,936</u> ⁷
Total Wastewater		<u>\$ 1,531,457</u>
Nonmajor Governmental Fund	Nonmajor Governmental Fund-RRA	<u>\$ 731,658</u> ³
Internal Service Funds - Risk	General Capital Project Fund	\$ 336,646 ⁹
	Nonmajor Governmental Fund	1,675,345 ¹¹
	Nonmajor Enterprise-Airports	<u>373,505</u> ¹⁰
Total Internal Service Funds		<u>\$ 2,385,496</u>

1. The Midtown Project Fund was established to account for the construction of a bi-level public parking facility located within the Midtown Mall. To finance the project, lease revenue bonds were issued; in addition a loan for \$550,000 from the Electric Fund to the Redevelopment Agency's Midtown Project Fund was approved by City Council on August 25, 1972, and the Electric Fund advanced funds to the Midtown Project Fund (now included in the Parking Fund).

The loan from the Electric Utility to the Midtown Project Fund will be repaid from the Redevelopment Agency's property tax increment revenues. Interest of three percent accrues on the outstanding principal balance of the loan.

2. The Electric Utility loaned the Parking Fund additional funds for another parking structure at the Downtown Mall.
3. The Redevelopment Agency financed the Midtown Mall Parking structure with lease revenue bonds. Repayment of the lease revenue bonds was to be made from the Redevelopment Agency's property tax increment revenues. However, as the revenue was often less than the annual debt service on the bonds, the Midtown Project fund leased the parking facility to the City to finance the debt service. A reciprocal agreement between the Midtown Project Fund and the City provided for the reimbursement of the lease payments from property tax increment revenue. Therefore, in substance, the lease revenues paid for the bond debt service (now paid off) while the tax increment revenues reduce the lease liability from the Midtown Project Fund to the City. An advance from the City's Parking Fund to the Midtown Project Fund accounts for the outstanding lease liability to the City. This advance will be paid from future property tax increment. Also, in recent years the General Fund has advanced funds to the Parking Fund to cover advances to the Midtown Project and operating expenditures.
4. In recent years the General Fund has advanced \$8,728,091 to the Airport Fund to finance improvements and operating expenses. The Airport Fund has repaid \$2,956,698 to date. This leaves a balance of \$5,771,593 due to the General Fund, of which \$83,959 has been classified as a due to from receivable/payable.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 10 - ADVANCES TO/FROM OTHER FUNDS - (Continued)

5. In recent years the General Fund has advanced \$1,110,847 to the Convention Center Fund to finance improvements and operating expenses. The Convention Center has repaid \$130,000 to date. This leaves a balance of \$980,847 due to the General Fund.
6. The Electric Fund advanced the General Fund to finance a property purchase.
7. Under an agreement, the Wastewater Fund is paying the Airport Fund's sewer special assessment. The advance is to be repaid including interest at the City's average earnings on its pooled cash accounts.
8. The Wastewater Fund advanced funds to the 1915 Act Assessment District Bonds Funds to cover delinquent assessments on wastewater improvements in the assessment districts.
9. The Risk Management Fund advanced funds for park construction.
10. The Risk Management Fund advanced funds for property acquisition.
11. The City of Redding and the Redevelopment Agency entered into a repayment agreement executed on May 18, 1999, for the SHASTECH Project Area. The City agreed to provide funds in an amount not to exceed \$2,000,000 from its Risk Management Fund for the Clover Creek Drainage Project. The loan will accrue interest at the same rate as the City's pooled cash account. The Agency agreed to make annual payments of principal and interest starting fiscal year 2009-2010. The funding source for such payments will be tax increment revenue or bond proceeds secured by the SHASTECH Redevelopment project.

NOTE 11 - INDIVIDUAL FUND DISCLOSURES

Parking Special Revenue Fund - The deficit \$(797,644) arose from advances received by the Parking Fund in prior years from the Electric Utility Enterprise Fund to construct the bi-level and underground parking structures. 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.

Midtown Project Debt Service Fund - The deficit \$(733,677) arose as a result of Proposition 13 whereby property tax increment revenues in the project area were not increased to the level necessary to make debt service payments. Funds were advanced from the Parking Special Revenue Fund to meet debt service requirements.

Convention Center Enterprise Fund - The deficit \$(615,336) 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.

Risk Management Fund - The deficit \$(681,417) is the result of expenses exceeding revenue. The City's workers compensation claim liability exceeded associated revenues. The deficit will be eliminated through user charges over the next few years.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 12 - PENSION PLAN

Information for the year ended June 30, 2005, has been used in the following note when possible. However, information provided by the California Public Employees Retirement System (PERS) for the year ended June 30, 2005 was not available. Therefore, PERS information has been prepared using information for the year ended June 30, 2004. Public Agency Retirement Services (PARS) has been prepared using information for the year ended June 30, 2005.

A. Plan Description

The City of Redding's defined benefit pension plans, Miscellaneous Plan and Safety Plan of the City of Redding, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City of Redding selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through action of the City Council. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

In addition to the defined benefit pension plan through CalPERS, the City of Redding offers a defined benefit Retirement Enhancement Plan (REP) to the PERS Miscellaneous Plan through PARS. This plan became effective on January 1, 2005.

B. Funding Policy

Miscellaneous Plan - Active plan members are required to contribute 7% of their annual covered salary. This member contribution is paid by the City in accordance with labor agreements. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004/05 was 7.237%. The contribution requirements of the plan members are established by State statute and the employer contribution rates are established and may be amended by CalPERS.

Safety Plan - The funding policy for the Safety Plan is the same as for the Miscellaneous except that active plan members are required to contribute 9% of their annual covered salary and the required employer contribution rate for fiscal year 2004/05 was 33.976%. The required member contribution is paid by the City in accordance with labor agreements.

REP - Active plan members from five bargaining units are not required to contribute to the plan to participate. The City is required to make all required contributions to fund the benefits for its members. The required employer contribution rate for fiscal year 2004-05 ranged from 5.26% to 7.92%.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 12 - PENSION PLAN - (Continued)

C. Annual Pension Cost

For fiscal year 2004/05 the City of Redding's annual pension cost was \$5,366,361 for the Miscellaneous Plan and \$6,083,134 for the Safety Plan. The City actually contributed \$5,659,781 for the Miscellaneous Plan and \$6,087,788 for the Safety Plan. The excess of actual contribution over annual pension costs consist of additional employee contributions. The required contributions for fiscal year 2004/05 were determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. For fiscal year 2004/05 the City of Redding's annual pension cost to PARS was \$1,123,749. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members and from 3.25% to 11.15% for safety members, and (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0% and a production growth component of 0.25%. The actuarial assumptions used by PARS are consistent with those used by CalPERS with the exception of a 7.5% investment rate of return.

In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-fifteenth (changed from one-third last year) of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date. However, in no case will the Actuarial Value of Assets be less than 80% or greater than 120% of the actual Market Value of Assets. The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, beginning with the June 30, 2004 valuation, all gains or losses are tracked and amortized over 30 years (changed from 10% amortization last year). Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30 year amortization of the unfunded liability.

D. Three-year Trend Information for PERS

Fiscal Year Ended	Miscellaneous Plan			Safety Plan		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/02	\$ 1,994,388	100 %	\$ —	\$ 1,032,096	100 %	\$ —
6/30/03	2,191,283	100 %	—	1,140,689	100 %	—
6/30/04	2,394,556	100 %	—	1,185,266	100 %	—

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 12 - PENSION PLAN - (Continued)

D. Three-year Trend Information for PERS - (Continued)

Miscellaneous Plan:

(1) Actuarial Valuation <u>Date</u>	(2) Entry Age Actuarial Accrued Liability	(3) Actuarial Value of Assets	(4) Total Unfunded Liability/ (Excess Assets)	(5) Funded Status	(6) Annual Covered Payroll	(7) Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/02	\$127,298,396	\$136,593,020	\$(9,294,624)	107.3 %	\$29,883,779	(31.1) %
6/30/03	149,609,393	137,010,678	12,598,715	91.6 %	32,172,756	39.2 %
6/30/04	165,712,187	145,592,841	20,119,346	87.9 %	35,350,372	56.9 %

Safety Plan:

(1) Actuarial Valuation <u>Date</u>	(2) Entry Age Actuarial Accrued Liability	(3) Actuarial Value of Assets	(4) Total Unfunded Liability/ (Excess Assets)	(5) Funded Status	(6) Annual Covered Payroll	(7) Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/02	\$ 98,556,471	\$84,761,467	\$13,795,004	86.0 %	\$11,678,595	118.1 %
6/30/03	108,467,887	87,062,682	21,405,205	80.3 %	12,258,462	174.6 %
6/30/04	119,090,618	93,580,504	25,510,114	76.6 %	13,365,411	190.9 %

Three-year Trend Information for PARS

Miscellaneous Plan

Fiscal Year <u>Ended</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/02	N/A	100 %	N/A
6/30/03	N/A	100 %	N/A
6/30/04	N/A	100 %	N/A
6/30/05	\$ 1,123,749	100 %	\$ —

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 12 - PENSION PLAN - (Continued)

Miscellaneous Plan -PARS:

(1) Actuarial Valuation <u>Date</u>	(2) Entry Age Actuarial Accrued Liability	(3) Actuarial Value of Assets	(4) Total Unfunded Liability/ (Excess Assets)	(5) Funded Status	(6) Annual Covered Payroll	(7) Unfunded Actuarial Liability as a Percentage of Covered Payroll
1/1/03	N/A	N/A	N/A	N/A	N/A	N/A
1/1/04	N/A	N/A	N/A	N/A	N/A	N/A
1/1/05	\$17,267,376	\$ —	\$17,276,376	0.00%	\$34,315,284	56.35%

NOTE 13 - POST-RETIREMENT BENEFITS

The City provides post-retirement medical coverage to all full-time employees and their dependents who go directly from active status to retirement. The authority for this coverage is union contracts for union employees and council resolution for all other employees. Currently, 233 retirees are eligible to receive this benefit. The cost of the coverage, financed on a pay-as-you-go basis, is shared equally between the City and the retirees. The amounts received and expended for this coverage flow through the risk management internal service fund. The total cost of providing this coverage for the fiscal year ended June 30, 2005, was \$1,150,594.

NOTE 14 - POSTCLOSURE CARE COSTS

State and federal laws and regulations required the City of Redding 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 19 years. The estimated liability for landfill postclosure care cost was estimated at \$2,097,597 as of June 30, 2004. Expenses of \$90,999 were incurred during the 2004-05 fiscal year leaving the estimated remaining liability for landfill postclosure care costs at \$2,006,598 as of June 30, 2005. 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, 2005. 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 solidwaste rate payers.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 15 - COMMITMENTS, CONTINGENT LIABILITIES, AND LITIGATION

- A. A number of construction contracts existed at June 30, 2005. The unexpended authorized amount of \$15,381,571 represents a commitment by the City.
- B. The City's Electric Utility (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 Resource, which includes approximately 21.5 MW of capacity and associated energy from M-S-R San Juan Unit No. 4. REU has entered into an exchange agreement with PacifiCorp in the Southwest on a year-round basis. In exchange, PacifiCorp delivers energy (50 MW of capacity) to REU at the California Oregon border during the summer months (May-October). The annual energy amount exchanged is about 115 GWH.
- C. The City's Electric Utility (REU) began taking delivery from a new power supplier America Electric Power (AEP) on November 1, 2004. The AEP contract is for the delivery of 25MW of capacity and associated energy (219,000 Mwh per year). Deliveries will continue through October 31, 2014. REU is obligated to purchase this power regardless of the City's electric demands. The annual obligation is approximately \$9 million per year. The power rates under the contract are currently very favorable to Redding when compared to today's market.
- D. The City's Electric Utility (REU) is contractually obligated to purchase 7,500 Dth/dy of pipeline capacity, connecting the AECO supply hub to the California border, from TransCanada affiliates through 2023. REU is also contractually obligated to purchase 1,000 Dth/dy of pipeline capacity, connecting the OPAL supply hub to the California Intrastate system at Topock, California, from the Kern River company through 2017. The annual obligation is approximately \$3 million per year.
- E. The City's Electric Utility (REU) is contractually committed to purchase approximately \$11,000,000 per year of natural gas for the years 2006-2008 which represents approximately 80% of REU's expected requirement for its baseload Unit #5. REU has contractual commitments in 2009 for approximately \$7,500,000 and 2010 for approximately \$6,000,000. Respectively, this represents approximately 55% and 30% of the expected yearly requirement for Unit #5.
- F. The City's Electric Utility (REU) entered into a natural gas storage contract with Lodi Gas Storage from July 1, 2004 - March 31, 2007 at an annual cost of approximately \$250,000. REU has the right to store up to 300,000 Dth at one time.
- G. The City's Electric Utility (REU) through 2004 purchased the bulk of its retail power needs (up to 80%) from the Western Area Power Administration (Western). On January 1, 2005, REU's contractual relationship with Western changed to reflect Western's hydro-only based generation system with no thermal generation plant backup. Under the new arrangements, Western will be providing approximately 25% of REU's retail power needs. REU has anticipated this significant resource change and added an additional 43MW of local base load generation capacity in addition to the new 25MW contract with AEP.
- H. The City's Electric Utility (REU) delivered energy over the PG&E electric system for calendar year 2005 under the existing South of Tesla transmission contract. PG&E is disputing Redding's payment of delivery losses to the California ISO system under the California ISO's tariff rather than under the terms of the contract.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 15 - COMMITMENTS, CONTINGENT LIABILITIES, AND LITIGATION - (Continued)

Redding has paid California ISO tariff losses, but refused to additionally pay contract losses which would represent double loss payment. PG&E claims to be owed 750 MWH for contract losses in 2005. This translates to approximately \$70,000 at today's energy rates. The parties are currently negotiating a settlement to the loss payback arrangements. The settlement should be completed early in 2006.

- I. The City's Electric Utility (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. The wind project is to be constructed by PPM Energy with the first delivery of power expected in mid 2006. REU's share of the output from the wind project will be approximately 200,000 MWH per year. The twenty-year contract has a \$12,000,000 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.

Conduit Debt

In 2001 Redding Redevelopment Agency issued conduit bonds to provide financing for improvements at various school sites for the Redding School District. The bonds do not constitute an obligation of the Redding Redevelopment Agency. The bonds are secured by the land and improvements to Bonnyview Elementary School located at 5080 Bidwell Road, Redding, CA 96001. On June 30, 2005, the total outstanding principal on the bonds was \$5,185,000.

NOTE 16 - TRANSFERS

The following operating transfers were made during the fiscal year ended June 30, 2005:

	<u>General Fund</u>	<u>Waste Water</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Transfer out:						
Major governmental funds						
General Fund	\$ —	\$ —	\$ 410,100	\$ 1,741,320	\$ —	\$ 2,151,420
Major enterprise funds						
Electric	3,181,230	—	—	—	—	3,181,230
Wastewater	1,237,100	—	—	—	—	1,237,100
Water	754,450	2,702	—	—	—	757,152
Solid Waste	282,190	—	—	—	—	282,190
Nonmajor governmental funds	5,123,838	—	22,488,966	—	—	27,612,804
Nonmajor enterprise funds	3,952,364	—	—	—	—	3,952,364
Internal service funds	—	—	—	—	18,141	18,141
Subtotal	14,531,172	2,702	22,899,066	1,741,320	18,141	39,192,401
Less capital assets transferred to governmental funds from nonmajor enterprise funds	(3,630,224)	—	—	—	—	(3,630,224)
Total	<u>\$10,900,948</u>	<u>\$ 2,702</u>	<u>\$22,899,066</u>	<u>\$ 1,741,320</u>	<u>\$ 18,141</u>	<u>\$35,562,177</u>

The General Fund transferred one half of the transient occupancy tax to the Convention Center per City policy.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 16 - TRANSFERS - (Continued)

The 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, there were one-time transfers from Community Development and closed Special Assessment Districts. There were also transfers between Governmental Funds. These included moving debt proceeds from RRA capital projects to debt service, transfers for debt service payments, and closing out a Redevelopment special projects fund.

Nonmajor Enterprise Funds transferred funds to the General Fund in lieu of property taxes. In addition, the General Fund portion of the Clover Creek Preserve was transferred from Storm Drains, where a portion of the construction costs had been recorded.

NOTE 17 - ADJUSTMENTS TO NET ASSETS AND FUND BALANCE

Adjustments to Net Assets at June 30, 2005 consists of the following items:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Governmental activities:			
Special revenue:			
Street maintenance	\$ 165,151 ¹	\$ —	\$ 165,151
Housing	<u>77,165</u> ²	<u>—</u>	<u>77,165</u>
Subtotal	<u>242,316</u>	<u>—</u>	<u>242,316</u>
Debt service:			
1915 Act Assessment District Bonds	<u>(2,320,967)</u> ³	<u>—</u>	<u>(2,320,967)</u>
Internal service fund:			
Risk management	<u>1,340,000</u> ⁴	<u>—</u>	<u>1,340,000</u>
Total	<u>\$ (738,651)</u>	<u>\$ —</u>	<u>\$ (738,651)</u>

Adjustments to Fund Balance and Net Assets at June 30, 2005 consist of the following items:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Special revenue funds:			
Street maintenance	\$ 165,151 ¹	\$ —	\$ 165,151
Housing	<u>77,165</u> ²	<u>—</u>	<u>77,165</u>
Subtotal	<u>242,316</u>	<u>—</u>	<u>242,316</u>
Debt service fund:			
1915 Act Assessment District Bonds	<u>(508,648)</u> ⁵	<u>—</u>	<u>(508,648)</u>
Internal service fund:			
Risk management	<u>—</u>	<u>1,340,000</u> ⁴	<u>1,340,000</u>
Total	<u>\$ (266,332)</u>	<u>\$ 1,340,000</u>	<u>\$ 1,073,668</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 17 - ADJUSTMENTS TO NET ASSETS AND FUND BALANCE - (Continued)

1. Intergovernmental receivables and gas revenues were understated at June 30, 2004 in the Statement of Net Assets/Special Revenue Street Maintenance Fund.
2. Notes receivable in the Statement of Net Assets/Special Revenue Housing Fund were understated at June 20, 2004. An increase in a note receivable was erroneously posted as an expenditure in fiscal year 2003-04.
3. Delinquent Assessment Receivables and Deferred Assessment Receivables were incorrectly recorded in the Statement of Net Assets in prior years.
4. Worker's Compensation and Liability claims payable was overstated at June 30, 2004.
5. Delinquent Assessment Receivable, Deferred Assessment Receivable and Deferred Revenue were incorrectly recorded in the Debt Service Fund in prior years.

NOTE 18 - SPECIAL ASSESSMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 6, Accounting and Financial Reporting for Special Assessments, which became effective for periods beginning after June 15, 1987. The City implemented the provisions of this statement in the year ended June 30, 1988.

As a result of the implementation of Statement No. 6, it was determined that the City is obligated in some manner on the 1915 Act Assessment District Bonds. The obligation is a result of the City management's prior practice of temporarily advancing funds to the assessment districts when delinquencies exceed the amounts available in the assessment district's cash reserve fund if directed by Council. These advances are repaid when delinquencies are received. In 1999, Council directed staff not to advance funds to assessment districts unless legally obligated to do so. During the fiscal year, two special assessment districts that were delinquent, Tierra Oaks Assessment District No. 1993-1 Limited Obligation Improvement Bonds and Churn Creek Extension #2 Assessment District No 1990-5 Limited Obligation Bonds, were both brought current by property owners in February, 2005.

In accordance with legal requirements pertaining to the sale of 1915 Act Assessment Districts Bonds, a reserve fund is established out of the proceeds of the bond sale. This reserve ranges from five to ten percent of the total bond proceeds and is to be utilized to cover delinquencies by property owners.

The amount of outstanding delinquencies for the years ending June 30, 2005, was \$9,794.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 19 - DEFEASANCE OF DEBT

On December 15, 2004 the City of Redding issued \$16,970,000 of Lease Revenue Bonds with an average interest rate of 4.59 percent. \$9,508,109 of the issue along with \$1,195,311 of City cash was used to provide resources to purchase US Government State and Local Government Series securities (SLGS). The SLGS were placed in an irrevocable trust for the purpose of generating resources to pay debt service payments through March 1, 2007 and on that date redeem any remaining portion of the 1997 Civic Center Lease Revenue Bonds (Civic Center Bonds). The total costs of future debt service and redemption of the Civic Center Bonds is \$11,362,297 which will all be paid with the resources generated by the SLGS. As a result, the Civic Center Bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets.

The General Fund refunding was undertaken to reduce interest rates and resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$583,316. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2026. There is a cost of \$29,166 over the next 20 years with an economic gain (difference between the present values of the old and new debt service payments) of \$283,550.

NOTE 20 - INTEREST RATE SWAP

Objective of the Interest Rate Exchange The City of Redding had two open interest rate swaps as of June 30, 2005. Both have as their objective to lower the City's borrowing costs. The intention of the first swap was to effectively change the City of Redding's variable interest rate on the \$55.825 million 2002 Series C-1 Certificates and its \$13.425 million 2002 Series C-2 Certificates to a synthetic fixed rate of 4.122%, excluding associated costs of remarketing variable rate debt. This compared favorably against fixed-rate bonds at the time of issuance in April 2002. The intention of the second swap was to effectively lock in favorable fixed rates in June 2005, prior to an anticipated bond financing planned for November 2005.

Terms Under the first exchange, the City of Redding pays the counterparty a fixed payment of 4.1225% and receives a variable payment computes as 65 percent of the London Interbank Offered Rate (LIBOR). As of June 30, 2005, the exchange had a notional amount of \$67.25 million. The exchange was entered into at the same time the bonds were issued (April 2002). The notional amount of the exchange and the outstanding amount of associated Certificates decline starting in June 2009. The Certificates' variable-rate coupons are assumed to be based on The Bond Market Association Municipal Swap Index™ (BMA). The Certificates have a final maturity on June 1, 2022. The exchange terminates on June 1, 2022. Under the second swap, the City of Redding will receive/pay to the counterparty the difference between the Muni BMA rate on the date of trade, June 23, 2005 and its maturity on November 9, 2005. As of June 30, 2005, rates were as follows:

Fair Value Because interest rates have declined since execution of the swap, the first swap had a negative fair value of \$7,994,150 and the second had a negative fair value of \$307,992 as of June 30, 2005. The first swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The second swap's small negative fair value one week after initiation is offset by the final outcome, which resulted in a \$1.8 million positive payment to the City at the date of maturity. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

CITY OF REDDING
Notes to Financial Statements
June 30, 2005

NOTE 20 - INTEREST RATE SWAP- (Continued)

Credit Risk As of June 30, 2005, the City of Redding was not exposed to credit risk because the exchange had a negative fair market value. However, should interest rates change and the fair value of the exchange becomes a positive, the City of Redding would be exposed to credit risk in the amount of the exchange's fair value. The counterparty (Citigroup Inc) was rated Aa1 by the Moody's Investors Service, AA- by Standard & Poor's, and AA+ by Fitch Ratings. To mitigate the potential for credit risk, the counterparty is required to post collateral should the fair value exceed certain thresholds. While the counterparty is rated Aa3 or higher by Moody's and AA- or higher by Standard & Poor's, the threshold amount is \$25 million.

Basis Risk As noted above, the first exchange exposes the City of Redding to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates' moving to convergence, the expected cost savings of the exchange may not be realized. There is no basis risk on the second swap.

Termination Risk The exchange contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, the exchange may be terminated by the City of Redding if the counterparty's credit rating falls below Baa1 as determined by Moody's Investor Service and BBB+ as determined by Standard & Poor's. If the exchange is terminated, the Certificates would no longer carry a synthetic fixed interest rate. Also, if at the time of an early termination of the exchange, if the exchange has a negative fair value, the City of Redding would be liable to the counterparty for a payment equal to the exchange's fair value.

**COMBINING NONMAJOR
GOVERNMENTAL FUNDS**

CITY OF REDDING
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	<u>Total Special Revenue Funds</u>	<u>Total Capital Project Funds</u>	<u>Total Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and investments	\$15,601,079	\$23,871,343	\$ 2,922,468	\$42,394,890
Interest receivables	1,812,510	166,995	22,824	2,002,329
Accounts receivable, net	258,030	2,493	—	260,523
Intergovernmental receivable	723,186	3,457,585	—	4,180,771
Taxes receivable	397,970	137,294	—	535,264
Other receivables	27,163	—	—	27,163
Restricted assets:				
Cash and investments	4,084,173	18,351,623	6,701,907	29,137,703
Interest receivable	35,270	86,110	16,741	138,121
Taxes receivable	—	—	524,836	524,836
Interfund receivables	2,504	72,081	—	74,585
Deposits	—	25,000	—	25,000
Assets held for sale	798,608	—	—	798,608
Advances to other funds	731,658	—	—	731,658
Special assessments receivable	15,833	—	6,211,258	6,227,091
Notes receivable	<u>19,015,719</u>	<u>—</u>	<u>—</u>	<u>19,015,719</u>
 Total assets	 <u>\$43,503,703</u>	 <u>\$46,170,524</u>	 <u>\$16,400,034</u>	 <u>\$106,074,261</u>

	<u>Total Special Revenue Funds</u>	<u>Total Capital Project Funds</u>	<u>Total Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 346,470	\$ 464,754	\$ —	\$ 811,224
Accrued liabilities	47,931	336,213	2,592	386,736
Intergovernmental payable	705	2,840	—	3,545
Due to other funds	95,219	—	—	95,219
Deferred revenues	2,382,497	3,679,083	6,553,587	12,615,167
Interfund payables	—	132,081	2,504	134,585
Deposits	152,139	—	—	152,139
Advances from other funds	<u>1,535,382</u>	<u>2,011,991</u>	<u>1,384,179</u>	<u>4,931,552</u>
Total liabilities	<u>4,560,343</u>	<u>6,626,962</u>	<u>7,942,862</u>	<u>19,130,167</u>
Fund balances (deficit):				
Reserved for:				
Debt service	—	—	5,991,258	5,991,258
Capital projects	4,420,812	—	—	4,420,812
School projects	—	918,866	—	918,866
Fire projects	—	110,926	—	110,926
Parks projects	—	1,232,916	—	1,232,916
Public works projects	—	12,058,296	—	12,058,296
Noncurrent notes receivable	18,978,257	—	—	18,978,257
Unreserved, designated for:				
Encumbrances	7,205,257	2,368,296	—	9,573,553
Housing	7,461,920	—	—	7,461,920
Reported in:				
Capital projects funds	—	22,557,489	—	22,557,489
Unreserved, undesignated reported in:				
Special revenue funds	877,114	—	—	877,114
Capital projects funds	—	296,773	—	296,773
Debt service funds	<u>—</u>	<u>—</u>	<u>2,465,914</u>	<u>2,465,914</u>
Total fund balances	<u>38,943,360</u>	<u>39,543,562</u>	<u>8,457,172</u>	<u>86,944,094</u>
Total liabilities and fund balances	<u>\$43,503,703</u>	<u>\$46,170,524</u>	<u>\$16,400,034</u>	<u>\$106,074,261</u>

CITY OF REDDING
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Total Special Revenue Funds	Total Capital Projects Funds	Total Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES:				
Property taxes	\$ 2,339,108	\$ 6,196,644	\$ 3,184,399	\$11,720,151
Sales tax revenue	272,517	—	—	272,517
Special assessments	156,753	—	2,730,521	2,887,274
License, fees and permits	75,667	—	—	75,667
Intergovernmental revenues	13,941,620	6,572,990	—	20,514,610
Fines, forfeitures and penalties	139,834	—	—	139,834
Use of money and property	7,643	80,024	—	87,667
Interest revenue	1,501,006	652,143	375,260	2,528,409
Other	66,750	5,048,157	42	5,114,949
Total revenues	<u>18,500,898</u>	<u>18,549,958</u>	<u>6,290,222</u>	<u>43,341,078</u>
EXPENDITURES:				
Current:				
Community development	9,444,549	4,782,112	—	14,226,661
General government	—	15	200,510	200,525
Public safety	140,812	—	—	140,812
Public works	229,958	11,233	—	241,191
Recreation and culture	—	28,064	—	28,064
Capital outlay	—	9,555,328	—	9,555,328
Debt service:				
Principal retirement	290,000	—	2,812,000	3,102,000
Interest and fiscal charges	495,188	111,459	1,950,657	2,557,304
Bond issuance costs	—	147,095	—	147,095
Total expenditures	<u>10,600,507</u>	<u>14,635,306</u>	<u>4,963,167</u>	<u>30,198,980</u>
Excess (deficiency) of revenues over(under) expenditures	<u>7,900,391</u>	<u>3,914,652</u>	<u>1,327,055</u>	<u>13,142,098</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	(252,570)	236,721	—	(15,849)
Long-term debt issued	—	7,510,000	—	7,510,000
Premium on bonds issued	—	353,612	—	353,612
Transfers in	7,250,120	12,512,248	3,136,697	22,899,065
Transfers out	(11,807,251)	(3,005,144)	(12,800,408)	(27,612,803)
Total other financing sources (uses)	<u>(4,809,701)</u>	<u>17,607,437</u>	<u>(9,663,711)</u>	<u>3,134,025</u>
Net change in fund balances	<u>3,090,690</u>	<u>21,522,089</u>	<u>(8,336,656)</u>	<u>16,276,123</u>
FUND BALANCES, beginning of year, as originally stated	35,610,354	18,021,473	17,302,476	70,934,303
Prior year adjustments	242,316	—	(508,648)	(266,332)
FUND BALANCES, beginning of year, as restated	<u>35,852,670</u>	<u>18,021,473</u>	<u>16,793,828</u>	<u>70,667,971</u>
FUND BALANCES, end of year	<u>\$38,943,360</u>	<u>\$39,543,562</u>	<u>\$ 8,457,172</u>	<u>\$86,944,094</u>

Nonmajor Governmental Funds 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.

Special Project Fund - This fund was established to account for funds used for special housing projects derived from sources other than tax increment revenue and required to be used for housing related projects

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.

CITY OF REDDING
Combining Balance Sheet
Special Revenue
Nonmajor Governmental Funds
June 30, 2005

	<u>Parking</u>	<u>Street Maintenance</u>	<u>Community Development</u>	<u>Housing</u>
ASSETS				
Cash and investments	\$ 13,681	\$ 4,199,692	\$ 695,544	\$10,414,267
Interest receivable, unrestricted	2,763	—	1,152,420	654,995
Accounts receivable, net	40	—	—	257,990
Intergovernmental receivable	—	221,120	487,490	14,576
Taxes receivables	—	—	—	397,970
Other receivable	—	—	18,957	8,206
Restricted cash and investment	—	—	—	4,084,173
Restricted interest receivable	—	—	—	35,270
Interfund receivables	2,504	—	—	—
Assets held for sale	—	—	—	798,608
Advances to other funds	731,658	—	—	—
Special assessments receivable	—	—	—	—
Notes receivable	—	—	12,813,828	6,201,891
	<u>—</u>	<u>—</u>	<u>12,813,828</u>	<u>6,201,891</u>
Total assets	<u>\$ 750,646</u>	<u>\$ 4,420,812</u>	<u>\$15,168,239</u>	<u>\$22,867,946</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,124	\$ —	\$ 328,085	\$ 14,261
Accrued liabilities	5,575	—	40,949	1,407
Intergovernmental payable	705	—	—	—
Due to other funds	—	—	—	95,219
Deferred revenues	2,504	—	892,690	1,487,303
Deposits	—	—	4,717	147,422
Advances from other funds	1,535,382	—	—	—
	<u>1,535,382</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>1,548,290</u>	<u>—</u>	<u>1,266,441</u>	<u>1,745,612</u>
Fund balances (deficit):				
Reserved for:				
Capital projects	—	4,420,812	—	—
Noncurrent notes receivable	731,658	—	12,051,146	6,195,453
Unreserved, designated for:				
Encumbrances	1,500	—	3,816,076	3,387,681
Housing	—	—	—	7,461,920
Unreserved, undesignated	(1,530,802)	—	(1,965,424)	4,077,280
	<u>(1,530,802)</u>	<u>—</u>	<u>(1,965,424)</u>	<u>4,077,280</u>
Total fund balances (deficit)	<u>(797,644)</u>	<u>4,420,812</u>	<u>13,901,798</u>	<u>21,122,334</u>
Total liabilities and fund balances	<u>\$ 750,646</u>	<u>\$ 4,420,812</u>	<u>\$15,168,239</u>	<u>\$22,867,946</u>

<u>Special Project</u>	<u>General Special Revenue</u>	<u>Landscape Maintenance Districts</u>	<u>Total</u>
\$ —	\$ —	\$ 277,895	\$15,601,079
—	—	2,332	1,812,510
—	—	—	258,030
—	—	—	723,186
—	—	—	397,970
—	—	—	27,163
—	—	—	4,084,173
—	—	—	35,270
—	—	—	2,504
—	—	—	798,608
—	—	—	731,658
—	—	15,833	15,833
—	—	—	<u>19,015,719</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 296,060</u>	<u>\$43,503,703</u>
\$ —	\$ —	\$ —	\$ 346,470
—	—	—	47,931
—	—	—	705
—	—	—	95,219
—	—	—	2,382,497
—	—	—	152,139
—	—	—	<u>1,535,382</u>
—	—	—	<u>4,560,343</u>
—	—	—	4,420,812
—	—	—	18,978,257
—	—	—	7,205,257
—	—	—	7,461,920
—	—	<u>296,060</u>	<u>877,114</u>
—	—	<u>296,060</u>	<u>38,943,360</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 296,060</u>	<u>\$43,503,703</u>

CITY OF REDDING
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Special Revenue
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	<u>Parking</u>	<u>Street Maintenance</u>	<u>Community Development</u>	<u>Housing</u>
REVENUES:				
Property taxes	\$ —	\$ —	\$ —	\$ 2,339,108
Sales tax revenue	—	—	—	—
Special assessments	—	—	—	—
Licenses, fees and permits	75,667	—	—	—
Intergovernmental revenues	—	4,612,506	2,644,682	6,684,432
Fines, forfeitures and penalties	139,834	—	—	—
Use of money and property	—	—	—	7,643
Interest revenue	43,025	105,772	720,278	613,480
Other revenues	—	—	61,751	4,999
	<u>258,526</u>	<u>4,718,278</u>	<u>3,426,711</u>	<u>9,649,662</u>
Total revenues				
EXPENDITURES:				
Community development	—	—	1,996,553	7,447,996
Public safety	140,812	—	—	—
Public works	79,218	—	—	—
Debt service:				
Principal retirement	—	—	—	290,000
Interest and fiscal charges	9,243	—	—	485,945
	<u>229,273</u>	<u>—</u>	<u>1,996,553</u>	<u>8,223,941</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>29,253</u>	<u>4,718,278</u>	<u>1,430,158</u>	<u>1,425,721</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	—	—	—	(252,570)
Transfers in	—	—	—	7,250,120
Transfers out	—	(3,824,674)	(927,085)	—
	<u>—</u>	<u>(3,824,674)</u>	<u>(927,085)</u>	<u>6,997,550</u>
Total other financing sources (uses)				
Net change in fund balances	<u>29,253</u>	<u>893,604</u>	<u>503,073</u>	<u>8,423,271</u>
FUND BALANCES (DEFICIT), beginning of year	(826,897)	3,362,057	13,398,725	12,621,898
Prior year adjustments	—	165,151	—	77,165
FUND BALANCES (DEFICIT), as restated	<u>(826,897)</u>	<u>3,527,208</u>	<u>13,398,725</u>	<u>12,699,063</u>
FUND BALANCES (DEFICIT), end of year	<u>\$ (797,644)</u>	<u>\$ 4,420,812</u>	<u>\$13,901,798</u>	<u>\$21,122,334</u>

<u>Special Project</u>	<u>General Special Revenues</u>	<u>Landscape Maintenance District</u>	<u>Total Special Revenue</u>
\$ —	\$ —	\$ —	\$ 2,339,108
—	272,517	—	272,517
—	—	156,753	156,753
—	—	—	75,667
—	—	—	13,941,620
—	—	—	139,834
—	—	—	7,643
10,920	—	7,531	1,501,006
—	—	—	66,750
<u>10,920</u>	<u>272,517</u>	<u>164,284</u>	<u>18,500,898</u>
—	—	—	9,444,549
—	—	—	140,812
—	—	150,740	229,958
—	—	—	290,000
—	—	—	495,188
—	—	150,740	10,600,507
<u>10,920</u>	<u>272,517</u>	<u>13,544</u>	<u>7,900,391</u>
—	—	—	(252,570)
—	—	—	7,250,120
<u>(6,782,975)</u>	<u>(272,517)</u>	<u>—</u>	<u>(11,807,251)</u>
<u>(6,782,975)</u>	<u>(272,517)</u>	<u>—</u>	<u>(4,809,701)</u>
<u>(6,772,055)</u>	<u>—</u>	<u>13,544</u>	<u>3,090,690</u>
6,772,055	—	282,516	35,610,354
—	—	—	242,316
<u>6,772,055</u>	<u>—</u>	<u>282,516</u>	<u>35,852,670</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 296,060</u>	<u>\$38,943,360</u>

CITY OF REDDING
Special Revenue Parking Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts Budgetary Basis	Final Budget- Positive (Negative)
REVENUES:				
Licenses and permits	\$ 65,650	\$ 65,650	\$ 75,668	\$ 10,018
Fines, forfeitures and penalties	119,000	119,000	139,834	20,834
Interest revenue	22,800	22,800	43,072	20,272
Total revenues	207,450	207,450	258,574	51,124
EXPENDITURES:				
Current:				
Public safety	158,060	160,360	144,722	15,638
Public works	93,530	97,670	78,070	19,600
Debt service:				
Interest and fiscal charges	—	—	—	—
Total expenditures	251,590	258,030	222,792	35,238
Excess (deficiency) of revenues over (under) expenditures	(44,140)	(50,580)	35,782	86,362
OTHER FINANCING SOURCES (USES):				
Operating transfers in	—	—	—	—
Total other financing sources (uses)	—	—	—	—
Net change in fund balance	(44,140)	(50,580)	35,782	86,362
BUDGETARY FUND BALANCE (DEFICIT), beginning of year	(826,897)	(826,897)	(826,897)	—
BUDGETARY FUND BALANCE (DEFICIT), end of year	\$ (871,037)	\$ (877,477)	\$ (791,115)	\$ 86,362
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$ (797,644)	
1. Financial statement only interest income adjustment per GASB 31.			48	
2. The City does not budget for accounts payable adjustments.			(1,285)	
3. The City does not budget for benefit accruals.			23	
4. The City budgets for interest on loans on a cash, not accrual basis.			9,243	
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.			(1,500)	
Budgetary fund balance			\$ (791,115)	

CITY OF REDDING
Special Revenue Street Maintenance Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue	\$ 2,059,060	\$ 2,459,060	\$ 4,602,562	\$ 2,143,502
Interest revenues	<u>—</u>	<u>—</u>	<u>112,044</u>	<u>112,044</u>
Total revenues	<u>2,059,060</u>	<u>2,459,060</u>	<u>4,714,606</u>	<u>2,255,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,059,060</u>	<u>2,459,060</u>	<u>4,714,606</u>	<u>2,255,546</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(2,059,060)</u>	<u>(3,110,260)</u>	<u>(3,824,674)</u>	<u>(714,414)</u>
Total other financing sources (uses)	<u>(2,059,060)</u>	<u>(3,110,260)</u>	<u>(3,824,674)</u>	<u>(714,414)</u>
Net change in fund balance	<u>—</u>	<u>(651,200)</u>	<u>889,932</u>	<u>1,541,132</u>
BUDGETARY FUND BALANCE, beginning of year	3,362,057	3,362,057	3,362,057	—
Prior period adjustment	<u>165,151</u>	<u>165,151</u>	<u>165,151</u>	<u>—</u>
BUDGETARY FUND BALANCE, beginning of year, as restated	<u>3,527,208</u>	<u>3,527,208</u>	<u>3,527,208</u>	<u>—</u>
BUDGETARY FUND BALANCE, end of year	<u>\$ 3,527,208</u>	<u>\$ 2,876,008</u>	<u>\$ 4,417,140</u>	<u>\$ 1,541,132</u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$ 4,420,812	
1. Financial statement only interest income adjustment per GASB 31.			6,272	
2. The City budgets for taxes on a cash basis.			<u>(9,944)</u>	
Budgetary fund balance			<u>\$ 4,417,140</u>	

CITY OF REDDING
Special Revenue Community Development Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts Budgetary Basis	Final Budget- Positive (Negative)
REVENUES:				
Intergovernmental revenue	\$ 1,645,870	\$ 1,719,400	\$ 2,269,845	\$ 550,445
Interest revenue	165,150	208,750	397,422	188,672
Use of money and property	671,000	1,346,890	1,058,331	(288,559)
Other revenues	<u>480</u>	<u>480</u>	<u>61,751</u>	<u>61,271</u>
Total revenues	<u>2,482,500</u>	<u>3,275,520</u>	<u>3,787,349</u>	<u>511,829</u>
EXPENDITURES:				
Current:				
Community development	<u>9,319,040</u>	<u>10,355,960</u>	<u>8,400,649</u>	<u>1,955,311</u>
Total expenditures	<u>9,319,040</u>	<u>10,355,960</u>	<u>8,400,649</u>	<u>1,955,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,836,540)</u>	<u>(7,080,440)</u>	<u>(4,613,300)</u>	<u>2,467,140</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	—	—	—	—
Transfers out	<u>(2,000)</u>	<u>(2,000)</u>	<u>(929,085)</u>	<u>(927,085)</u>
Total other financing sources (uses)	<u>(2,000)</u>	<u>(2,000)</u>	<u>(929,085)</u>	<u>(927,085)</u>
Net change in fund balance	<u>(6,838,540)</u>	<u>(7,082,440)</u>	<u>(5,542,385)</u>	<u>1,540,055</u>
BUDGETARY FUND BALANCE, beginning of year,	<u>13,398,725</u>	<u>13,398,725</u>	<u>13,398,725</u>	<u>—</u>
BUDGETARY FUND BALANCE, end of year	<u>\$ 6,560,185</u>	<u>\$ 6,316,285</u>	<u>\$ 7,856,340</u>	<u>\$ 1,540,055</u>

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

	\$13,901,798
1. Financial statement only interest income adjustment per GASB 31.	(14,014)
2. The City does not budget for accounts payable adjustments.	215,676
3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.	(2,825,177)
4. The City does not budget for the rolling stock fund.	(2,599)
5. The City does not budget for benefit accruals.	(318)
6. The City budgets for investment income on all funds, including refundable interest to HUD.	(308,242)
7. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.	1,058,331
8. The City budgets for grants on a cash basis.	(374,838)
9. End of year encumbrances are included in actual expenditures, budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.	<u>(3,794,277)</u>
Budgetary fund balance	<u>\$ 7,856,340</u>

CITY OF REDDING
Special Revenue Housing Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts Budgetary Basis	Final Budget- Positive (Negative)
REVENUES:				
Property taxes	\$ 2,109,503	\$ 2,092,123	\$ 2,339,108	\$ 246,985
Intergovernmental revenue	6,009,800	6,842,900	6,622,431	(220,469)
Use of money and property	270,000	270,000	426,077	156,077
Interest revenue	188,000	188,000	552,146	364,146
Other revenues	<u>5,700</u>	<u>5,700</u>	<u>4,999</u>	<u>(701)</u>
Total revenues	<u>8,583,003</u>	<u>9,398,723</u>	<u>9,944,761</u>	<u>546,038</u>
EXPENDITURES:				
Current:				
Community development	16,054,420	16,890,740	11,547,968	5,342,772
Debt service:				
Principal retirement	290,000	290,000	290,000	—
Interest and fiscal charges	<u>493,270</u>	<u>493,270</u>	<u>485,945</u>	<u>7,325</u>
Total expenditures	<u>16,837,690</u>	<u>17,674,010</u>	<u>12,323,913</u>	<u>5,350,097</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,254,687)</u>	<u>(8,275,287)</u>	<u>(2,379,152)</u>	<u>5,896,135</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land	—	—	11,826	11,826
Transfers in	—	—	467,145	467,145
Transfers out	<u>(300,000)</u>	<u>(300,000)</u>	<u>—</u>	<u>300,000</u>
Total other financing sources (uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>478,971</u>	<u>778,971</u>
Net change in fund balance	<u>(8,554,687)</u>	<u>(8,575,287)</u>	<u>(1,900,181)</u>	<u>6,675,106</u>
BUDGETARY FUND BALANCE,				
beginning of year,	12,621,898	12,621,898	12,621,898	—
Prior period adjustments	<u>77,165</u>	<u>77,165</u>	<u>77,165</u>	<u>—</u>
BUDGETARY FUND BALANCE,				
beginning of year, as restated	<u>12,699,063</u>	<u>12,699,063</u>	<u>12,699,063</u>	<u>—</u>
BUDGETARY FUND BALANCE, end of year	<u>\$ 4,144,376</u>	<u>\$ 4,123,776</u>	<u>\$10,798,882</u>	<u>\$ 6,675,106</u>

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

	\$21,122,334
1. Financial statement only interest income adjustment per GASB 31.	22,514
2. The City does not budget for accounts payable adjustments.	(12,048)
3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.	(696,190)
4. The City does not budget for benefit accruals.	375
5. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.	418,434
6. The City does not budget for rolling stock.	(61)
7. The City budgets for grants on a cash basis.	(62,006)
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.	(3,392,109)
9. The City does not budget for transfers in from the Special Projects Fund.	(6,782,975)
10. The City budgets for interest income on notes receivable on a cash basis.	9,875
11. The City budgets for the sale of assets held for resale, but adjusts the revenue to reduce Assets Held for Resale Account and the gain/loss on the sale.	<u>170,739</u>
Budgetary fund balance	<u>\$10,798,882</u>

CITY OF REDDING
Special Revenue Special Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Investment revenue	\$ 150,000	\$ 150,000	\$ —	\$ (150,000)
Total revenues	150,000	150,000	—	(150,000)
Net change in fund balance	150,000	150,000	—	(150,000)
BUDGETARY FUND BALANCE, beginning of year	6,772,055	6,772,055	6,772,055	—
BUDGETARY FUND BALANCE end of year	\$ 6,922,055	\$ 6,922,055	\$ 6,772,055	\$ (150,000)
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$ —	
1. Financial statement only interest income adjustment per GASB 31.			(10,920)	
2. The City does not budget for transfers to the Housing Fund.			6,782,975	
Budgetary fund balance			\$ 6,772,055	

CITY OF REDDING
Special Revenue General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Sales tax	\$ —	\$ 273,520	\$ 272,517	\$ (1,003)
Total revenues	<u>—</u>	<u>273,520</u>	<u>272,517</u>	<u>(1,003)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>—</u>	<u>273,520</u>	<u>272,517</u>	<u>(1,003)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(272,000)</u>	<u>(272,000)</u>	<u>(272,517)</u>	<u>(517)</u>
Total other financing sources (uses)	<u>(272,000)</u>	<u>(272,000)</u>	<u>(272,517)</u>	<u>(517)</u>
Net change in fund balance	(272,000)	1,520	—	(1,520)
BUDGETARY FUND BALANCE, beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
FUND BALANCE, end of year	<u>\$ (272,000)</u>	<u>\$ 1,520</u>	<u>\$ —</u>	<u>\$ (1,520)</u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			<u>\$ —</u>	
Budgetary fund balance			<u>\$ —</u>	

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Nonmajor Governmental Funds Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

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

Redevelopment Agency Funds:

Canby-Hilltop-Cypress Project Fund - This fund was established to account for the financing and construction activities in the Canby-Hilltop-Cypress project area of Redding. Financing is being provided by the Redding Redevelopment Agency. Current activity is ongoing and will span several years.

Market Street Project Fund – This fund was established to account for the financing and construction activities in the Market Street project area of Redding. Financing is being provided by the Redding Redevelopment Agency. Current activity is ongoing and will span several years.

Buckeye Project Fund - This fund was established to account for the financing and construction activities in the Buckeye project area of Redding. Financing will be provided by future Redding Redevelopment Agency tax allocation bonds. Current activity is ongoing and will span several years.

SHASTECH Project Fund – This fund was established to account for the financing and construction activities in the SHASTECH redevelopment project area. Financing will be provided by future Redding Redevelopment Agency tax allocation bonds. Current activity is ongoing and will span several years.

CITY OF REDDING
Combining Balance Sheet
Capital Projects
Nonmajor Governmental Funds
June 30, 2005

ASSETS	General Capital Projects	Canby/ Hilltop/ Cypress Project	Market Street Project	Buckeye Project
Cash and investments	\$14,486,948	\$ 5,037,652	\$ 1,594,033	\$ 165,154
Interest receivable	98,259	48,210	8,796	1,371
Accounts receivable, net	2,493	—	—	—
Intergovernmental receivable	3,420,947	—	—	—
Taxes receivable	—	4,714	1,771	22,948
Restricted assets:				
Cash and investments	7,512,897	8,494,914	2,096,080	—
Interest receivable	501	65,637	19,972	—
Interfund receivable	—	72,081	—	—
Deposits	—	25,000	—	—
 Total assets	 <u>\$25,522,045</u>	 <u>\$13,748,208</u>	 <u>\$ 3,720,652</u>	 <u>\$ 189,473</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 202,759	\$ 238,318	\$ 12,772	\$ 482
Accrued liabilities	93,978	22,870	—	—
Intergovernmental payable	—	—	—	47
Deferred revenues	3,491,782	72,081	—	14,602
Interfund payables	60,000	—	—	72,081
Advances from other funds	336,646	—	—	—
 Total liabilities	 <u>4,185,165</u>	 <u>333,269</u>	 <u>12,772</u>	 <u>87,212</u>
Fund balances (deficit):				
Reserved for:				
School projects	—	106,036	812,830	—
Fire projects	110,926	—	—	—
Parks projects	1,232,916	—	—	—
Public works projects	12,058,296	—	—	—
Unreserved, designated for:				
Encumbrances	994,337	490,274	146,877	—
Capital projects	6,940,405	12,790,030	2,582,260	—
Unreserved, undesignated	—	28,599	165,913	102,261
 Total fund balances (deficit)	 <u>21,336,880</u>	 <u>13,414,939</u>	 <u>3,707,880</u>	 <u>102,261</u>
 Total liabilities and fund balances	 <u>\$25,522,045</u>	 <u>\$13,748,208</u>	 <u>\$ 3,720,652</u>	 <u>\$ 189,473</u>

<u>SHASTECC Project</u>	<u>Total Capital Projects</u>
\$ 2,587,556	\$23,871,343
10,359	166,995
—	2,493
36,638	3,457,585
107,861	137,294
247,732	18,351,623
—	86,110
—	72,081
—	25,000
<u>\$ 2,990,146</u>	<u>\$46,170,524</u>

\$ 10,423	\$ 464,754
219,365	336,213
2,793	2,840
100,618	3,679,083
—	132,081
<u>1,675,345</u>	<u>2,011,991</u>
<u>2,008,544</u>	<u>6,626,962</u>

—	918,866
—	110,926
—	1,232,916
—	12,058,296
736,808	2,368,296
244,794	22,557,489
—	296,773
<u>981,602</u>	<u>39,543,562</u>
<u>\$ 2,990,146</u>	<u>\$46,170,524</u>

CITY OF REDDING
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Capital Projects
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	<u>General Capital Projects</u>	<u>Canby/ Hilltop/ Cypress Project</u>	<u>Market Street Project</u>	<u>Buckeye Project</u>
REVENUES:				
Property taxes	\$ —	\$ 3,180,573	\$ 1,728,334	\$ 174,973
Intergovernmental revenues	3,306,296	—	22,191	—
Use of money and property	—	40,000	40,024	—
Interest revenue	293,864	265,520	63,838	3,923
Other	<u>4,973,040</u>	<u>26,513</u>	<u>20,397</u>	<u>278</u>
Total revenues	<u>8,573,200</u>	<u>3,512,606</u>	<u>1,874,784</u>	<u>179,174</u>
EXPENDITURES:				
Current:				
Community development	—	3,003,121	1,430,649	40,493
General government	15	—	—	—
Public works	11,233	—	—	—
Recreation and culture	28,064	—	—	—
Capital outlay	3,219,699	2,292,660	1,242,414	—
Debt service:				
Interest and fiscal charges	77,632	—	—	2,491
Bond issuance costs	<u>147,095</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>3,483,738</u>	<u>5,295,781</u>	<u>2,673,063</u>	<u>42,984</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,089,462</u>	<u>(1,783,175)</u>	<u>(798,279)</u>	<u>136,190</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	—	—	236,721	—
Long-term debt issued	7,510,000	—	—	—
Premium on bonds issued	353,612	—	—	—
Transfers in	410,100	9,280,731	2,821,417	—
Transfers out	<u>(135,879)</u>	<u>(2,387,438)</u>	<u>(481,827)</u>	<u>—</u>
Total other financing sources (uses)	<u>8,137,833</u>	<u>6,893,293</u>	<u>2,576,311</u>	<u>—</u>
Net change in fund balances	13,227,295	5,110,118	1,778,032	136,190
FUND BALANCES (DEFICIT), beginning of year,	<u>8,109,585</u>	<u>8,304,821</u>	<u>1,929,848</u>	<u>(33,929)</u>
FUND BALANCES (DEFICIT), end of year	<u>\$21,336,880</u>	<u>\$13,414,939</u>	<u>\$ 3,707,880</u>	<u>\$ 102,261</u>

<u>SHASTE Project</u>	<u>Total Capital Projects</u>
\$ 1,112,764	\$ 6,196,644
3,244,503	6,572,990
—	80,024
24,998	652,143
<u>27,929</u>	<u>5,048,157</u>
<u>4,410,194</u>	<u>18,549,958</u>
307,849	4,782,112
—	15
—	11,233
—	28,064
2,800,555	9,555,328
31,336	111,459
<u>—</u>	<u>147,095</u>
<u>3,139,740</u>	<u>14,635,306</u>
<u>1,270,454</u>	<u>3,914,652</u>
—	236,721
—	7,510,000
—	353,612
—	12,512,248
<u>—</u>	<u>(3,005,144)</u>
<u>—</u>	<u>17,607,437</u>
1,270,454	21,522,089
<u>(288,852)</u>	<u>18,021,473</u>
<u>\$ 981,602</u>	<u>\$39,543,562</u>

CITY OF REDDING
 General Capital Projects Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ —	\$ 206,050	\$ 3,232,445	\$ 3,026,395
Investment revenue	400,000	400,000	359,919	(40,081)
Other	<u>2,137,540</u>	<u>2,177,344</u>	<u>5,280,325</u>	<u>3,102,981</u>
Total revenues	<u>2,537,540</u>	<u>2,783,394</u>	<u>8,872,689</u>	<u>6,089,295</u>
EXPENDITURES:				
Current:				
General government	1,448,130	1,448,130	92,425	1,355,705
Public works	22,132,600	23,493,464	2,595,183	20,898,281
Recreation and culture	4,192,500	11,675,310	2,877,536	8,797,774
Debt service:				
Principal retirement	—	67,660	67,661	(1)
Interest and fiscal charges	132,600	13,940	77,632	(63,692)
Bond issuance costs	—	<u>147,100</u>	<u>147,095</u>	<u>5</u>
Total expenditures	<u>27,905,830</u>	<u>36,845,604</u>	<u>5,857,532</u>	<u>30,988,072</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,368,290)</u>	<u>(34,062,210)</u>	<u>3,015,157</u>	<u>37,077,367</u>
OTHER FINANCING SOURCES (USES):				
Bond proceeds	—	7,510,000	7,510,000	—
Premium on bonds issued	—	353,620	353,612	(8)
Transfers in	—	410,100	410,100	—
Transfers out	—	<u>(136,000)</u>	<u>(135,879)</u>	<u>121</u>
Total other financing sources (uses)	<u>—</u>	<u>8,137,720</u>	<u>8,137,833</u>	<u>113</u>
Net change in fund balance	(25,368,290)	(25,924,490)	11,152,990	37,077,480
BUDGETARY FUND BALANCE				
beginning of year,	<u>8,109,585</u>	<u>8,109,585</u>	<u>8,109,585</u>	<u>—</u>
BUDGETARY FUND BALANCE				
end of year	<u><u>\$(17,258,705)</u></u>	<u><u>\$(17,814,905)</u></u>	<u><u>\$19,262,575</u></u>	<u><u>\$37,077,480</u></u>

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

	\$21,336,880
1. Financial statement only interest income adjustment per GASB 31.	60,981
2. The City does not budget for accounts payable adjustments.	(1,109,605)
3. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.	(1,196,528)
4. The City does not budget for the transfer of development fees and interest on those fees to the related enterprise funds.	450,991
5. The City budgets for grants on a cash basis.	13,210
6. Timing difference due to GASB 33.	(225,693)
7. The City budgets for and records payments on advances in the expenditure accounts, but adjusts the actual payment to advances payable to other funds.	(67,661)
Budgetary fund balance	<u><u>\$19,262,575</u></u>

CITY OF REDDING
 Canby-Hilltop-Cypress Capital Project Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,497,750	\$ 3,392,740	\$ 3,180,573	\$ (212,167)
Use of money and property	40,000	40,000	40,000	—
Investment revenue	154,460	154,460	280,979	126,519
Other revenue	<u>—</u>	<u>14,200</u>	<u>26,513</u>	<u>12,313</u>
 Total revenues	 <u>1,692,210</u>	 <u>3,601,400</u>	 <u>3,528,065</u>	 <u>(73,335)</u>
EXPENDITURES:				
Current:				
General government	1,302,640	3,207,530	3,003,121	204,409
Capital outlay	<u>6,258,690</u>	<u>8,963,890</u>	<u>2,751,430</u>	<u>6,212,460</u>
 Total expenditures	 <u>7,561,330</u>	 <u>12,171,420</u>	 <u>5,754,551</u>	 <u>6,416,869</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(5,869,120)</u>	 <u>(8,570,020)</u>	 <u>(2,226,486)</u>	 <u>6,343,534</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
 Net change in fund balance	 (5,869,120)	 (8,570,020)	 (2,226,486)	 6,343,534
 BUDGETARY FUND BALANCE, beginning of year	 <u>8,304,821</u>	 <u>8,304,821</u>	 <u>8,304,821</u>	 <u>—</u>
 BUDGETARY FUND BALANCE, end of year	 <u>\$ 2,435,701</u>	 <u>\$ (265,199)</u>	 <u>\$ 6,078,335</u>	 <u>\$ 6,343,534</u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$13,414,939	
1. Financial statement only interest income adjustment per GASB 31.			15,459	
2. Escrow deposits are included in actual expenditures on the budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.			(25,000)	
3. The City does not budget for transfers in/out from the debt service fund.			(6,893,293)	
4. The City does not budget for accounts payable adjustments.			230,168	
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.			<u>(663,938)</u>	
 Budgetary fund balance			 <u>\$ 6,078,335</u>	

CITY OF REDDING
Market Street Capital Project Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 977,030	\$ 1,631,100	\$ 1,728,334	\$ 97,234
Intergovernmental revenue	—	5,251	22,191	16,940
Other use of money and property	—	—	40,024	40,024
Investment revenue	35,000	35,000	68,989	33,989
Other revenue	—	14,000	20,397	6,397
Total revenues	1,012,030	1,685,351	1,879,935	194,584
EXPENDITURES:				
Current:				
General government	775,790	1,535,140	1,430,649	104,491
Capital outlay	1,615,270	2,399,521	1,403,762	995,759
Debt Service:				
Principal retirement	—	—	—	—
Interest	—	—	—	—
Total expenditures	2,391,060	3,934,661	2,834,411	1,100,250
Excess (deficiency) of revenues over (under) expenditures	(1,379,030)	(2,249,310)	(954,476)	1,294,834
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land	—	236,721	236,721	—
Total other financing sources (uses)	—	236,721	236,721	—
Net change in fund balance	(1,379,030)	(2,012,589)	(717,755)	1,294,834
BUDGETARY FUND BALANCE, beginning of year	1,929,848	1,929,848	1,929,848	—
BUDGETARY FUND BALANCE, end of year	\$ 550,818	\$ (82,741)	\$ 1,212,093	\$ 1,294,834

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

	\$ 3,707,880
1. Financial statement only interest income adjustment per GASB 31.	5,151
2. The City does not budget for transfers in/out from the debt service fund.	(2,339,589)
3. The City does not budget for accounts payable adjustments.	(16,349)
4. The City budgets for and records loan payments received in the revenue accounts but adjusts the actual payment to loans receivable.	5,000
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.	(150,000)

Budgetary fund balance

\$ 1,212,093

CITY OF REDDING
 Buckeye Capital Project Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 108,930	\$ 119,700	\$ 174,973	\$ 55,273
Investment revenue	1,000	1,000	4,179	3,179
Other revenue	—	—	278	278
	109,930	120,700	179,430	58,730
EXPENDITURES:				
Current:				
General government	30,890	41,660	39,963	1,697
Debt service:				
Principal retirement	40,000	40,000	40,000	—
Interest	4,500	4,500	2,491	2,009
	75,390	86,160	82,454	3,706
Excess (deficiency) of revenues over (under) expenditures	34,540	34,540	96,976	62,436
BUDGETARY FUND BALANCE, beginning of year	(33,929)	(33,929)	(33,929)	—
BUDGETARY FUND BALANCE, end of year	\$ 611	\$ 611	\$ 63,047	\$ 62,436
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$ 102,261	
1. Financial statement only interest income adjustment per GASB 31.			256	
2. The City does not budget for accounts payable adjustments.			530	
2. The City budgets for and records payments on loans in the expenditure accounts, but adjusts the actual loan to advances payable to other funds.			(40,000)	
Budgetary fund balance			\$ 63,047	

CITY OF REDDING
SHASTEK Capital Project Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 856,060	\$ 881,510	\$ 1,112,764	\$ 231,254
Intergovernmental revenue	3,718,713	3,718,713	3,244,503	(474,210)
Investment revenue	30,000	30,000	28,716	(1,284)
Other revenue	<u>—</u>	<u>740</u>	<u>27,929</u>	<u>27,189</u>
Total revenues	<u>4,604,773</u>	<u>4,630,963</u>	<u>4,413,912</u>	<u>(217,051)</u>
EXPENDITURES:				
Current:				
General government	306,250	331,700	307,849	23,851
Capital outlay	6,211,410	6,300,210	4,335,304	1,964,906
Debt service:				
Principal retirement	<u>—</u>	<u>387,100</u>	<u>387,097</u>	<u>3</u>
Total expenditures	<u>6,517,660</u>	<u>7,019,010</u>	<u>5,030,250</u>	<u>1,988,760</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,912,887)</u>	<u>(2,388,047)</u>	<u>(616,338)</u>	<u>1,771,709</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>1,441,000</u>	<u>1,441,000</u>	<u>1,141,000</u>	<u>(300,000)</u>
Total other financing sources (uses)	<u>1,441,000</u>	<u>1,441,000</u>	<u>1,141,000</u>	<u>(300,000)</u>
Net change in fund balance	(471,887)	(947,047)	524,662	1,471,709
BUDGETARY FUND BALANCE, beginning of year	<u>(288,852)</u>	<u>(288,852)</u>	<u>(288,852)</u>	<u>—</u>
BUDGETARY FUND BALANCE, end of year	<u>\$ (760,739)</u>	<u>\$(1,235,899)</u>	<u>\$ 235,810</u>	<u>\$ 1,471,709</u>

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

- | | |
|---|------------------|
| 1. Financial statement only interest income adjustment per GASB 31. | 3,719 |
| 2. The City does not budget for accounts payable adjustments. | (792,470) |
| 3. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance. | (742,280) |
| 4. The City budgets for interest expense on loans on a cash basis only. | 31,336 |
| 5. The City budgets for advances, but adjusts the revenue to advances payable to other funds. | 1,141,000 |
| 6. The City budgets for and records payments on loans in the expenditure accounts, but adjusts the actual loan to advances payable to other funds. | <u>(387,097)</u> |

Budgetary fund balance

\$ 235,810

Nonmajor Governmental Funds Debt Service Funds

Debt service funds are used to account for the payment of interest and principal on general debt of the City and related entities.

1915 Act Assessment Districts – Established to accumulate monies for payment of 1915 Act special assessment bonds when the government is obligated in some manner.

Redevelopment Agency Funds:

Midtown Project Bonds - This fund was established to accumulate monies for payment of Redevelopment bonds. Debt service is provided by property tax increment revenue. (In form, financing is provided for the debt service by lease revenue from the Parking Fund. However, a reciprocal agreement exists that provides for the reimbursement of these lease payments from the property tax increment revenue. Therefore, in substance, the final source for this debt service is property tax increment revenue. This debt service fund is presented using a substance over form disclosure approach.)

Canby-Hilltop-Cypress Project Bonds – This fund was established to accumulate monies for payment of tax allocation bonds. Debt service is provided by property tax increment revenue.

Market Street Project Bonds – This fund was established to accumulate monies for payment of tax allocation bonds. Debt service is provided by property tax increment revenue.

General Debt Service - This fund was established to accumulate monies for payment of long-term bonds that are the responsibility of the General Fund.

CITY OF REDDING
Combining Balance Sheet
Debt Service
Nonmajor Governmental Funds
June 30, 2005

	1915 Act Assessment District Bonds	Midtown Project Bonds	Canby/ Hilltop/ Cypress Project Bonds	Market Street Project Bonds	<u>Total</u>
ASSETS					
Cash and investments	\$ 2,922,468	\$ —	\$ —	\$ —	\$ 2,922,468
Interest receivable	22,824	—	—	—	22,824
Restricted assets:					
Cash and investments	909,412	—	4,874,935	917,560	6,701,907
Interest receivable	—	—	14,391	2,350	16,741
Taxes receivable	—	1,743	382,455	140,638	524,836
Special assessment receivable	<u>6,211,258</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,211,258</u>
 Total assets	 <u>\$10,065,962</u>	 <u>\$ 1,743</u>	 <u>\$ 5,271,781</u>	 <u>\$ 1,060,548</u>	 <u>\$16,400,034</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	\$ 2,592	\$ —	\$ —	\$ —	\$ 2,592
Deferred revenues	6,211,258	1,258	246,844	94,227	6,553,587
Interfund payables	—	2,504	—	—	2,504
Advances from other funds	<u>652,521</u>	<u>731,658</u>	<u>—</u>	<u>—</u>	<u>1,384,179</u>
 Total liabilities	 <u>6,866,371</u>	 <u>735,420</u>	 <u>246,844</u>	 <u>94,227</u>	 <u>7,942,862</u>
Fund balances (deficit):					
Reserved for:					
Debt service	—	—	5,024,937	966,321	5,991,258
Unreserved, undesignated	<u>3,199,591</u>	<u>(733,677)</u>	<u>—</u>	<u>—</u>	<u>2,465,914</u>
 Total fund balances (deficit)	 <u>3,199,591</u>	 <u>(733,677)</u>	 <u>5,024,937</u>	 <u>966,321</u>	 <u>8,457,172</u>
 Total liabilities and fund balances	 <u>\$10,065,962</u>	 <u>\$ 1,743</u>	 <u>\$ 5,271,781</u>	 <u>\$ 1,060,548</u>	 <u>\$16,400,034</u>

CITY OF REDDING
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Debt Service
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	1915 Act Assessment District Bonds	Midtown Project Bonds	Canby/ Hilltop/ Cypress Project Bonds	Market Street Project Bonds	Total Debt Service
REVENUES:					
Property taxes	\$ —	\$ 25,276	\$ 2,662,629	\$ 496,494	\$ 3,184,399
Special assessments	2,730,521	—	—	—	2,730,521
Interest revenue	123,673	171	196,530	54,886	375,260
Other	<u>—</u>	<u>42</u>	<u>—</u>	<u>—</u>	<u>42</u>
Total revenues	<u>2,854,194</u>	<u>25,489</u>	<u>2,859,159</u>	<u>551,380</u>	<u>6,290,222</u>
EXPENDITURES:					
Current:					
General government	20,898	3,698	126,610	49,304	200,510
Debt service:					
Principal retirement	1,602,000	—	1,040,000	170,000	2,812,000
Interest and fiscal charges	<u>497,421</u>	<u>27,605</u>	<u>1,181,428</u>	<u>244,203</u>	<u>1,950,657</u>
Total expenditures	<u>2,120,319</u>	<u>31,303</u>	<u>2,348,038</u>	<u>463,507</u>	<u>4,963,167</u>
Excess (deficiency) of revenues over (under) expenditures	<u>733,875</u>	<u>(5,814)</u>	<u>511,121</u>	<u>87,873</u>	<u>1,327,055</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	—	267,432	2,387,438	481,827	3,136,697
Transfers out	<u>(698,260)</u>	<u>—</u>	<u>(9,280,731)</u>	<u>(2,821,417)</u>	<u>(12,800,408)</u>
Total other financing sources (uses)	<u>(698,260)</u>	<u>267,432</u>	<u>(6,893,293)</u>	<u>(2,339,590)</u>	<u>(9,663,711)</u>
Net change in fund balances	<u>35,615</u>	<u>261,618</u>	<u>(6,382,172)</u>	<u>(2,251,717)</u>	<u>(8,336,656)</u>
FUND BALANCES (DEFICIT), beginning of year	3,672,624	(995,295)	11,407,109	3,218,038	17,302,476
Prior period adjustment	<u>(508,648)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(508,648)</u>
FUND BALANCES (DEFICIT), beginning of year, as restated	<u>3,163,976</u>	<u>(995,295)</u>	<u>11,407,109</u>	<u>3,218,038</u>	<u>16,793,828</u>
FUND BALANCES (DEFICIT), end of year	<u>\$ 3,199,591</u>	<u>\$ (733,677)</u>	<u>\$ 5,024,937</u>	<u>\$ 966,321</u>	<u>\$ 8,457,172</u>

CITY OF REDDING
Midtown Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 10,000	\$ 25,350	\$ 25,276	\$ (74)
Investment revenue	—	150	172	22
Other revenue	—	40	42	2
	10,000	25,540	25,490	(50)
EXPENDITURES:				
Current:				
General government	3,900	3,900	3,698	202
Debt Service:				
Principal retirement	—	250,240	250,233	7
Interest and fiscal charges	6,100	38,840	38,838	2
	10,000	292,980	292,769	211
Excess (deficiency) of revenues over (under) expenditures	—	(267,440)	(267,279)	161
OTHER FINANCING SOURCES (USES)				
Transfers in	—	267,440	267,432	(8)
	—	267,440	267,432	(8)
Net change in fund balance	—	—	153	153
BUDGETARY FUND BALANCE (DEFICIT), beginning of year	(995,295)	(995,295)	(995,295)	—
BUDGETARY FUND BALANCE (DEFICIT), end of year	\$ (995,295)	\$ (995,295)	\$ (995,142)	\$ 153
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$ (733,677)	
1. The City budgets for interest on loans on a cash, not accrual basis.			(11,232)	
2. The City budgets for and records payments on loans in the expenditure accounts, but adjusts the actual loan to advances payable to other funds.			(250,233)	
Budgetary fund balance			\$ (995,142)	

CITY OF REDDING
 Canby-Hilltop-Cypress Debt Service Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 2,169,860	\$ 2,169,860	\$ 2,662,629	\$ 492,769
Investment revenue	<u>200,000</u>	<u>200,000</u>	<u>178,145</u>	<u>(21,855)</u>
Total revenues	<u>2,369,860</u>	<u>2,369,860</u>	<u>2,840,774</u>	<u>470,914</u>
EXPENDITURES:				
Current:				
General government	135,000	135,000	126,610	8,390
Debt Service:				
Bond administration costs	—	—	—	—
Principal retirement	1,040,000	1,040,000	1,040,000	—
Interest and fiscal charges	<u>1,194,860</u>	<u>1,194,860</u>	<u>1,181,428</u>	<u>13,432</u>
Total expenditures	<u>2,369,860</u>	<u>2,369,860</u>	<u>2,348,038</u>	<u>21,822</u>
Excess (deficiency) of revenues over (under) expenditures	<u>—</u>	<u>—</u>	<u>492,736</u>	<u>492,736</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	—	—	—	—
Premium on bonds issued	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	—	—	492,736	492,736
BUDGETARY FUND BALANCE, beginning of year	<u>11,407,109</u>	<u>11,407,109</u>	<u>11,407,109</u>	<u>—</u>
BUDGETARY FUND BALANCE, end of year	<u>\$11,407,109</u>	<u>\$11,407,109</u>	<u>\$11,899,845</u>	<u>\$ 492,736</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 Balance:			\$ 5,024,937	
1. Financial statement only interest income adjustment per GASB 31.			(18,385)	
2. The City does not budget for transfers in/out from the capital project fund.			<u>6,893,293</u>	
Budgetary fund balance			<u>\$11,899,845</u>	

CITY OF REDDING
Market Street Debt Service Funds
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 428,640	\$ 429,950	\$ 496,494	\$ 66,544
Investment revenue	<u>40,000</u>	<u>40,000</u>	<u>48,635</u>	<u>8,635</u>
Total revenues	<u>468,640</u>	<u>469,950</u>	<u>545,129</u>	<u>75,179</u>
EXPENDITURES:				
Current:				
General government	48,000	49,310	49,304	6
Debt Service:				
Bond administration costs	—	—	—	—
Principal retirement	170,000	170,000	170,000	—
Interest and fiscal charges	<u>250,640</u>	<u>250,640</u>	<u>244,203</u>	<u>6,437</u>
Total expenditures	<u>468,640</u>	<u>469,950</u>	<u>463,507</u>	<u>6,443</u>
Excess (deficiency) of revenues over (under) expenditures	<u>—</u>	<u>—</u>	<u>81,622</u>	<u>81,622</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	—	—	—	—
Bond discount	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	—	—	81,622	81,622
BUDGETARY FUND BALANCE, beginning of year	<u>3,218,038</u>	<u>3,218,038</u>	<u>3,218,038</u>	<u>—</u>
BUDGETARY FUND BALANCE, end of year	<u>\$ 3,218,038</u>	<u>\$ 3,218,038</u>	<u>\$ 3,299,660</u>	<u>\$ 81,622</u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$ 966,321	
1. Financial statement only interest income adjustment per GASB 31.			(6,250)	
2. The City does not budget for transfers in/out from the capital project fund.			<u>2,339,589</u>	
Budgetary fund balance			<u>\$ 3,299,660</u>	

Nonmajor Proprietary Funds Enterprise Funds

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 Utility - 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 and Visitors Bureau.

CITY OF REDDING
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2005

	<u>Airport</u>	<u>Storm Drainage Utility</u>	<u>Redding Area Bus Authority</u>	<u>Convention Center</u>	<u>Totals</u>
ASSETS					
Current assets:					
Cash and investments	\$ 42	\$ 1,822,026	\$ 172,777	\$ 48,044	\$ 2,042,889
Interest receivable	2	15,580	1,463	317	17,362
Accounts receivable, net	15,805	111,069	10,153	2,517	139,544
Intergovernmental receivable	497,375	—	733,546	—	1,230,921
Inventories	<u>—</u>	<u>11,530</u>	<u>116,076</u>	<u>—</u>	<u>127,606</u>
Total current assets	<u>513,224</u>	<u>1,960,205</u>	<u>1,034,015</u>	<u>50,878</u>	<u>3,558,322</u>
Non-current assets:					
Restricted assets:					
Cash and investments	128,006	—	—	35,736	163,742
Interest receivable	<u>114</u>	<u>—</u>	<u>—</u>	<u>72</u>	<u>186</u>
Total restricted assets	<u>128,120</u>	<u>—</u>	<u>—</u>	<u>35,808</u>	<u>163,928</u>
Capital assets:					
Land	6,740,673	909,184	1,326,685	250,000	9,226,542
Utility plants	—	19,969,986	—	—	19,969,986
Buildings	7,771,132	—	5,488,813	3,441,565	16,701,510
Improvements other than buildings	24,169,505	2,348,779	1,215,045	616,001	28,349,330
Automotive equipment	699,157	352,470	6,473,326	120,880	7,645,833
Furnishings and equipment	192,988	16,054	1,377,745	317,637	1,904,424
Assets under capital lease	—	321,428	—	728,174	1,049,602
Construction in progress	<u>449,782</u>	<u>46,860</u>	<u>—</u>	<u>54,611</u>	<u>551,253</u>
Total capital assets	40,023,237	23,964,761	15,881,614	5,528,868	85,398,480
Less: accumulated depreciation	<u>(19,723,587)</u>	<u>(7,350,864)</u>	<u>(6,937,962)</u>	<u>(4,108,656)</u>	<u>(38,121,069)</u>
Net capital assets	<u>20,299,650</u>	<u>16,613,897</u>	<u>8,943,652</u>	<u>1,420,212</u>	<u>47,277,411</u>
Other assets:					
Financing costs, net	<u>17,615</u>	<u>—</u>	<u>—</u>	<u>11,171</u>	<u>28,786</u>
Total other assets	<u>17,615</u>	<u>—</u>	<u>—</u>	<u>11,171</u>	<u>28,786</u>
Total non-current assets	<u>20,445,385</u>	<u>16,613,897</u>	<u>8,943,652</u>	<u>1,467,191</u>	<u>47,470,125</u>
Total assets	<u>20,958,609</u>	<u>18,574,102</u>	<u>9,977,667</u>	<u>1,518,069</u>	<u>51,028,447</u>

	<u>Airport</u>	<u>Storm Drainage Utility</u>	<u>Redding Area Bus Authority</u>	<u>Convention Center</u>	<u>Totals</u>
LIABILITIES AND NET ASSETS					
Current liabilities (payable from current assets):					
Accounts payable	\$ 312,200	\$ 47,996	\$ 272,353	\$ 79,326	\$ 711,875
Accrued liabilities	56,809	25,206	—	104,441	186,456
Accrued interest payable	22,578	—	—	5,838	28,416
Intergovernmental payables	3,698	—	78,382	968	83,048
Due to other funds	83,959	—	149,922	—	233,881
Deferred revenues	8,205	—	8,284	—	16,489
Interfund payables	85,000	—	—	—	85,000
Capital leases, current	—	36,116	—	40,899	77,015
Long-term debt, current	55,672	—	—	16,798	72,470
State loan, current	<u>66,804</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>66,804</u>
Total current liabilities (payable from current assets)	<u>694,925</u>	<u>109,318</u>	<u>508,941</u>	<u>248,270</u>	<u>1,561,454</u>
Long-term liabilities:					
Accrued compensated absences	77,667	50,594	—	154,103	282,364
Advances from other funds	6,939,875	—	—	980,847	7,920,722
Capital leases, net of current	—	—	—	359,462	359,462
Long-term debt, net of current	734,935	—	—	390,723	1,125,658
State loan, net of current	<u>228,173</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>228,173</u>
Total long-term liabilities	<u>7,980,650</u>	<u>50,594</u>	<u>—</u>	<u>1,885,135</u>	<u>9,916,379</u>
Total liabilities	<u>8,675,575</u>	<u>159,912</u>	<u>508,941</u>	<u>2,133,405</u>	<u>11,477,833</u>
Net assets:					
Invested in capital assets, net of related debt	18,433,134	16,577,781	8,943,652	648,066	44,602,633
Restricted for capital projects	—	1,438,336	—	—	1,438,336
Unrestricted	<u>(6,150,100)</u>	<u>398,073</u>	<u>525,074</u>	<u>(1,263,402)</u>	<u>(6,490,355)</u>
Total net assets	<u>\$12,283,034</u>	<u>\$18,414,190</u>	<u>\$ 9,468,726</u>	<u>\$ (615,336)</u>	<u>\$39,550,614</u>

CITY OF REDDING
Combining Statement of Revenues, Expenses,
and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2005

	<u>Airport</u>	<u>Storm Drainage Utility</u>	<u>Redding Area Bus Authority</u>	<u>Convention Center</u>	<u>Totals</u>
OPERATING REVENUES:					
User fees and charges	\$ 153,189	\$ 914,331	\$ 654,006	\$ 531,239	\$ 2,252,765
Rental charges	823,751	—	—	208,765	1,032,516
Other operating revenue	<u>685,182</u>	<u>—</u>	<u>—</u>	<u>7,649</u>	<u>692,831</u>
Total operating revenues	<u>1,662,122</u>	<u>914,331</u>	<u>654,006</u>	<u>747,653</u>	<u>3,978,112</u>
OPERATING EXPENSES:					
Cost of power, water, and transportation	—	—	2,362,259	—	2,362,259
Maintenance, operations, and administration	2,037,066	660,221	1,709,934	2,324,625	6,731,846
Depreciation and amortization	<u>1,545,642</u>	<u>817,861</u>	<u>880,681</u>	<u>166,659</u>	<u>3,410,843</u>
Total operating expenses	<u>3,582,708</u>	<u>1,478,082</u>	<u>4,952,874</u>	<u>2,491,284</u>	<u>12,504,948</u>
Operating income (loss)	<u>(1,920,586)</u>	<u>(563,751)</u>	<u>(4,298,868)</u>	<u>(1,743,631)</u>	<u>(8,526,836)</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest revenue	2,240	68,642	6,446	3,247	80,575
Interest expense	(86,469)	(4,756)	—	(20,028)	(111,253)
Intergovernmental revenues	517,156	—	3,417,030	—	3,934,186
Gain (loss) on disposal of assets	324,071	—	(40,213)	—	283,858
Other non-operating revenues (expenses)	<u>312,939</u>	<u>320,937</u>	<u>—</u>	<u>—</u>	<u>633,876</u>
Total non-operating revenues (expenses)	<u>1,069,937</u>	<u>384,823</u>	<u>3,383,263</u>	<u>(16,781)</u>	<u>4,821,242</u>
Income (loss) before operating transfers and capital contributions	(850,649)	(178,928)	(915,605)	(1,760,412)	(3,705,594)
Capital contributions	4,248,647	2,502,313	54,479	36,855	6,842,294
Transfers in	—	—	—	1,741,320	1,741,320
Transfers out	<u>(65,000)</u>	<u>(3,828,304)</u>	<u>—</u>	<u>(59,060)</u>	<u>(3,952,364)</u>
Change in net assets	3,332,998	(1,504,919)	(861,126)	(41,297)	925,656
Net assets (deficit), beginning of year	<u>8,950,036</u>	<u>19,919,109</u>	<u>10,329,852</u>	<u>(574,039)</u>	<u>38,624,958</u>
Net assets (deficit), end of year	<u>\$12,283,034</u>	<u>\$18,414,190</u>	<u>\$ 9,468,726</u>	<u>\$ (615,336)</u>	<u>\$39,550,614</u>

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CITY OF REDDING
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2005

	<u>Airport</u>	<u>Storm Drainage Utility</u>	<u>Redding Area Bus Authority</u>	<u>Convention Center</u>	<u>Totals</u>
Cash flows from operating activities:					
Cash received from customers	\$ 1,668,598	\$ 916,351	\$ 651,803	\$ 745,222	\$ 3,981,974
Cash paid to suppliers	(1,260,628)	(331,649)	(4,030,789)	(1,187,915)	(6,810,981)
Cash paid to employees	(614,891)	(283,604)	—	(1,102,063)	(2,000,558)
Net cash provided (used) by operating activities	<u>(206,921)</u>	<u>301,098</u>	<u>(3,378,986)</u>	<u>(1,544,756)</u>	<u>(4,829,565)</u>
Cash flows from noncapital financing activities:					
Intergovernmental revenue received	249,237	—	2,890,295	—	3,139,532
Advances from other funds	1,937,465	—	—	—	1,937,465
Repayment of advances to other funds	(195,870)	—	—	—	(195,870)
Transfers in	—	—	—	1,741,320	1,741,320
Transfers out	(65,000)	(198,080)	—	(59,060)	(322,140)
Net cash provided (used) by noncapital financing activities	<u>1,925,832</u>	<u>(198,080)</u>	<u>2,890,295</u>	<u>1,682,260</u>	<u>6,300,307</u>
Cash flows from capital and related financing activities:					
Capital grants received	4,248,647	2,502,313	103,246	36,855	6,891,061
Proceeds from sale of assets	324,280	—	—	—	324,280
Purchase of capital assets	(6,556,841)	(3,363,337)	(50,197)	(273,068)	(10,243,443)
Interest paid	(115,109)	(4,756)	—	(19,033)	(138,898)
Principal paid on long-term debt	(93,415)	—	—	(17,912)	(111,327)
Principal paid on capital leases	—	(69,418)	—	(54,974)	(124,392)
Cash collected for future capital outlay	312,939	320,937	—	—	633,876
Net cash provided (used) by capital and related financing activities	<u>(1,879,499)</u>	<u>(614,261)</u>	<u>53,049</u>	<u>(328,132)</u>	<u>(2,768,843)</u>
Cash flows from investing activities:					
Investment revenue received	2,371	69,728	6,674	4,601	83,374
Net cash provided (used) by investing activities	<u>2,371</u>	<u>69,728</u>	<u>6,674</u>	<u>4,601</u>	<u>83,374</u>
Net increase (decrease) in cash	(158,217)	(441,515)	(428,968)	(186,027)	(1,214,727)
Cash and investments, beginning of year	<u>286,265</u>	<u>2,263,541</u>	<u>601,745</u>	<u>269,807</u>	<u>3,421,358</u>
Cash and investments, end of year	<u>\$ 128,048</u>	<u>\$ 1,822,026</u>	<u>\$ 172,777</u>	<u>\$ 83,780</u>	<u>\$ 2,206,631</u>

(continued)

	<u>Airport</u>	<u>Storm Drainage Utility</u>	<u>Redding Area Bus Authority</u>	<u>Convention Center</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$(1,920,586)	\$ (563,751)	\$(4,298,868)	\$(1,743,631)	\$(8,526,836)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,545,642	817,861	880,681	166,659	3,410,843
(Increase) decrease in accounts receivable	6,476	2,020	(2,203)	(2,431)	3,862
(Increase) decrease in inventories	—	42,410	(22,549)	—	19,861
Increase (decrease) in accounts payable	266,795	(4,529)	9,144	(9,382)	262,028
Increase (decrease) in due to other funds	(120,064)	—	104,530	—	(15,534)
Increase (decrease) in accrued liabilities	4,579	(152)	—	21,129	25,556
Increase (decrease) in intergovernmental payable	3,498	—	(6,005)	(583)	(3,090)
Increase (decrease) in deferred revenues	(1,598)	—	(43,716)	—	(45,314)
Increase (decrease) in accrued compensated absences	<u>8,337</u>	<u>7,239</u>	<u>—</u>	<u>23,483</u>	<u>39,059</u>
Total adjustments	<u>1,713,665</u>	<u>864,849</u>	<u>919,882</u>	<u>198,875</u>	<u>3,697,271</u>
Net cash provided (used) by operating activities	<u>\$ (206,921)</u>	<u>\$ 301,098</u>	<u>\$(3,378,986)</u>	<u>\$(1,544,756)</u>	<u>\$(4,829,565)</u>
Plant contributed from developers	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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Proprietary Funds

Internal Service Funds

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.

CITY OF REDDING
Combining Statement of Net Assets
Internal Service Funds
June 30, 2005

	<u>Equipment</u>	<u>Information Systems</u>	<u>General Support Services</u>	<u>Risk Management</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and investments	\$ 564,495	\$ 462,708	\$ 514,131	\$ 8,519,829	\$10,061,163
Interest receivable	4,124	3,458	3,801	61,748	73,131
Accounts receivable, net	—	—	3,360	10,914	14,274
Prepaid items	—	—	—	179,882	179,882
Inventories	82,283	—	—	—	82,283
Interfund receivables	—	—	—	145,000	145,000
Total current assets	<u>650,902</u>	<u>466,166</u>	<u>521,292</u>	<u>8,917,373</u>	<u>10,555,733</u>
Non-current assets:					
Capital assets:					
Land	—	—	110,810	—	110,810
Improvements other than buildings	100,050	—	28,199	—	128,249
Automotive equipment	8,900,501	—	102,399	—	9,002,900
Furnishings and equipment	833,945	351,935	350,392	13,819	1,550,091
Assets under capital lease	<u>545,630</u>	<u>15,823</u>	<u>—</u>	<u>—</u>	<u>561,453</u>
Total capital assets	10,380,126	367,758	591,800	13,819	11,353,503
Less: accumulated depreciation	<u>(7,024,089)</u>	<u>(258,791)</u>	<u>(288,713)</u>	<u>—</u>	<u>(7,571,593)</u>
Net capital assets	<u>3,356,037</u>	<u>108,967</u>	<u>303,087</u>	<u>13,819</u>	<u>3,781,910</u>
Other assets:					
Advances to other funds	—	—	—	2,385,496	2,385,496
Total other assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,385,496</u>	<u>2,385,496</u>
Total non-current assets	<u>3,356,037</u>	<u>108,967</u>	<u>303,087</u>	<u>2,399,315</u>	<u>6,167,406</u>
Total assets	<u>4,006,939</u>	<u>575,133</u>	<u>824,379</u>	<u>11,316,688</u>	<u>16,723,139</u>

(continued)

LIABILITIES AND NET ASSETS	<u>Equipment</u>	<u>Information Systems</u>	<u>General Support Services</u>	<u>Risk Management</u>	<u>Total</u>
Current liabilities (payable from current assets):					
Accounts payable	\$ 101,796	\$ 12,820	\$ 67,406	\$ 44,421	\$ 226,443
Intergovernmental payable	—	—	64	1,708	1,772
Accrued liabilities	120,971	122,499	118,123	56,850	418,443
Claims and judgments payable	—	—	—	11,867,100	11,867,100
Deferred revenues	—	77,197	—	—	77,197
Deposits	—	—	—	7,664	7,664
Total current liabilities (payable from current assets)	<u>222,767</u>	<u>212,516</u>	<u>185,593</u>	<u>11,977,743</u>	<u>12,598,619</u>
Long-term liabilities:					
Accrued compensated absences	<u>142,403</u>	<u>188,601</u>	<u>216,776</u>	<u>20,362</u>	<u>568,142</u>
Total long-term liabilities	<u>142,403</u>	<u>188,601</u>	<u>216,776</u>	<u>20,362</u>	<u>568,142</u>
Total liabilities	<u>365,170</u>	<u>401,117</u>	<u>402,369</u>	<u>11,998,105</u>	<u>13,166,761</u>
Net assets:					
Invested in capital assets, net of related debt	3,356,037	108,967	303,087	—	3,768,091
Unrestricted	<u>285,732</u>	<u>65,049</u>	<u>118,923</u>	<u>(681,417)</u>	<u>(211,713)</u>
Total net assets	<u>\$ 3,641,769</u>	<u>\$ 174,016</u>	<u>\$ 422,010</u>	<u>\$ (681,417)</u>	<u>\$ 3,556,378</u>

CITY OF REDDING
Combining Statement of Revenues, Expenses,
and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2005

	<u>Equipment</u>	<u>Information Systems</u>	<u>General Support Services</u>	<u>Risk Management</u>	<u>Total</u>
OPERATING REVENUES:					
User fees and charges	\$ 3,703,752	\$ 1,884,110	\$ 3,338,056	\$29,632,259	\$38,558,177
Other operating revenue	<u>4,685</u>	<u>1,820</u>	<u>1,483</u>	<u>—</u>	<u>7,988</u>
Total operating revenues	<u>3,708,437</u>	<u>1,885,930</u>	<u>3,339,539</u>	<u>29,632,259</u>	<u>38,566,165</u>
OPERATING EXPENSES:					
Maintenance, operations, and administration	3,928,192	2,004,046	3,464,929	28,511,972	37,909,139
Depreciation and amortization	<u>806,761</u>	<u>40,325</u>	<u>50,413</u>	<u>—</u>	<u>897,499</u>
Total operating expenses	<u>4,734,953</u>	<u>2,044,371</u>	<u>3,515,342</u>	<u>28,511,972</u>	<u>38,806,638</u>
Operating income (loss)	<u>(1,026,516)</u>	<u>(158,441)</u>	<u>(175,803)</u>	<u>1,120,287</u>	<u>(240,473)</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest revenue	21,753	14,564	19,166	264,505	319,988
Interest expense	—	(603)	(218)	—	(821)
Gain (loss) on disposal of capital assets	<u>4,101</u>	<u>(82,971)</u>	<u>—</u>	<u>—</u>	<u>(78,870)</u>
Total non-operating revenues (expenses)	<u>25,854</u>	<u>(69,010)</u>	<u>18,948</u>	<u>264,505</u>	<u>240,297</u>
Income (loss) before transfers	<u>(1,000,662)</u>	<u>(227,451)</u>	<u>(156,855)</u>	<u>1,384,792</u>	<u>(176)</u>
Capital contributions	669,705	13,215	113,996	—	796,916
Transfers in	—	18,141	—	—	18,141
Transfers out	<u>—</u>	<u>—</u>	<u>(18,141)</u>	<u>—</u>	<u>(18,141)</u>
Change in net assets	<u>(330,957)</u>	<u>(196,095)</u>	<u>(61,000)</u>	<u>1,384,792</u>	<u>796,740</u>
Net assets, beginning of year	3,972,726	370,111	483,010	(3,406,209)	1,419,638
Prior period adjustments	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,340,000</u>	<u>1,340,000</u>
Net assets, beginning of year (as restated)	<u>3,972,726</u>	<u>370,111</u>	<u>483,010</u>	<u>(2,066,209)</u>	<u>2,759,638</u>
Net assets (deficit), end of year	<u>\$ 3,641,769</u>	<u>\$ 174,016</u>	<u>\$ 422,010</u>	<u>\$ (681,417)</u>	<u>\$ 3,556,378</u>

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CITY OF REDDING
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2005

	<u>Equipment</u>	<u>Information Systems</u>	<u>General Support Services</u>	<u>Risk Management</u>	<u>Total</u>
Cash flows from operating activities:					
Cash received from other funds	\$ 3,708,437	\$ 1,963,127	\$ 3,336,558	\$29,637,896	\$38,646,018
Cash paid to suppliers	(2,595,007)	(522,571)	(2,179,449)	(28,428,535)	(33,725,562)
Cash paid to employees	<u>(1,343,595)</u>	<u>(1,479,624)</u>	<u>(1,320,209)</u>	<u>(292,283)</u>	<u>(4,435,711)</u>
Net cash provided (used) by operating activities	<u>(230,165)</u>	<u>(39,068)</u>	<u>(163,100)</u>	<u>917,078</u>	<u>484,745</u>
Cash flows from noncapital financing activities:					
Repayment of advances to other funds	—	—	—	539,758	539,758
Advances to other funds	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,172,336)</u>	<u>(1,172,336)</u>
Net cash provided (used) by noncapital financing activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>(632,578)</u>	<u>(632,578)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of assets	23,304	—	—	—	23,304
Purchase of capital assets	(22,041)	(44,716)	(147,829)	—	(214,586)
Interest paid	—	(603)	(218)	—	(821)
Principal paid on capital leases	<u>—</u>	<u>(32,100)</u>	<u>(7,336)</u>	<u>—</u>	<u>(39,436)</u>
Net cash provided (used) by capital and related financing activities	<u>1,263</u>	<u>(77,419)</u>	<u>(155,383)</u>	<u>—</u>	<u>(231,539)</u>
Cash flows from investing activities:					
Investment revenue received	<u>24,190</u>	<u>15,648</u>	<u>22,414</u>	<u>264,983</u>	<u>327,235</u>
Net cash provided by investing activities	<u>24,190</u>	<u>15,648</u>	<u>22,414</u>	<u>264,983</u>	<u>327,235</u>
Net increase (decrease) in cash	(204,712)	(100,839)	(296,069)	549,483	(52,137)
Cash and investments, beginning of year	<u>769,207</u>	<u>563,547</u>	<u>810,200</u>	<u>7,970,346</u>	<u>10,113,300</u>
Cash and investments, end of year	<u>\$ 564,495</u>	<u>\$ 462,708</u>	<u>\$ 514,131</u>	<u>\$ 8,519,829</u>	<u>\$10,061,163</u>

(continued)

	<u>Equipment</u>	<u>Information Systems</u>	<u>General Support Services</u>	<u>Risk Management</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (1,026,516)	\$ (158,441)	\$ (175,803)	\$ 1,120,287	\$ (240,473)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	806,761	40,325	50,413	—	897,499
(Increase) decrease in accounts receivable	—	—	(2,981)	5,637	2,656
(Increase) decrease in inventories	2,300	—	—	—	2,300
(Increase) decrease in prepaid items	—	—	—	(4,657)	(4,657)
Increase (decrease) in accounts payable	(18,448)	1,828	(60,999)	(40,584)	(118,203)
Increase (decrease) in accrued liabilities	3,437	1,605	16,651	2,615	24,308
Increase (decrease) in claims and judgments payable	—	—	—	(169,160)	(169,160)
Increase (decrease) in deferred revenue	—	77,197	—	—	77,197
Increase (decrease) in deposits	—	—	—	(1,667)	(1,667)
Increase (decrease) in intergovernmental payable	—	—	(16,152)	1,508	(14,644)
Increase (decrease) in accrued compensated absences	<u>2,301</u>	<u>(1,582)</u>	<u>25,771</u>	<u>3,099</u>	<u>29,589</u>
Total adjustments	<u>796,351</u>	<u>119,373</u>	<u>12,703</u>	<u>(203,209)</u>	<u>725,218</u>
Net cash provided (used) by operating activities	<u>\$ (230,165)</u>	<u>\$ (39,068)</u>	<u>\$ (163,100)</u>	<u>\$ 917,078</u>	<u>\$ 484,745</u>
Schedule of noncash capital activities:					
Equipment contributed from customers	<u>\$ 669,705</u>	<u>\$ 13,215</u>	<u>\$ 113,996</u>	<u>\$ —</u>	<u>\$ 796,916</u>

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Fiduciary Funds

Agency Funds

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.

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 Agency Net Assets
For the Year Ended June 30, 2005

	Balance July 1, 2004	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2005
SPECIAL DEPOSITS				
Assets				
Cash and cash equivalents	\$ 1,473,722	\$ 4,763,444	\$ 4,865,757	\$ 1,371,409
Accounts receivable	6,560	122,132	125,776	2,916
Interest receivable	<u>30,744</u>	<u>—</u>	<u>3,346</u>	<u>27,398</u>
Total assets	<u>\$ 1,511,026</u>	<u>\$ 4,885,576</u>	<u>\$ 4,994,879</u>	<u>\$ 1,401,723</u>
LIABILITIES				
Deposits	<u>1,511,026</u>	<u>4,885,576</u>	<u>4,994,879</u>	<u>1,401,723</u>
Total liabilities	<u>\$ 1,511,026</u>	<u>\$ 4,885,576</u>	<u>\$ 4,994,879</u>	<u>\$ 1,401,723</u>
	Balance July 1, 2004	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2005
IPSS				
Assets				
Cash and cash equivalents	\$ 231,151	\$ 280,309	\$ 209,797	\$ 301,663
Accounts receivable	—	42,679	—	42,679
Interest receivable	<u>1,868</u>	<u>751</u>	<u>—</u>	<u>2,619</u>
Total assets	<u>\$ 233,019</u>	<u>\$ 323,739</u>	<u>\$ 209,797</u>	<u>\$ 346,961</u>
LIABILITIES				
Deposits	<u>233,019</u>	<u>323,739</u>	<u>209,797</u>	<u>346,961</u>
Total liabilities	<u>\$ 233,019</u>	<u>\$ 323,739</u>	<u>\$ 209,797</u>	<u>\$ 346,961</u>
	Balance July 1, 2004	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2005
TOTAL				
Assets				
Cash and cash equivalents	\$ 1,704,873	\$ 5,043,753	\$ 5,075,554	\$ 1,673,072
Accounts receivable	6,560	164,811	125,776	45,595
Interest receivable	<u>32,612</u>	<u>751</u>	<u>3,346</u>	<u>30,017</u>
Total assets	<u>\$ 1,744,045</u>	<u>\$ 5,209,315</u>	<u>\$ 5,204,676</u>	<u>\$ 1,748,684</u>
LIABILITIES				
Deposits	<u>1,744,045</u>	<u>5,209,315</u>	<u>5,204,676</u>	<u>1,748,684</u>
Total liabilities	<u>\$ 1,744,045</u>	<u>\$ 5,209,315</u>	<u>\$ 5,204,676</u>	<u>\$ 1,748,684</u>

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SUPPLEMENTAL HISTORICAL
INFORMATION

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 counties. The population served is well over 245,000. Commercial, freight, and passenger services are provided by Horizon Air, United Express Airlines, DHL, 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 new and used aircraft; and sales of fuels, lubricants, and accessories. A propeller service and helicopter charter, repair, and sales are also available. Currently, two car rental agencies serve the traveling public from the passenger terminal.

There are 38 permanently assigned tie-downs, 95 more aircraft and eight helicopter tie-downs for transients, and 102 T-hangars maintained and leased out by the City of Redding. All T-hangars are occupied, and vacancies are filled on an immediate basis. Last fiscal year, a total of approximately 72,623 operations were recorded during the FAA Control Tower operating hours from 6:30 a.m. to 9:30 p.m.

The Airport features a 22,000 square foot terminal to serve the traveling public. 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 64 spaces for rental cars adjacent to the terminal. The passenger terminal aircraft parking ramp is capable of receiving six medium-size jet aircraft at one time. During the 2004 calendar year, over 121,846 passengers traveled through the terminal building. The airport property includes a total of 1,810 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 omnidirectional range with distance-measuring equipment. The cross runway (12/30) is 5,062 feet long. It has a medium-intensity approach lighting system with precision approach path indicator lights at both ends of the runway.

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 lit for night operations. There is a fixed-base operation which provides a full range of aircraft services as well as a delicatessen. The California Highway Patrol bases their helicopters and fixed-wing aircraft at Benton. Also, there are 88 covered aircraft parking spaces and 81 open tie-downs. Benton experiences an estimated 35,000-40,000 annual aircraft operations.

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 60 square miles in size, with 67.3 miles of 115-kV transmission lines and 612.6 miles of overhead and underground 12-kV distribution lines. The City is proud of its record over the past five years of 99.99 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 transmission lines that interconnect the City's 115/12-kV distribution substations to these delivery points. The transmission 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 transmission lines in the City's electric system are in generally excellent condition. The majority were constructed after 1985.

The City's 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. Approximately 49.5% is purchased from Western. Western's power is generated at Shasta Dam and 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. Three combustion turbine generators totaling 70 MW were added in 1994. In June 2002, the City commissioned its newest unit (Unit 5), a 43 MW highly efficient combined cycle gas turbine with heat recovery steam generator bringing total on site generation to 141 MW. 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). 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: 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.

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, and 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 creative rate design.

Customer Base

The table below shows a five-year history of the growth in electric system customer accounts.

Fiscal Year Ending June 30	*Number of Customer Accounts		
	Residential	Non-Residential	Total
2001	32,198	6,274	38,472
2002	32,908	6,524	39,432
2003	33,589	6,586	40,175
2004	34,289	6,638	40,927
2005	34,625	6,717	41,342

Source: Utility Billing System Marketing Report of Quarterly NAICS Usage

The total number of electric system customer accounts increased 8 percent during the last five years. The number of residential accounts increased 8 percent, while non-residential accounts increased 7 percent.

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 approximately 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 Street Bridge in Redding, California, 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, and 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 393 miles of interceptor and trunk sewers, fourteen sewage lift stations, and two secondary wastewater and effluent filtration treatment plants.

Clear Creek Wastewater Treatment Plant. The plant, designated as the Clear Creek Wastewater Treatment Plant, is located at the confluence of Clear Creek and the Sacramento River. The plant was designed to have a dry weather daily flow capacity of 8.8 million gallons per day (MGD) and a peak day flow capacity of 16.2 MGD. The plant was designed to serve 29,333 Household Equivalents (as defined under “The Wastewater System – Rate Policies and Collection Procedures”) (based upon 300 gallons per day per Household Equivalent). The unit processes utilized at the plant include, among other things, the Clear Creek Lift Station, with an estimated effective pump capacity of 35 MGD, primary and secondary clarification, gravity filtration, chlorination for disinfection and sulfonation for dechlorination prior to discharge into the Sacramento River outfall. In addition, a series of nine 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. This plant is currently at 89% of capacity and the next plant expansion is scheduled for 2008. This next plant upgrade is expected to be funded by a combination of new connection fee revenue and monthly service charges.

Stillwater Regional Wastewater Treatment Plant. The plant, designated the Stillwater Regional Wastewater Treatment Plant, is located on an approximately 300-acre site along Airport Road at the Sacramento River. Initially, the plant was designed for an average dry weather flow of 4 MGD and a peak wet weather flow of 12 MGD. Future expansions of the plant, projected to occur in two subsequent phases in 2013 and 2023, respectively, will result in the expansion of the plant’s average dry weather flow capacity to 8 MGD and its peak wet weather flow capacity to 24 MGD. It is anticipated that these future expansions will be financed by a combination of connection fee revenues and monthly service charges.

Environmental Compliance

The present discharge requirements for the Wastewater System are established by the State of California Regional Water Quality 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 by the

United States Environmental Protection Agency (the “EPA”). The Clear Creek Wastewater System’s present discharge permit was adopted in 2003 and will expire in 2008. The Stillwater Wastewater system permit was adopted in 2001 and will expire in 2006.

The City is responsible for satisfying these federally 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 and is meeting the requirements of this Act by implementing new procedures to inspect and permit industries and to develop local limits for priority pollutants.

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 previous service area of the Wastewater System was primarily the City, as well as the previously unincorporated areas of Buckeye and Twin View in north Redding. The 1989 Wastewater Project expanded this service area to include the Clover Creek Drainage area, including the City’s municipal airport (approximately 3,500 acres), and the northern Stillwater Basin area (approximately 5,000 acres). This expanded 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, 2004. One household equivalent (HE) is the quantity of wastewater produced in the City of Redding by a average single-family residential household which is 300 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

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
Residential HEs	25,252	25,698	26,296	26,840	27,299
Commercial/Industrial HEs	10,493	10,642	10,903	11,316	11,555
Total System HEs	<u>35,745</u>	<u>36,340</u>	<u>37,199</u>	<u>38,156</u>	<u>38,854</u>
Annual System Growth	1.55%	1.67%	2.36%	2.57%	1.83%

The Wastewater System currently has an average dry weather daily design flow capacity of 12.8 MGD. The actual average dry weather daily flow of the Wastewater System for the five fiscal years ended June 30, 2004 is shown below.

**Average Dry Weather Daily Flow
Fiscal Years Ended June 30,**

	2000-01	2001-02	2002-03	2003-04	2004-05
Clear Creek Plant	7.33	7.70	7.85	7.73	7.29
Stillwater Plant	2.80	2.70	2.50	2.60	2.40
Total Wastewater System	10.13	10.40	10.35	10.33	9.69

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 acquisition in 1941 of local facilities of the California Water Service Company, together with 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 85,700. This growth included 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). In addition, the City assumed operation of a system serving about 1,500 residents outside the City in 1967, primarily in the Buckeye community.

A 1966 contract with the Bureau of Reclamation was renegotiated in June of 2005, with the Bureau of Reclamation extending the contract for an additional 40 years, details Redding's principal rights to the Sacramento River. The 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 supply" and "project water supply."

The Base Supply is now 85 percent of the total. The Project Water Supply is now 15 percent of the river water supply. Project water under the new contract will be charged to the City at \$15.00 per acre-foot. The 2005 total entitlement is 21,000 acre-feet.

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 change in "Critical Water Years." In 1992 the Bureau decreased Redding's Project Supply entitlement by 25 percent. Despite the cutback, the City's water supply was sufficient to meet its needs.

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. This contract with the Bureau of Reclamation, was renegotiated in June 2005, with the Bureau of Reclamation extending the contract for an additional 40 years, allows Redding to obtain 6,140 acre-feet of water per year. The 2004 delivery from that contract was 4,766 acre-feet. Water charges under this contract total \$51.44 per acre-foot (\$17.35 water cost, \$15.87 restoration fee and \$18.22 foregone power charge). The City, in November of 1994 amended this contract with the Bureau of Reclamation to add the Spring Creek Conduit as a point of diversion for the new Buckeye Water Treatment Plant.

Foothill Water Treatment Plant constructed in 1981 expanded pumping and treatment capacity to a rated 24 million gallons per day (MGD). During the last two summers the treatment plant has been operating beyond treatment capacity to meet the demands of continued growth. While the project is expandable to a rated 42 MGD, the plant's practical operating capacity and projected design service date may be considerably greater. These facilities provide for 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 Health Services Division of Drinking Water and Environmental Management.

The table shows the five-year history of growth in water customer accounts (customer accounts do not reflect the actual number of connections to the system):

	Fiscal Year 2000-01	Fiscal Year 2001-02	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05
Residential and Commercial	25,308	26,015	26,324	26,668	27,354

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 on Lake Boulevard in north Redding, with two steel reservoirs at this site--one 200,000-gallon tank and one 2 MG tank with a high water surface of 955 feet. In 2002, an additional 4MG reservoir was constructed ¼ mile east of the Buckeye Water Treatment Plant with a high water surface of 1034 feet.

The Buckeye water treatment plant completed in January 1995 is now serving the Buckeye Zone. The new Buckeye Water Treatment Plant is located off of Benson Drive near the Spring Creek Conduit. The water plant has an interconnection to the U.S. Bureau of Reclamation (USBR) Spring Creek Conduit through an existing turnout structure. Treated water is conveyed from the treatment plant through 25,000 feet of off-site piping to the Buckeye area. The initial treatment capacity is 7 MGD with the ability to expand to 28 MGD capacity. This treatment plant meets all the existing United States Environmental Protection Agency (USEPA) regulations, including the 1986 Safe Water Drinking Act and meets all the requirements of the State of California, Department of Health Services Division of Drinking Water and Environmental Management.

Foothill and Hill 900 Zones

Construction of Redding's Foothill Water Treatment Plant was completed in September 1981. The treatment plant consists of chemical treatment followed by flocculation, sedimentation, chlorination, and filtration. River water from Pump Plant 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. Chlorine is added for disinfection and odor control. Polymer and aluminum sulfate are injected, and the water passes into a flocculation basin which is integrally constructed within a large 2 MG sedimentation basin, where it is allowed to settle and clarify. After clarification, water flows through dual media filtration and is post-chlorinated prior to entering a 6MG covered storage reservoir.

Storage is provided at three locations - one 6 MG covered storage reservoir at the treatment plant, two 1.5 MG prestressed concrete reservoirs having a high water surface of 733 feet on Foothill Boulevard, and one 2.0 MG prestressed concrete reservoir and one 2 MG steel tank having a high water surface of 925 feet to the south of the treatment plant 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 Plant 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. This will supply an additional 1.4 MGD to the southern end of the Hill 900 Zone from the Cascade Zone.

Enterprise Zone

In 1976 the Enterprise Public Utility District and the City of Redding voted affirmatively to annex the Enterprise District to the City of Redding. Shortly after this, the responsibility for the Enterprise water system was assumed by the City of Redding.

The system was served originally by five wells; 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 Foothill treatment plant. In 1985 approximately five miles of 12-, 16-, and 24-inch transmission mains were constructed from our Enterprise well fields on Goodwater Avenue to serve the U.S. Forest Service and Municipal Airport off Airport Road. In August 1986 three new 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 December 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 July 1991 another 2 MGD-capacity well was added to the Enterprise Zone. Two additional 2MGD wells were added during 2003.

Groundwater is treated with orthopholy phosphate for iron and manganese annoyances and chlorine is used for disinfection.

The main storage reservoirs are located near the northwestern boundary of the zone--two steel, ground-level storage tanks having a capacity of 3.5 and 6.0 MG with a high water surface of 706 feet. Both reservoirs are located at the same site above the Quail Ridge Subdivision off Canby Road. During periods of peak demand, these tanks and the well field, at the southwestern boundary of the zone, and treated water from the Foothill Water Treatment Plant 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 by Pump Station No. 5. This pump station boosts water from the Enterprise Pressure Zone and has been relocated to the existing Enterprise Reservoir site. The construction of the new, larger Pump Station No. 5, constructed in 1993, and an additional Pump Station No. 7 constructed in 2003 at the southeastern corner of the pressure zone which also pumps water from the Enterprise Pressure Zone, helps meet the higher demands due to the increased development in the Hilltop-Dana Zone.

Cascade Zone

The supply source for this zone comprises five wells 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 of 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 foothill water treatment plant 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 operate at a high water surface elevation of 693.

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. City forces will replace approximately 6,000 polybutylene (PB) water services, which are leaking because of premature pipe material failure, through a fifteen-year replacement program. City forces have replaced approximately 4,200 services or 70 percent. Service replacement by City forces is cost effective. 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 Master Water Plan; revisions to the system will be 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, the distribution system has numerous deficiencies that are being improved through capital projects.

STORM DRAINAGE UTILITY

History

City Council established the Storm Drainage Utility on September 21, 1993. The utility is part of the Municipal Utilities Department. Responsibilities include street sweeping and the 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 storm drainage network consists of 7,273 inlets, 182.29 miles of drainage conveyance facilities which include 78.26 miles of earthen channel, 36 miles of natural streams, 61.47 miles of open channels and 6.56 miles of concrete channels. The Storm Drainage Utility charge is 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.).

Condition of System

The City of Redding maintains a well-trained and well-equipped work force. Its primary function is to operate the Storm Drainage system, 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. The Operations and Maintenance Plan included a survey of the storm drain system.

The Storm Drain Utility staff consists of one working supervisor, one heavy equipment operator and two maintenance men. Also there is one street sweeper operator.

In 2003, the City applied for a National Pollution discharge Elimination System (NPDES Phase II) permit that will be implemented over the next five years

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STATISTICAL SECTION

CITY OF REDDING
Net Assets by Component
(accrual basis of accounting)

	Fiscal Year				
	2000-01	2001-02	2002-03	2003-04	2004-05
Governmental activities					
Invested in capital assets, net of related debt	\$ 94,413,778	\$ 104,205,896	\$ 113,740,928	\$ 152,599,739	\$ 160,825,551
Restricted	47,706,211	49,159,188	48,116,563	37,186,278	40,434,959
Unrestricted	<u>9,457,948</u>	<u>9,443,505</u>	<u>16,605,960</u>	<u>24,216,326</u>	<u>26,390,155</u>
Total governmental activities net assets	<u>\$ 151,577,937</u>	<u>\$ 162,808,589</u>	<u>\$ 178,463,451</u>	<u>\$ 214,002,343</u>	<u>\$ 227,650,665</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 150,896,561	\$ 163,216,577	\$ 196,489,648	\$ 200,043,626	\$ 220,179,734
Restricted	14,309,722	10,375,003	14,678,467	31,011,072	34,051,195
Unrestricted	<u>96,236,732</u>	<u>109,766,473</u>	<u>80,121,237</u>	<u>77,810,482</u>	<u>63,110,632</u>
Total business-type activities net assets	<u>\$ 261,443,015</u>	<u>\$ 283,358,053</u>	<u>\$ 291,289,352</u>	<u>\$ 308,865,180</u>	<u>\$ 317,341,561</u>
Primary government					
Invested in capital assets, net of related debt	\$ 245,310,339	\$ 267,422,473	\$ 310,230,576	\$ 352,643,365	\$ 381,005,285
Restricted	62,015,933	59,534,191	62,795,030	68,197,350	74,486,154
Unrestricted	<u>105,694,680</u>	<u>119,209,978</u>	<u>96,727,197</u>	<u>102,026,808</u>	<u>89,500,787</u>
Total primary government net assets	<u>\$ 413,020,952</u>	<u>\$ 446,166,642</u>	<u>\$ 469,752,803</u>	<u>\$ 522,867,523</u>	<u>\$ 544,992,226</u>

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING
Change in Net Assets
(accrual basis of accounting)

	Fiscal Year				
	2000-01	2001-02	2002-03	2003-04	2004-05
Expenses					
Governmental Activities					
General government	\$ 4,879,222	\$ 5,614,465	\$ 6,355,591	\$ 6,460,999	\$ 7,823,328
Police	16,188,282	17,233,269	18,636,632	21,554,360	22,639,639
Fire	8,557,370	9,031,551	11,674,640	12,568,277	13,614,525
Public Works	8,554,010	9,238,103	9,227,910	9,616,568	8,439,622
Planning	3,357,226	3,196,894	3,468,665	4,202,068	4,871,248
Recreation and culture	3,665,398	8,534,432	7,237,374	5,732,598	9,075,527
Community development	8,227,515	8,479,611	8,829,726	11,707,216	15,516,690
Pass throughs to other agencies	-	-	-	-	-
Interest on long-term debt	3,318,874	3,229,379	3,452,316	3,976,239	3,731,476
Total governmental activities expenses	<u>56,747,897</u>	<u>64,557,704</u>	<u>68,882,854</u>	<u>75,818,325</u>	<u>85,712,055</u>
Business-Type Activities					
Electric	208,374,716	102,382,759	101,853,586	118,023,084	133,187,082
Water	8,744,949	9,291,738	9,424,821	10,447,116	9,779,384
Wastewater	9,415,315	9,805,825	10,023,354	11,743,540	10,609,067
Storm drainage	1,405,689	1,509,788	1,523,000	1,765,074	1,510,206
Solid waste	10,393,622	11,674,164	12,125,866	15,880,622	14,617,316
Transportation	6,504,218	6,901,577	7,680,703	8,214,988	8,301,803
Convention center	1,957,669	2,042,346	2,059,258	2,680,425	2,503,314
Total business-type activities expenses	<u>246,796,178</u>	<u>143,608,197</u>	<u>144,690,588</u>	<u>168,754,849</u>	<u>180,508,172</u>
Total primary government expenses	<u>\$ 303,544,075</u>	<u>\$ 208,165,901</u>	<u>\$ 213,573,442</u>	<u>\$ 244,573,174</u>	<u>\$ 266,220,227</u>
Program Revenues					
Governmental Activities					
Charges for services:					
General government	\$ 1,697,088	\$ 1,934,680	\$ 2,014,549	\$ 2,105,485	\$ 2,293,668
Public works	1,093,682	1,192,243	1,141,885	936,885	1,013,954
Planning	2,045,050	2,194,469	2,594,993	2,575,763	3,059,516
Other activities	1,590,604	1,842,303	1,803,948	2,319,156	2,433,455
Operating grants and contributions	14,110,520	14,410,025	13,883,419	14,347,489	16,331,121
Capital grants and contributions	7,120,128	8,608,113	14,922,344	39,516,056	11,837,627
Total governmental activities program revenues	<u>27,657,072</u>	<u>30,181,833</u>	<u>36,361,138</u>	<u>61,800,834</u>	<u>36,969,341</u>
Program Revenues					
Business-type activities					
Charges for services:					
Electric	238,633,524	104,470,688	91,766,907	124,669,322	127,893,208
Water	9,049,847	10,312,159	11,314,044	12,174,497	11,966,513
Wastewater	8,254,528	9,039,453	9,492,114	10,459,146	11,806,688
Solid waste	13,172,232	14,343,371	14,858,534	15,727,879	15,984,667
Transportation	2,016,152	2,248,135	2,116,890	2,063,966	2,363,703
Other activities	1,227,424	1,421,133	1,353,358	1,706,783	1,661,984
Operating grants and contributions	2,597,050	2,959,025	3,235,428	3,594,562	4,000,415
Capital grants and contributions	9,830,668	13,140,958	10,186,180	10,080,012	17,315,640
Total business-type activities program revenues	<u>284,781,425</u>	<u>157,934,922</u>	<u>144,323,455</u>	<u>180,476,167</u>	<u>192,992,818</u>
Total primary government program revenues	<u>\$ 312,438,497</u>	<u>\$ 188,116,755</u>	<u>\$ 180,684,593</u>	<u>\$ 242,277,001</u>	<u>\$ 229,962,159</u>

	Fiscal Year				
	2000-01	2001-02	2002-03	2003-04	2004-05
Net (Expense)/Revenue					
Governmental activities	\$ (29,090,825)	\$ (34,375,871)	\$ (32,521,716)	\$ (14,017,491)	\$ (48,742,714)
Business-type activities	37,985,247	14,326,725	(367,133)	11,721,318	12,484,646
Total primary government	<u>\$ 8,894,422</u>	<u>\$ (20,049,146)</u>	<u>\$ (32,888,849)</u>	<u>\$ (2,296,173)</u>	<u>\$ (36,258,068)</u>
General Revenue and Other Changes in Net Assets					
Governmental Activities					
Taxes					
Sales taxes	\$ 16,781,979	\$ 18,004,770	\$ 19,327,138	\$ 20,297,843	\$ 21,696,313
Property taxes	11,018,519	12,055,646	13,275,953	16,965,869	17,900,941
In lieu	3,776,210	4,765,460	5,047,821	5,753,770	-
Transient and occupancy taxes	2,766,956	3,027,116	3,178,073	3,275,325	3,512,022
Motor vehicle in-lieu taxes	4,251,566	4,619,185	4,833,438	3,960,686	6,971,460
Franchise taxes	842,605	826,600	794,739	828,940	827,175
Other taxes	685,730	924,976	1,037,862	1,129,334	1,329,072
Investment earnings	4,449,915	3,572,026	3,276,758	2,031,348	3,106,598
Gain on sale of property	180,625	2,066,225	231,587	(337,650)	-
Miscellaneous	139,454	18,116	25,597	68,789	120,092
Transfers	(1,170,596)	(4,273,590)	(2,852,381)	(4,180,250)	7,666,014
Other items	(72,105)	-	-	-	-
Total governmental activities	<u>43,650,858</u>	<u>45,606,530</u>	<u>48,176,585</u>	<u>49,794,004</u>	<u>63,129,687</u>
Business-type activities					
Investment earnings	6,106,628	5,752,313	3,940,608	1,866,949	3,657,749
Gain on sale of property	848,775	(883,213)	(430,458)	(42,005)	-
Miscellaneous	-	-	250	-	-
Transfers	1,170,596	4,273,590	2,852,381	4,180,250	(7,666,014)
Other items	-	-	-	(150,684)	-
Total business activities	<u>8,125,999</u>	<u>9,142,690</u>	<u>6,362,781</u>	<u>5,854,510</u>	<u>(4,008,265)</u>
Total primary government	<u>\$ 51,776,857</u>	<u>\$ 54,749,220</u>	<u>\$ 54,539,366</u>	<u>\$ 55,648,514</u>	<u>\$ 59,121,422</u>
Change in Net Assets					
Governmental activities	\$ 14,560,033	\$ 11,230,659	\$ 15,654,869	\$ 35,776,513	\$ 14,386,973
Adjustments	6,514,300	(7)	(7)	(237,621)	(738,651)
Total governmental activities	<u>21,074,333</u>	<u>11,230,652</u>	<u>15,654,862</u>	<u>35,538,892</u>	<u>13,648,322</u>
Business-type activities	46,111,246	23,469,415	5,995,648	17,575,828	8,476,381
Adjustments - business activities	(4,150,541)	(1,554,377)	1,935,651	-	-
Total business activities	<u>41,960,705</u>	<u>21,915,038</u>	<u>7,931,299</u>	<u>17,575,828</u>	<u>8,476,381</u>
Total changes in net assets - primary government	<u>\$ 63,035,038</u>	<u>\$ 33,145,690</u>	<u>\$ 23,586,161</u>	<u>\$ 53,114,720</u>	<u>\$ 22,124,703</u>

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

Governmental Activities Tax Revenues By Source
(accrual basis of accounting)

(In Thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Transient Occupancy Tax</u>	<u>Sales Tax</u>	<u>Other Taxes</u>	<u>Total</u>
2000-2001	\$ 19,046,295	\$ 2,766,956	\$ 16,781,979	\$ 685,730	\$ 39,280,960
2001-2002	21,440,291	3,027,116	18,004,770	1,751,576	44,223,753
2002-2003	23,157,212	3,178,073	19,327,138	1,832,601	47,495,024
2003-2004	26,680,325	3,275,325	20,297,843	1,958,274	52,211,767
2004-2005	24,872,401	3,512,022	21,696,313	2,156,247	52,236,983

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
General Fund										
Reserved	\$ 4,848,057	\$ 4,233,950	\$ 5,152,414	\$ 5,362,094	\$ 5,434,312	\$ 4,950,873	\$ 5,147,964	\$ 4,330,021	\$ 5,604,846	\$ 7,960,371
Unreserved	6,135,716	6,870,575	4,661,366	3,570,557	4,000,580	11,506,021	16,570,439	10,767,456	20,908,746	14,051,582
Total general fund	10,983,773	11,104,525	9,813,780	8,932,651	9,434,892	16,456,894	21,718,403	15,097,477	26,513,592	22,011,953
All Other Governmental Funds										
Reserved	\$ 23,855,912	\$ 24,842,841	\$ 35,275,207	\$ 22,513,798	\$ 22,532,470	\$ 16,822,908	\$ 36,372,262	\$ 38,043,606	\$ 42,922,062	\$ 43,711,331
Unreserved, designated for, reported in:										
Encumbrances	8,902,594	4,393,025	2,737,188	5,978,475	1,601,204	2,332,038	5,571,242	13,127,381	9,227,244	9,573,553
Special revenue funds	-	-	-	-	1,130,300	-	-	-	1,914,509	7,461,920
Capital projects funds	-	-	-	-	13,314,608	-	10,905,435	9,209,350	8,904,043	22,557,489
Unreserved, undesignated, reported in:										
Special revenue funds	(1,943,055)	1,460,126	4,601,523	6,833,985	7,657,444	20,877,784	4,283,923	2,548,815	3,130,866	877,114
Capital projects funds	15,462,779	24,987,356	11,283,726	13,905,745	(8,110)	15,502,175	2,788,923	(593,847)	(9,839,024)	296,773
Debt service funds	(539,598)	(563,390)	(616,676)	(680,352)	(744,057)	(810,260)	(895,768)	9,101,683	14,674,603	2,465,914
Total all other governmental funds	\$ 45,738,632	\$ 55,119,958	\$ 53,280,968	\$ 48,551,651	\$ 45,433,859	\$ 54,724,645	\$ 59,026,017	\$ 71,436,988	\$ 70,934,303	\$ 86,944,094

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Revenues										
Taxes	\$ 23,377,690	\$ 24,783,924	\$ 25,486,122	\$ 26,542,009	\$ 29,362,518	\$ 31,678,833	\$ 34,765,295	\$ 37,607,285	\$ 42,463,395	\$ 43,856,582
Licenses and permits	1,502,518	1,919,286	1,794,482	2,610,906	3,124,541	3,371,388	1,657,421	1,822,042	1,868,324	2,159,509
Intergovernmental revenues	14,007,785	18,346,812	16,222,439	15,077,974	20,735,492	19,664,597	20,029,676	24,465,420	26,857,196	29,538,610
Charges for services	1,026,137	883,586	1,082,683	1,110,241	1,507,658	1,426,356	1,906,412	2,128,300	2,343,447	2,698,496
Fines	320,484	332,941	415,407	518,247	546,628	659,359	812,678	852,813	985,786	1,063,502
Use of money and property	5,051,915	5,249,615	6,191,930	5,999,432	6,315,439	6,658,522	7,772,780	8,212,771	9,255,389	3,679,150
Interest revenue	2,743,460	2,784,931	2,968,091	2,853,283	2,750,493	3,978,977	3,140,148	2,922,392	1,833,241	2,854,682
Special assessments	3,580,281	2,796,707	2,299,998	1,374,892	1,862,667	1,703,404	1,348,315	1,599,284	1,522,665	2,887,274
Miscellaneous	1,384,349	1,047,271	2,336,023	1,149,903	1,485,756	2,454,392	4,297,682	3,845,229	5,197,696	6,145,044
Total revenues	52,994,619	58,145,073	58,797,175	57,236,887	67,691,192	71,595,828	75,730,407	83,455,536	92,327,139	94,882,849
Expenditures										
Community development	7,081,714	7,545,005	7,906,280	8,079,937	8,445,784	9,258,838	8,802,958	10,888,839	12,439,346	14,226,661
General government	3,733,207	3,948,415	4,662,769	4,174,803	4,792,570	5,060,328	5,675,997	6,339,169	6,403,628	6,648,418
Public safety	17,307,260	18,842,180	20,108,337	21,125,577	22,319,512	23,725,083	25,128,752	29,378,432	31,269,917	35,625,481
Public works	3,973,585	3,213,060	4,235,843	3,545,643	3,605,805	4,509,068	4,430,424	4,184,655	4,750,695	5,915,842
Planning	2,465,533	2,555,384	2,780,099	2,734,804	2,876,760	3,242,427	3,134,055	3,409,124	4,031,899	4,859,683
Recreation and culture	2,900,115	2,777,106	2,909,702	2,787,764	2,722,836	2,950,432	3,742,962	3,661,822	4,459,732	5,755,954
Midtown Mall	105,803	110,270	186,432	103,769	114,543	-	-	-	-	-
Capital outlay	8,939,384	12,884,813	10,734,672	14,151,069	18,747,635	6,643,923	17,094,408	16,912,493	21,921,650	13,206,504
Debt service:										
Principal retirement	2,993,632	3,599,004	3,873,081	2,112,349	2,358,643	2,363,166	1,962,251	2,770,161	2,016,759	4,012,357
Interest and fiscal charges	3,960,774	3,467,328	3,521,128	3,627,101	3,439,789	3,667,726	3,517,467	3,490,765	4,076,484	3,901,201
Bond issuance costs	45,234	245,479	17,865	22,398	13,630	11,480	-	246,818	982,578	349,311
Total expenditures	53,506,241	59,188,044	60,936,208	62,465,214	69,437,407	61,432,471	73,489,274	81,282,278	92,352,688	94,501,412
Excess of revenues over (under) expenditures	(511,622)	(1,042,971)	(2,139,033)	(5,228,327)	(1,746,215)	10,163,357	2,241,133	2,173,258	(25,549)	381,437

CITY OF REDDING
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Other Financing Sources (Uses)										
Sale of capital asset	997,004	637,563	276,117	733,606	251,012	260,698	1,093,768	280,637	77,735	33,058
Financing proceeds	-	-	-	-	190,000	111,356	1,094,430	235,193	-	290,891
Long-term debt issued	116,970	11,025,641	-	416,500	-	9,500,000	9,500,000	7,977,616	44,430,000	16,970,000
Bond discount	-	-	-	-	-	-	(92,860)	(40,250)	(51,342)	-
Premium on bonds issued	-	-	-	-	-	-	-	17,271	365,639	611,624
Proceeds of refunding bonds	-	-	8,500,000	-	-	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	(7,700,887)	-	-	-	-	(2,001,298)	(29,465,181)	(10,548,316)
Transfers in	5,681,177	6,248,432	6,294,061	5,423,851	8,381,064	5,104,909	4,966,979	15,910,603	18,368,202	33,800,013
Transfers out	(5,681,177)	(7,366,587)	(7,390,614)	(6,630,755)	(9,646,968)	(6,275,505)	(9,230,569)	(18,762,985)	(22,548,453)	(29,764,223)
Total other financing sources (uses)	1,113,974	10,545,049	(21,323)	(56,798)	(824,892)	(798,542)	7,321,748	3,616,787	11,176,600	11,393,047
Net change in fund balances	\$ 602,352	\$ 9,502,078	\$ (2,160,356)	\$ (5,285,125)	\$ (2,571,107)	\$ 9,364,815	\$ 9,562,881	\$ 5,790,045	\$ 11,151,051	\$ 11,774,484
Fund Balances (deficit), beginning of year, as originally stated	\$ 55,890,954	\$ 56,722,405	\$ 66,224,483	\$ 63,094,748	\$ 57,484,302	\$ 54,918,751	\$ 71,181,539	\$ 80,744,420	\$ 86,534,465	\$ 97,447,895
Prior period adjustment	229,099	-	(1,009,040)	(325,321)	3,762	1,712,194	-	-	(237,621)	(266,332)
Change in accounting principal	-	-	39,661	-	-	5,185,779	-	-	-	-
Fund Balances (deficit), beginning of year, as restated	56,120,053	56,722,405	65,255,104	62,769,427	57,488,064	61,816,724	71,181,539	80,744,420	86,296,844	97,181,563
Residual equity transfer in	-	-	-	-	1,794	-	-	-	-	-
Fund balances (deficit), end of year	\$ 56,722,405	\$ 66,224,483	\$ 63,094,748	\$ 57,484,302	\$ 54,918,751	\$ 71,181,539	\$ 80,744,420	\$ 86,534,465	\$ 97,447,895	\$ 108,956,047
Debt service as a percentage of noncapital expenditures	16%	15%	15%	12%	11%	11%	10%	10%	9%	10%

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

(In thousands)

Fiscal Year	Property	Transient	Sales	Other	Total
	Tax	Occupancy Tax	Tax	Taxes	
1995-1996	8,747	1,074	12,294	1,263	23,378
1996-1997	8,533	2,235	12,770	1,246	24,784
1997-1998	9,141	2,178	12,909	1,258	25,486
1998-1999	9,622	2,414	13,208	1,298	26,542
1999-2000	9,927	2,632	15,442	1,362	29,363
2000-2001	11,014	2,767	16,370	1,528	31,679
2001-2002	11,982	3,027	18,005	1,752	34,766
2002-2003	13,269	3,178	19,327	1,833	37,607
2003-2004	16,932	3,275	20,298	1,959	42,464
2004-2005	17,913	3,512	20,276	2,156	43,857

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

General Governmental Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (In thousands)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Fines, Forfeitures, and Penalties</u>	<u>Interest & Use of Money & Property</u>	<u>Miscellaneous</u>	<u>Total</u>
1995-1996	23,378	1,502	14,008	1,026	321	7,796	4,964	52,995
1996-1997	24,784	1,919	18,346	884	333	8,034	3,844	58,144
1997-1998	25,486	1,794	16,223	1,083	415	9,161	4,635	58,797
1998-1999	26,543	2,611	15,078	1,110	518	8,852	2,524	57,236
1999-2000	29,362	3,125	20,735	1,508	547	9,065	3,349	67,691
2000-2001	31,679	3,371	19,665	1,426	659	10,638	4,158	71,596
2001-2002	34,766	1,657	20,030	1,906	812	10,913	5,646	75,730
2002-2003	37,607	1,822	24,465	2,128	853	11,135	5,446	83,456
2003-2004	42,464	1,868	26,857	2,343	986	11,088	6,721	92,327
2004-2005	43,857	2,160	29,539	2,698	1,064	6,534	9,031	94,883

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

General Governmental Expenditures by Function
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (In thousands)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Planning</u>	<u>Recreation and Culture</u>	<u>Community Development and Other</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1995-1996	3,733	17,307	3,974	2,466	2,900	7,188	8,939	6,999	53,506
1996-1997	3,948	18,842	3,213	2,555	2,777	7,655	12,885	7,313	59,188
1997-1998	4,663	20,108	4,236	2,780	2,910	8,092	10,735	7,412	60,936
1998-1999	4,175	21,126	3,545	2,735	2,788	8,184	14,152	5,760	62,465
1999-2000	4,792	22,320	3,605	2,877	2,723	8,561	18,747	5,812	69,437
2000-2001	5,060	23,725	4,509	3,242	2,950	9,259	6,644	6,043	61,432
2001-2002	5,676	25,129	4,430	3,134	3,743	8,763	17,134	5,480	73,489
2002-2003	6,339	29,379	4,185	3,409	3,662	10,889	16,912	6,507	81,282
2003-2004	6,404	31,270	4,751	4,032	4,460	12,439	21,922	7,075	92,353
2004-2005	6,648	35,625	5,916	4,860	5,756	14,227	13,207	8,262	94,501

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

Principal Property Taxpayers
Current Year and Nine Years Ago
June 30, 2005

Taxpayer	2005			1996		
	2005 Valuation	Rank	Percentage of City Taxable Total Assessed Valuation	1996 Valuation	Rank	Percentage of City Taxable Total Assessed Valuation
Shasta Regional Medical Center	\$76,163,783	1	1.35%			
Mt Shasta Mall Associates	29,472,895	2	0.52%			
McConnell Foundation	27,120,769	3	0.48%	24,876,401	2	0.74%
Safeway Inc.	24,261,689	4	0.43%			
Shasta Enterprises	18,931,906	5	0.34%	19,243,529	4	0.57%
California Physicians Service	14,828,745	6	0.26%			
WRI Golden State LLC	14,254,631	7	0.25%			
Wal-Mart	14,044,757	8	0.25%			
Vidovich John T., et al.	13,655,110	9	0.24%			
Macys West Inc	11,465,927	10	0.20%			
National Medical Enterprises Hospitals, Inc				35,019,160	1	1.04%
Cordano, James Co., et al				19,833,285	3	0.60%
Meyer Motels, Ltd.				10,774,946	5	0.32%
Red Lion Motels, Inc.				10,135,369	6	0.30%
Shasta Associates, Ltd.				9,923,666	7	0.29%
Mercy Hospital of Redding, Inc.				9,306,672	8	0.28%
Western Investment RE Trust				9,150,452	9	0.27%
Frances W. Kutras				8,696,540	10	0.26%
Total	\$244,200,212		4.32%	\$156,960,020		4.67%

Source: City of Redding Development Services Department

CITY OF REDDING

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of	
						Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes to Total Tax Levy
1995-1996	4,469,037	4,644,760	103.93%	198,072	4,842,832	108.36	10.32
1996-1997	4,858,795	4,731,899	97.39%	212,539	4,944,438	101.76	9.85
1997-1998	5,016,714	4,751,141	94.71%	228,124	4,979,265	99.25	9.41
1998-1999	5,113,006	4,830,876	94.48%	217,106	5,047,982	98.73	9.09
1999-2000	5,623,985	4,960,840	88.21%	207,724	5,168,564	91.90	10.34
2000-2001	5,451,122	5,271,739	96.71%	284,621	5,556,359	101.93	14.78
2001-2002	5,724,886	5,587,276	97.60%	236,650	5,823,926	101.73	12.72
2002-2003	6,087,163	5,966,905	98.02%	249,499	6,216,404	102.12	11.03
2003-2004	6,586,127	6,392,661	97.06%	273,171	6,665,832	101.21	10.01
2004-2005*	7,375,590	6,111,123	82.86%	249,076	6,360,199	86.23	10.24

* Property tax collections are reduced by \$1,092,306 Property Tax ERAF withheld by the State of California. Total Tax Levy has not been reduced by the ERAF withheld.

Note: Basis for property tax rates is \$100 per assessed valuation.

Source: Shasta County Auditor-Controller records, and City of Redding Finance Division.

CITY OF REDDING

Property Tax Rates
All Direct and Overlapping Governments
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Basic County, City, School Levy</u>	<u>School Districts</u>	<u>Bella Vista Water District</u>	<u>Community Services District</u>	<u>Total</u>
1995-1996	1.0000	0.2097	0.3483	0.0373	1.5953
1996-1997	1.0000	0.3930	0.3368	0.1348	1.8646
1997-1998	1.0000	0.4722	0.3698	0.0104	1.8524
1998-1999	1.0000	0.3728	0.3613	0.0000	1.7341
1999-2000	1.0000	0.5187	0.3423	0.0000	1.8610
2000-2001	1.0000	0.5187	0.3584	0.0083	1.8854
2001-2002	1.0000	0.4997	0.3634	0.0070	1.8701
2002-2003	1.0000	0.4907	0.3631	0.0760	1.9298
2003-2004	1.0000	0.4761	0.3360	0.0058	1.8179
2004-2005	1.0000	0.5102	0.3472	0.0050	1.8624

Note: Basis for property tax rates is per \$100 assessed valuation.

Source: Shasta County Auditor-Controller's records
Shasta County Tax Rate Schedule

CITY OF REDDING

Assessed and Estimated
Actual Value of Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Secured Roll</u>		<u>Unsecured Roll</u>		<u>Totals</u>	
	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>
1995-1996	3,300,071,400	3,300,071,400	232,842,350	232,842,350	3,532,913,750	3,532,913,750
1996-1997	3,385,930,691	3,385,930,691	238,155,257	238,155,257	3,624,085,948	3,624,085,948
1997-1998	3,507,189,433	3,507,189,433	238,787,667	238,787,667	3,745,977,100	3,745,977,100
1998-1999	3,623,250,735	3,623,250,735	245,805,257	245,805,257	3,869,055,992	3,869,055,992
1999-2000	3,744,112,951	3,744,112,951	251,498,117	251,498,117	3,995,611,068	3,995,611,068
2000-2001	3,905,735,452	3,905,735,452	266,183,048	266,183,048	4,171,918,500	4,171,918,500
2001-2002	4,129,979,651	4,129,979,651	293,079,965	293,079,965	4,423,059,616	4,423,059,616
2002-2003	4,467,089,267	4,467,089,267	296,341,763	296,341,763	4,763,431,030	4,763,431,030
2003-2004	4,851,709,632	4,851,709,632	314,151,499	314,151,499	5,165,861,131	5,165,861,131
2004-2005	5,315,605,350	5,315,605,350	323,181,843	323,181,843	5,638,787,193	5,638,787,193

Note: Property values include supplemental tax rolls.

Source: Shasta County Assessor's Office

CITY OF REDDING

Special Assessment Billings and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Special Assessment Billings Due (1)</u>	<u>Special Assessment Collected (2)</u>
1995-1996	1,426,284	1,295,710
1996-1997	1,404,089	1,440,014
1997-1998	1,301,879	1,372,179
1998-1999	1,231,026	1,277,394
1999-2000	949,849	981,955
2000-2001	910,304	981,955
2001-2002	888,218	875,088
2002-2003	968,085	1,010,555
2003-2004	992,329	994,902
2004-2005	961,208	1,057,158

(1) Principal only

(2) Includes prepayments

Source: City of Redding Finance Division

CITY OF REDDING

Property Value, Construction, and Bank Deposits
Last Ten Fiscal Years

Fiscal Year	Commerical Construction (1)		Residential Construction (1)		Bank (2) Deposits (in Thousands)	Property Value (3) Net of Exemptions
	Number of Permits	Value	Number of Permits	Value		
1995-1996	41	18,651,672	445	41,389,865	989,752	3,532,913,750
1996-1997	38	23,088,365	348	43,713,864	1,215,695	3,624,085,948
1997-1998	44	15,102,753	299	38,160,866	1,227,618	3,745,977,100
1998-1999	39	18,173,791	412	53,853,459	1,237,740	3,869,055,992
1999-2000	48	16,881,795	436	66,752,009	1,367,764	3,995,611,068
2000-2001	60	30,887,531	493	76,887,447	1,481,148	4,171,918,500
2001-2002	77	31,600,773	533	85,959,447	1,567,000	4,423,059,616
2002-2003	67	41,508,110	542	92,342,906	1,703,000	4,763,431,030
2003-2004	90	26,719,045	398	75,553,921	1,774,000	5,165,861,131
2004-2005	83	45,812,029	583	102,625,081	1,934,000	5,638,787,193

Note: Assessed valuations include supplemental tax rolls.
Residential and commerical construction reflect new building activity only.

Source: (1) City of Redding Development Services Department
(2) State Chartered Banks Information
(3) Shasta County Assessor's Office

CITY OF REDDING

Ratios of Outstanding Debt by Type
Last Five Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾		
	Revenue Bonds	Allocation Bonds	Tax Bonds	Loans	Special Assessment Bonds	Capital Leases	General Obligation Bonds	Revenue Bonds	Certificates of Participation	Loans				Special Assessment Bonds	Capital Leases
2001	20,836	22,405	-	-	11,506	331	1,979	58,154	92,058	600	278	810	208,956	10.36%	2,531
2002	20,301	31,370	511	511	10,694	973	1,629	56,089	127,648	5,241	253	796	255,504	11.77%	3,022
2003	25,852	30,395	246	246	9,817	1,009	700	55,643	106,600	15,536	227	681	246,705	11.20%	2,879
2004	28,090	42,925	194	194	8,940	773	350	45,275	102,830	15,108	200	561	245,246	10.74%	2,810
2005	34,426	41,425	138	138	7,367	839	-	42,304	98,915	14,433	171	436	240,454	10.21%	2,718

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Discounts, premiums and deferred gains/losses on refundings have not been added into the amounts shown above.

(1) See the Schedule of Demographics for population information by year and personal income.

CITY OF REDDING

Computation of Direct and Overlapping Debt
Last Ten Fiscal Years

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Redding (3)	Amount Applicable to City of Redding
Direct:			
City of Redding: (1)	\$0	100.000%	\$0
City of Redding	7,512,590	100.000%	7,512,590
City of Redding 1915 Act Bonds	7,512,590		7,512,590
Total direct debt			
Overlapping: (2)			
Redding Redevelopment Agency	41,425,000	100.000%	41,425,000
County of Shasta:			
Shasta Joint Powers Financing Authority	58,260,000	51.429%	29,962,535
Shasta County Schools:			
Anderson Union H/S District	6,870,000	18.883%	1,297,262
Enterprise School District	19,685,000	98.964%	19,481,063
Shasta Union High	30,088,052	69.233%	20,830,861
Gateway School	21,694,968	39.660%	8,604,224
Redding School District	21,905,000	99.256%	21,742,027
Columbia School District	4,655,000	75.425%	3,511,034
Shasta College	9,800,000	51.599%	5,056,702
Junction School	1,546,827	1.072%	16,582
Grant School	1,699,483	1.976%	33,582
Centerville	174,648	22.324%	38,988
Total overlapping debt	217,803,978		151,999,861
Total direct and overlapping debt	\$225,316,568		\$159,512,451

Source: (1) City of Redding
 (2) Shasta County Auditor-Controller's Office
 (3) Percentages from Statement of Direct and Overlapping Debt Calculated using the Shasta County valuations by taxing district for fiscal year 2004-05.

CITY OF REDDING

Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt Limit	\$ 135,903	\$ 140,474	\$ 145,090	\$ 149,835	\$ 149,835	\$ 156,447	\$ 165,865	\$ 178,629	\$ 193,720	\$ 211,455
Total net debt applicable to limit	4,341	3,350	2,920	2,624	2,302	1,979	1,629	700	350	0
Legal debt margin	\$ 131,562	\$ 137,124	\$ 142,170	\$ 147,211	\$ 147,533	\$ 154,468	\$ 164,236	\$ 177,929	\$ 193,370	\$ 211,455
Total net debt applicable to the limit as a percentage of debt limit	3.19%	2.38%	2.01%	1.75%	1.54%	1.26%	0.98%	0.39%	0.18%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2005

Assessed Value (1)	\$ 5,638,787
Debt Limit - 3.75% of Total Assessed Value	\$ 211,455
Amount of Debt Applicable to the Limit	0

Legal Debt Margin

\$ 211,455

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

Ratio of Annual Debt Service
For General Obligation Debt to Total General Expenditures (1)
Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Total Debt		Total General Expenditures	Ratio of Debt to General Expenditures
	Principal	Interest		
1995-1996	1,103	810	53,506	3.58
1996-1997	494	609	59,188	1.86
1997-1998	512	1,172	60,936	2.76
1998-1999	480	1,281	62,465	2.82
1999-2000	426	1,314	69,437	2.51
2000-2001	569	1,422	73,489	2.71
2001-2002	519	1,205	81,282	2.12
2002-2003	817	1,209	92,353	2.19
2003-2004	833	1,773	92,353	2.82
2004-2005	910	1,546	94,501	2.60

Note: (1) General obligation bonds and capital leases served by the General Fund.

Source: City of Redding Comprehensive Annual Financial Report - Combined Statement of Revenues, Expenditures, and Changes in Fund Balance

CITY OF REDDING

Schedule of Debt Ratios
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Net General Bonded Debt (3)</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Debt per Capita</u>
1995-1996	76,690	3,532,913,750	4,341,131	0.12	56.61
1996-1997	77,353	3,624,085,948	3,350,234	0.09	43.31
1997-1998	78,084	3,745,977,100	2,920,170	0.08	37.40
1998-1999	78,675	3,869,055,992	2,624,102	0.07	33.35
1999-2000	79,593	3,995,611,068	2,301,980	0.06	28.92
2000-2001	82,543	4,171,918,500	1,978,753	0.05	23.97
2001-2002	84,560	4,423,059,616	1,629,364	0.04	19.27
2002-2003	85,703	4,763,431,030	700,000	0.01	8.17
2003-2004	87,280	5,165,861,131	350,000	0.01	4.01
2004-2005	88,459	5,638,787,193	0	0.00	0.00

Note: Assessed values include supplemental tax rolls.

Source: (1) State of California
(2) Shasta County Assessor's Office
(3) City of Redding Finance Division

CITY OF REDDING

Wastewater Revenue Bond Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenue (1)</u>	<u>Direct Operating Expense (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage (3)</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1995-1996	7,344,438	4,481,648	2,862,790	688,138	1,570,251	2,258,389	1.3
1996-1997	7,750,905	4,479,194	3,271,711	619,488	1,544,116	2,163,604	1.5
1997-1998	7,773,067	4,926,067	2,847,000	645,838	1,515,269	2,161,107	1.3
1998-1999	8,646,873	4,586,062	4,060,811	677,863	1,483,758	2,161,621	1.9
1999-2000	9,340,189	4,840,824	4,499,365	714,550	1,449,187	2,163,737	2.1
2000-2001	9,919,006	5,037,879	4,881,127	751,575	1,411,535	2,163,110	2.3
2001-2002	10,992,011	5,493,584	5,498,427	793,938	1,370,702	2,164,639	2.5
2002-2003	12,108,010	5,652,752	6,455,258	836,300	1,212,968	2,049,268	3.2
2003-2004	13,006,901	6,667,698	6,339,203	1,786,673	1,311,479	3,098,152	2.0
2004-2005	14,618,702	5,904,315	8,714,387	1,820,061	1,271,185	3,091,246	2.8

- Notes: (1) Total operating revenues and connection fees from other non-operating revenues.
(2) Total operating expenses exclusive of depreciation and amortization.
(3) This statement is not intended to show debt service coverage under the bond covenants.

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

Water Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Direct Operating Expense (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage (3)
				Principal	Interest	Total	
1995-1996	6,737,519	4,355,796	2,381,723	467,601	1,018,936	1,486,537	1.6
1996-1997	7,047,447	4,985,995	2,061,452	764,109	1,007,238	1,771,347	1.2
1997-1998	6,427,277	5,252,466	1,174,811	745,617	971,954	1,717,571	0.7
1998-1999	7,636,404	4,915,050	2,721,354	782,879	940,265	1,723,144	1.6
1999-2000	8,907,376	5,722,270	3,185,106	789,764	906,506	1,696,270	1.9
2000-2001	10,136,223	5,955,067	4,181,156	827,026	870,904	1,697,930	2.5
2001-2002	11,676,817	6,508,257	5,168,560	854,054	863,833	1,717,887	3.0
2002-2003	13,198,500	6,767,439	6,431,061	847,304	676,510	1,523,814	4.2
2003-2004	13,681,482	7,398,993	6,282,489	920,000	733,981	1,653,981	3.8
2004-2005	13,403,191	7,121,849	6,281,342	1,055,000	493,300	1,548,300	4.1

- Notes:
- (1) Total operating revenues and connection fees from other non-operating revenues.
 - (2) Total operating expenses exclusive of depreciation and amortization.
 - (3) This statement is not intended to show debt service coverage under the bond covenants.

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING
 Demographic Statistics
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Square Miles (1)</u>	<u>Population (2)</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rates (5)</u>
1995-1996	60.00	76,690	1,529,429	19,943	12,999	9.30
1996-1997	60.00	77,353	1,589,682	20,551	13,734	8.90
1997-1998	60.00	78,084	1,681,539	21,535	14,224	9.20
1998-1999	60.00	78,675	1,760,353	22,375	14,640	7.00
1999-2000	60.00	79,593	1,854,915	23,305	14,266	5.80
2000-2001	60.00	82,543	2,017,599	24,443	14,928	5.70
2001-2002	60.00	84,560	2,171,585	25,681	14,934	6.80
2002-2003	59.76	85,703	2,202,567	25,700	14,595	7.40
2003-2004	59.76	87,280	2,283,332	26,161	14,477	7.30
2004-2005	59.76	88,459	2,355,663	26,630	14,530	6.50

- Source:
- (1) City of Redding - Development Services
 - (2) State of California
 - (3) Bureau of Economic Analysis, U.S. Department of Commerce
 - (4) School districts
 - (5) State of California Employment Development Department

Note: Per capita personal income is based on the calendar year information ending during that fiscal year. FY 2004-05 is an estimate.

CITY OF REDDING

Principal Non-Governmental Employers in the Greater Redding Metropolitan Area
Current Year and Nine Years Ago
June 30, 2005

<u>Employer</u>	2005			1996		
	<u>Employees</u>	<u>Rank</u>	Percentage of Total Area <u>Employment</u>	<u>Employees</u>	<u>Rank</u>	Percentage of Total Area <u>Employment</u>
Mercy Medical Center	1,562	1	1.80%	1,048	2	1.45%
Holiday Markets	1,050	2	1.21%	325	6	
Shasta Regional Medical Center	850	3	0.98%			
Sierra Pacific Industries	690	4	0.80%			0.00%
Redding Rancheria	612	5	0.71%	385	4	
Blue Shield of California	600	6	0.69%			
J & A Food Service	600	7	0.69%			
Shasta Nursery	600	8	0.69%			
Wal Mart	456	9	0.53%			
Pacific Gas and Electric	275	10	0.32%	250	8	0.35%
Redding Medical Center				1,059	1	1.46%
Simpson Paper Company				667	3	0.92%
Shasta Community College				344	5	0.48%
United States Post Office				300	7	0.41%
Pacific Bell				247	9	0.34%
Meyer Motels				240	10	0.33%
Total	7,295			4,865		

Source: Greater Redding Chamber of Commerce

CITY OF REDDING

Miscellaneous Statistics
June 30, 2005

Date of Incorporation	October 4, 1887	Culture and Recreation:		Solid Waste Operations:	
Population	88,459	Convention Center	1	Residential	27,589
Number of Registered Voters	42,240	Museums	3	Commercial	3,372
Area in square miles	59.76	Trails (maintained miles)	56	City waste buried	92,744 tons
Form of Government	Council/Manager	Parks developed	66	City waste diverted	26,188 tons
Employees:		Parks acreage (improved)	582	Trips to Trasfer Station	87,975 vehicles
Full-time	818	Parks acreage (unimproved)	403		
Part-time	291	Swimming pools	2	Storm Drainage System:	
		Tennis courts	18	Residential	35,496
		Fire Protection:		Commercial and Other	2,905
		Number of stations	7	Length of system	382 miles
		Number of firefighters	77	Catch Basins	7,273
<u>City of Redding Facilities/Services</u>		Police Protection:		Water System:	
Miles of Streets	444	Number of stations	1	Number of connections	27,354
Number of street lights	6,959	Number of police officers	113	Average daily consumption	23.17 MGD
Traffic signs:		Electric:		Length of water mains	469 miles
Regulatory	3,729	Number of Connections		Water delivered	25,957
Warning	2,164	Residential	34625	Wastewater System:	
Guide and services	605	Commercial and Other	6717	Number of house equivalents	38,854
		Length of transmission lines and distribution system	680 miles	Length of sewer lines	400 miles
				Effluent treated	9.69 MG

Source: City of Redding

CITY OF REDDING

Miscellaneous Statistics
June 30, 2005

Facilities/Services Not Included
in the Reporting Entity

Education:	
Elementary schools	29
Classrooms	332
Teachers	353
Students	7,670
Junior high schools	13
Classrooms	153
Teachers	154
Students	2,824
High schools	15
Classrooms	240
Teachers	217
Students	4,036
Hospitals:	
Number of hospitals	2
Number of patient beds	519
Library:	
Number	1
Number of books	140,610

Source: School Districts, Hospitals and the Library.