

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



City of Redding

Redding, California



Comprehensive Annual Financial Report

For the Year ended June 30, 2008

ISSUED BY FINANCE DIVISION

STEPHEN W. STRONG
DIRECTOR OF FINANCE

City of Redding
Comprehensive Annual Financial Reports
For the year ended June 30, 2008
Table of contents

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Table of Contents.....	iii
Letter of Transmittal	3
Certificate of Achievement.....	12
Organization Chart	13
Directory of Officials.....	14
 <u>FINANCIAL SECTION</u>	
Independent Auditors’ Report	17
Management’s Discussion and Analysis.....	19
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	40
Statement of Activities and Changes in Net Assets	42
Fund Financial Statements:	
<i>Government Fund Financial Statements:</i>	
Balance Sheet	48
Reconciliation of the Governmental Funds Balance Sheet	
to the Government-Wide Statement of Net Assets.....	51
Statement of Revenues, Expenditures and Changes in Fund Balances	52
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures and Changes in Fund Balances to the Government-Wide	
Statement of Activities and Changes in Net Assets	53
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Assets	56
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	60
Statement of Cash Flows.....	62
<i>Agency Fund Financial Statements:</i>	
Statement of Net Assets	69
Notes to Basic Financial Statements.....	72

City of Redding
Comprehensive Annual Financial Reports
For the year ended June 30, 2008
Table of contents

	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Required Supplemental Information:	
Budgetary Principles	123
Schedule of Revenues, Expenditures and Changes in Fund Balances	
Budget and Actual.....	124
Schedule of Funding Progress – Public Employees Retirement System Miscellaneous and	
Safety Plans and Public Agency Retirement System (PARS) Miscellaneous.....	126
Schedule of Funding Progress – Healthcare Plan Municipal Retired Employees	127
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet.....	134
Combined Statement of Revenues, Expenditures and Changes in Fund Balances	138
Budgetary Comparison Schedule – Special Revenue	
Parking Fund	142
Street Maintenance Fund	143
Community Development Fund.....	144
Housing Fund.....	146
General Fund	148
Library Fund.....	150
Budgetary Comparison Schedule – Debt Service	
Midtown Debt Service Fund	152
Canby-Hilltop-Cypress Debt Service Fund.....	153
Market Street Debt Service Fund	154
SHASTECC Debt Service Fund.....	155
Budgetary Comparison Schedule – Capital Projects	
General Capital Project Fund – Major Fund	156
Canby-Hilltop-Cypress Capital Project Fund.....	158
Market Street Capital Project Fund	160
Buckeye Capital Project Fund	161
SHASTECC Capital Project Fund.....	162

City of Redding
Comprehensive Annual Financial Reports
For the year ended June 30, 2008
Table of contents

	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Supplementary Information, Continued	
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets	164
Combining Statement of Revenues, Expenses and Changes in Net Assets-Enterprise Funds	167
Combining Statement of Cash Flows-Enterprise Funds.....	168
Internal Service Funds:	
Combining Statement of Net Assets	172
Combining Statement of Revenues, Expenses and Changes in Net Assets-Internal Service Funds.....	173
Combining Statement of Cash Flows	174
Agency Funds:	
Combining Statement of Net Assets	178
<u>STATISTICAL SECTION (Unaudited)</u>	
Net Assets by Component.....	182
Changes in Net Assets	184
Fund Balances, Governmental Funds.....	188
Changes in Fund Balances, Governmental Funds	190
General Governmental Tax Revenues by Source.....	194
Revenue Base - Own Source Revenue.....	195
Electric Utility Rates	196
Principal Electric Utility Payers.....	198
Ratio of Outstanding Debt by Type.....	200
Computation of Direct and Overlapping Debt	202
Legal Debt Margin Information	204
Wastewater Revenue Bond Coverage	206
Water Revenue Bond Coverage - Last Ten Fiscal Years.....	208
Electric Revenue Bond Coverage	210
Demographic Statistics - Last Ten Fiscal Years	212

City of Redding
Comprehensive Annual Financial Reports
For the year ended June 30, 2008
Table of contents

	<u>Page</u>
<u>STATISTICAL SECTION (Unaudited), Continued</u>	
Principal Employers in the Greater Redding Metropolitan Area.....	213
Full-Time Budgeted Employees	214
Operating Indicators	215
Capital Asset Statistics.....	216
<u>SUPPLEMENTAL HISTORICAL INFORMATION</u>	
Statement of Physical Condition of Airport Fund	219
History and Statement of Physical Condition of Electric System.....	220
History and Statement of Physical Condition of Wastewater System.....	222
History and Statement of Physical Condition of Water System.....	226
History and Statement of Physical Condition of Storm Drainage.....	230

INTRODUCTORY SECTION

CITY OF REDDING



ADMINISTRATIVE SERVICES DEPARTMENT

FINANCE DIVISION

777 Cypress Avenue, Redding, CA 96001

P.O. Box 496071, Redding, CA 96049-6071

530.225.4079 FAX 530.225.4324

December 2, 2008

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, 2008. 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.

Caporicci & Larson, 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, 2008.

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

PROFILE OF THE CITY

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



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

Redding is the county seat for Shasta County and is located on the Sacramento River approximately 160 miles north of Sacramento, the state capital, and 150 miles east of the Pacific Ocean at the northernmost end of the Sacramento Valley. The City has an estimated population of 90,491 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 1% to 2% per year. The City's population of 90,491 has increased 11.9% 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 2008:

City of Redding			Shasta County	
Year	Population	Annualized Percent Change over Interval	Population	Annualized Percent Change over Interval
1970	16,659	3.40%	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	1.35%	178,197	1.42%
2006	89,162	0.79%	179,835	0.92%
2007	89,682	0.58%	180,666	0.46%
2008	90,491	0.90%	182,236	0.87%

Source: 1970-2000 data from U.S. Census; 2001-2007 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 9,416 an increase of approximately 10.4%. 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 2008:

Region	Median Home Price
Redding	\$255,000
Sacramento	\$179,000
Los Angeles County	\$415,000
Orange County	\$470,000
San Francisco	\$760,000

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 employers in the City of Redding, their products or services, and the approximate number of their respective full time employees as of June 2008 are listed in the following table:

<u>Employer</u>	<u>Product/Services</u>	<u>Employees</u>
Shasta County (*)	County Services	1,923
Mercy Medical Center	Medical Facilities/Services	1,600
City of Redding (**)	City Services	873
Shasta Regional Medical Center	Medical Facilities/Services	700
Shasta Community College	Education	700
Blue Shield of California	Health Care Insurance	430
Wal Mart	Retail	375
Redding Rancheria	Casino/Redding Rancheria	370
United States Post Office	Postal Service	300
Shasta Head Start	Early Childhood Education	257

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

(**) Full-time budgeted positions. In 2007-08 there were 840 full-time and 343 part-time/temporary positions filled.

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

According to the State Employment Development Department, the unemployment rate of the City's metropolitan area was 9.20 percent on June 30, 2008. 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 1999 through June 2008:

<u>Fiscal Year</u>	<u>Unemployment</u>		
<u>Ending June 30</u>	<u>Labor Force</u>	<u>Number</u>	<u>Rate</u>
1999	73,100	5,100	7.0%
2000	75,700	4,400	5.8%
2001	77,300	4,400	5.7%
2002	82,600	5,700	6.9%
2003	84,000	6,300	7.5%
2004	84,000	6,300	7.5%
2005	83,100	5,900	7.1%
2006	84,400	5,300	6.3%
2007	84,800	6,000	7.1%
2008	87,500	8,100	9.2%

Source: State Department of Employment

Construction Activity - For the past ten calendar years ending December 2007, the City issued building permits valued at a total of \$1,470,377,861. New construction over the ten-year period represents 73.09% of the total construction activity. For the 2007 calendar year 3,380 building permits were issued, with a total permit valuation of \$124,086,638. The City of Redding has experienced high growth over the past ten year period. Following overall statewide trends, year 2007 saw a downturn in permit and related construction activity. These trends are expected to continue in the upcoming year.

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

	2004	2005	2006	2007
Value Single Family*	\$73,217,109	\$120,544,146	\$55,897,416	\$41,725,144
Number of Permits	383	720	287	204
Value Multi-dwellings	\$11,364,890	\$14,892,727	\$12,019,895	\$15,488,613
Number of Permits	6	30	37	22
Number of Units	225	216	131	195
Value Business	\$29,032,702	\$32,379,315	\$38,299,649	\$31,378,290
Number of Permits	70	68	63	50
Value Total all Permits	\$156,729,228	\$222,735,090	\$170,142,515	\$124,086,638
Total Permits**	4,073	4,645	3,885	3,380

* Value of new construction only.

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

Source: City of Redding Development Services Department

Commerce - The City is a regional center of commerce for several Northern California counties. This is evidenced by its many shopping centers and malls. Support for retail sales is derived from a retail trade area population of approximately 181,000 in the primary trade area and approximately 250,000 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 were approximately \$1.9 billion in calendar year 2007, a 5.7% decrease over the same period for 2006.

Year	Taxable Transactions (In Thousands)	Taxable Transactions Percentage (In Thousands)
1997	1,165,153	4.2%
1998	1,198,000	2.8%
1999	1,327,370	10.8%
2000	1,453,052	9.5%
2001	1,561,842	7.5%
2002	1,652,064	5.8%
2003	1,748,793	5.9%
2004	1,898,286	8.5%
2005	2,046,597	7.8%
2006	2,104,055	2.8%
2007	1,983,496	-5.7%

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 approximately 61,300 for fiscal year 2007-08.

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

Community Services - Youth in the area attend school at one of 43 elementary schools, 7 middle schools, 11 charter schools and 13 high schools. There are several higher educational institutions in the immediate area offering bachelor’s and master’s degrees: Chico State University Center for Regional and Continuing Education (located in the

new Health Science & University Center, downtown Redding), National University, Simpson University, and Shasta Bible College & Graduate School. Shasta Community College, a two-year institution, offers both day and evening courses to approximately 16,300 students. In addition, there are several Vocational & Technical schools offering a diverse range of programs.

The City's parks system includes 67 developed parks, encompassing 590 acres. Included in this total acreage are 175 acres of natural area parks (improved open space), and 62 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, and the Caldwell Recreation Center.

The City serves as the primary medical center for Northern California. The City's two general care hospitals serve approximately 360,000 people in Shasta, Tehama, Trinity, Siskiyou, and Lassen counties. The two hospitals have a total of 519 beds and employ approximately 2,450 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 the development of Stillwater Business Park, currently under construction. The Stillwater Business Park is a 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 than 300 acres set aside as preserve. The Business Park design will allow for various uses which include Light Industrial, General Industrial and Professional Offices. The project is designed to accommodate as many as 7,500 employees and an estimated 4,400,000 square feet of floor area.

The City is in the process of replacing the Cypress Street Bridge. The replacement of the bridge is expected to cost \$78 million and be completed in December 2010. The cost of the bridge is being financed through Federal and State grants and Local Impact fees.

Another major project the City is working on is a new 45 MW combined cycle gas powered generator (Unit 6) at the Redding Power Plant. The project is expected to cost \$65 million and be completed in 2010. Other major projects in the City's plans include the expansion of both the Buckeye Water Treatment Plant and the Clear Creek Wastewater Treatment Plant and the widening of South Bonnyview Road and Airport Road. The City is also considering a new 67,500 square foot police building at an approximate cost of 32.5 million

FEDERAL GRANTS SINGLE AUDIT APPROACH

The City of Redding is required to undergo a single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. This report has been prepared under the "single audit" concept. Under this approach, one agency is recognized as the cognizant agency or oversight agency of the Office of Management and Budget. In the case of the City of Redding, the 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, 2008 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, 2007. This was the 24th 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. 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 Finance Department's 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
Director of Finance

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, 2007

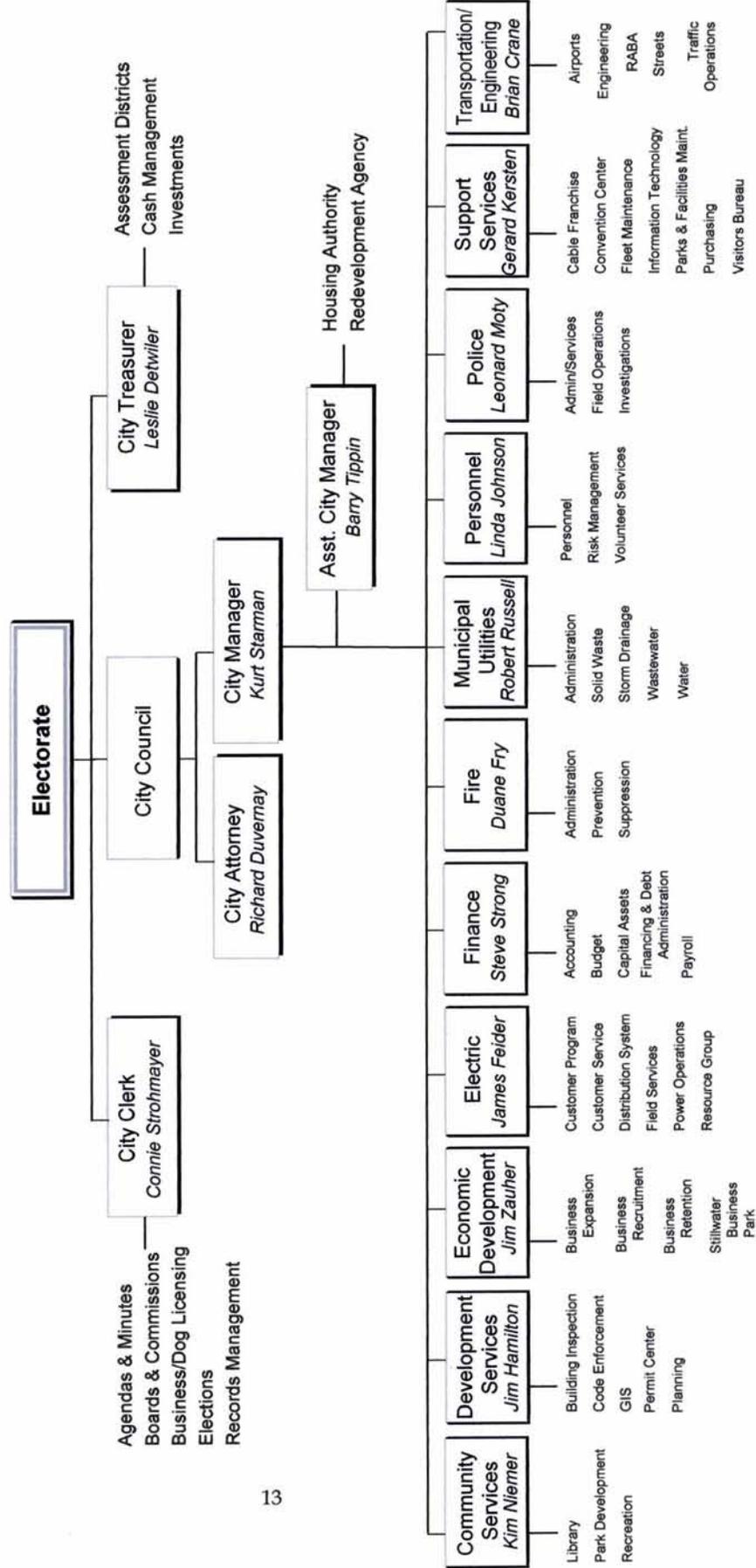
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Redding Organization Chart



MUNICIPAL OFFICIALS

City Council

Mayor..... Mary Stegall
Vice Mayor Rick Bosetti
Council Member..... Dick Dickerson
Council Member.....Patrick Jones
Council Member.....Ken Murray

Administrative Personnel

City Manager.....Kurt J. Starman
Assistant City Manager.....Barry Tippin
City Attorney.....Richard Duvernay
City Clerk.....Connie Strohmayr
City Treasurer.....Leslie Detwiler
Director of Community Services.....Kim Niemer
Director of Development Services.....Jim Hamilton
Director of Economic Development.....Jim Zauher
Director of Electric.....Jim Feider
Director of Finance Steve Strong
Director of Municipal Utilities..... Robert Russell
Director of PersonnelLinda Johnson
Director of Support Services.....Gerard Kersten
Director of Transportation & Engineering.....Brian Crane
Fire Chief.....Duane D. Fry
Police Chief.....Leonard F. Moty

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redding, California (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Subsequent to the basic financial statement date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions which, at least in part, are intended to relieve and correct this Financial Credit Crisis, investments are subject to significant impairment and losses. To date, the City has not been informed and is not aware of any investment losses. Accordingly, such investment losses, if any, have not been reflected in the accompanying basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the City adopted Statement of Governmental Accounting Standards Board No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis is not a required part of the basic 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 Required Supplementary Information. However, we did not audit the information and express no opinion on it.

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

Capricci & Carlson

Oakland, California
December 2, 2008

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, 2008. 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 40).

FINANCIAL HIGHLIGHTS

- The City's net assets increased by \$31.9 million. The governmental net assets increased by \$24.3 million and the business-type net assets increased by \$7.6 million
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$143.6 million, a decrease of \$6.7 million in comparison with the prior year. Approximately 55.4% of this total amount, \$79.5 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 \$13.4 million, or 18.7% of the total General Fund expenditures. This is a \$4.1 million decrease from the prior year.
- The City's total debt increased by \$65 million (net of bond premiums, discounts and unamortized losses on defeased debt) during the year ending June 30, 2008. The increase is due primarily to issuing \$157.9 million in certificates of participation and \$7 million in state loans for electric and waste water infrastructure. This increase was offset by the defeasance of \$82 million in certificates of participation in addition to regular scheduled debt payments.

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 40-43 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 nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and General Capital Project Fund, which are considered to be major funds. Data from the other 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 48-53 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 five internal service funds; the Equipment Fund to account for all maintenance of the motorized fleet and communication system; the Information Systems Fund to account for the data processing activities of the City; the Risk Management Fund to account for the self-insurance activities of the City; the General Support Services Fund which accounts for mail, printing, records management and building maintenance activities; and the Municipal Utilities Support Fund, which accounts for the administrative management function of the municipal utilities and some public works. Because these services predominantly benefit governmental rather than business-type functions, they have been included within government activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric Utility, Water Utility, Wastewater Utility and Solid Waste Utility, which are considered to be major funds of the City. Data from the other enterprise funds is

combined into a single aggregated presentation. The internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 56-65 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 69 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 72-119 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 2008, net assets changed as follows (all amounts are in thousands):

	Government Activities	Business Activities	Total
Beginning Net Assets	\$272,442	\$356,733	\$629,175
Increase net assets	24,308	7,580	\$31,888
Ending net assets	<u>\$296,750</u>	<u>\$364,313</u>	<u>\$661,063</u>

The City’s total net assets increased by 5.1% from a year ago, increasing from \$629 million to \$661 million. Net assets from governmental activities increased by 8.9% while net assets from business activities increased by 2.1%. The \$24.3 million increase in net assets from governmental activities is primarily due to revenues earned that are restricted to the purchase and/or construction of capital assets. Therefore, these revenues do not have an offsetting expense in the current year government-wide financial statements.

The \$7.6 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, 2008 and 2007:

Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$189,048	\$186,459	\$246,448	\$188,901	\$435,496	\$375,360
Capital Assets, net	255,100	225,962	400,412	366,678	655,512	592,640
Total Assets	444,148	412,421	646,860	555,579	1,091,008	968,000
Current Liabilities	27,627	19,734	46,126	33,866	73,753	53,600
Long Term Liabilities	119,771	120,245	236,420	164,980	356,191	285,225
Total Liabilities	147,398	139,979	282,546	198,846	429,944	338,825
Net Assets:						
Invested in capital assets, net of related debt	213,545	188,370	257,415	238,331	470,960	426,701
Restricted	48,000	46,293	14,417	15,787	62,417	62,080
Unrestricted	35,205	37,778	92,481	102,615	127,686	140,393
Total Net Assets	\$296,750	\$272,441	\$364,313	\$356,733	\$661,063	\$629,174

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 \$661 million at the June 30, 2008. Most of the City's net assets (71%) 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, (9%) represent resources that are subject to external restrictions as to how they may be used. The remaining balance of \$127.7 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 \$35.2 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	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues						
Charges for service	\$ 13,550	\$ 11,740	\$ 207,738	\$ 185,311	\$ 221,288	\$ 197,051
Operating grants	16,263	18,595	4,311	5,141	20,574	23,736
Capital grants and contributions	22,032	18,919	13,702	17,200	35,734	36,119
General Revenues						
Sales Tax	21,647	23,184			21,647	23,184
Property Tax	33,238	30,018			33,238	30,018
Investment earnings	6,493	5,917	7,738	8,459	14,231	14,376
Other	6,559	6,766	2	5	6,561	6,771
Total Revenues	<u>119,782</u>	<u>115,139</u>	<u>233,491</u>	<u>216,116</u>	<u>353,273</u>	<u>331,255</u>
Expenses:						
General Government	5,169	5,841			5,169	5,841
Police	27,717	24,388			27,717	24,388
Fire	17,619	14,587			17,619	14,587
Public Works	10,340	11,428			10,340	11,428
Planning	5,750	4,870			5,750	4,870
Recreation and Culture	10,965	8,651			10,965	8,651
Community Development	15,160	13,151			15,160	13,151
Interest on Long-Term Debt	5,367	4,628			5,367	4,628
Electric			163,293	139,339	163,293	139,339
Water			12,570	12,023	12,570	12,023
Wastewater			13,378	12,517	13,378	12,517
Storm Drainage			2,564	2,123	2,564	2,123
Solid Waste			18,702	17,130	18,702	17,130
Transportation			9,838	9,160	9,838	9,160
Convention Center			2,953	2,496	2,953	2,496
Total Expenses	<u>98,087</u>	<u>87,544</u>	<u>223,298</u>	<u>194,788</u>	<u>321,385</u>	<u>282,332</u>
Increase in net assets before transfers	<u>21,695</u>	<u>27,595</u>	<u>10,193</u>	<u>21,328</u>	<u>31,888</u>	<u>48,923</u>
Transfers	2,613	1,941	(2,613)	(1,941)		
Increase in net assets	<u>24,308</u>	<u>29,536</u>	<u>7,580</u>	<u>19,387</u>	<u>31,888</u>	<u>48,923</u>
Net assets July 1	<u>272,442</u>	<u>242,906</u>	<u>356,733</u>	<u>337,346</u>	<u>629,175</u>	<u>580,252</u>
Net assets June 30	<u>\$ 296,750</u>	<u>\$ 272,442</u>	<u>\$ 364,313</u>	<u>\$ 356,733</u>	<u>\$ 661,063</u>	<u>\$ 629,175</u>

Governmental Activities

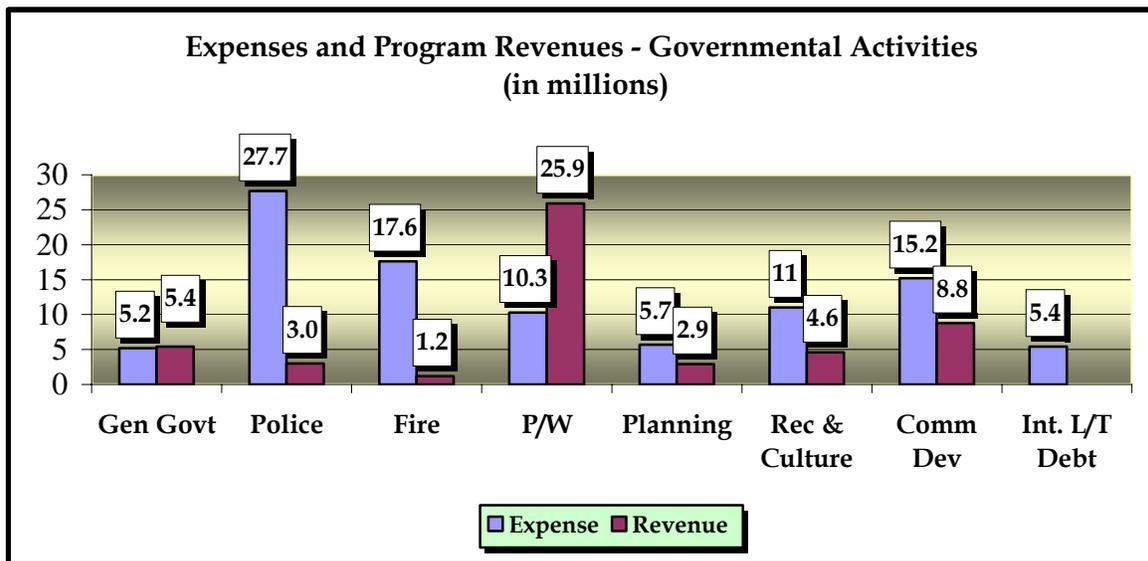
The governmental activities program expenses exceed program revenues by \$46.2 million, however, general revenues and transfers were \$70.5 million resulting in an increase in governmental activities net assets of \$24.3 million. This increase accounted for 76% of the total growth in the net assets of the City.

Taxes increased by 2.5% from the prior year. This increase in taxes is due to an increase in the value of real property, which is partially offset by decreases in sales tax. Tax rates were not changed during the year.

Fire expense increased by \$3 million due to an increase in payroll related costs, changing a 2 man fire crew to a 3 man fire crew and other increased costs. Police expense also increased by \$3 million due to an increase in payroll related costs, a full year of costs related to adding another beat, and other increased costs.

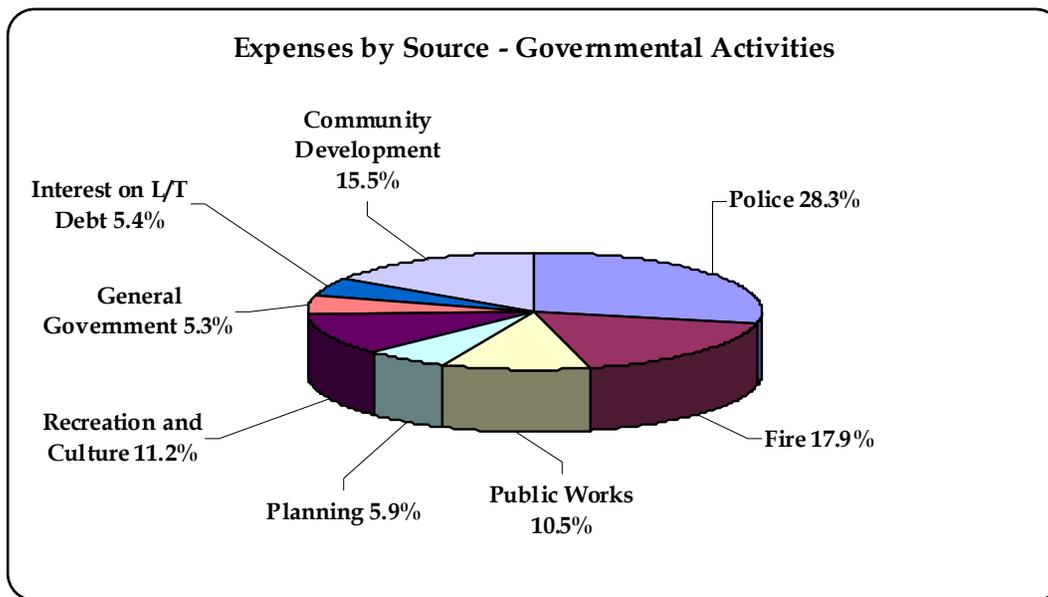
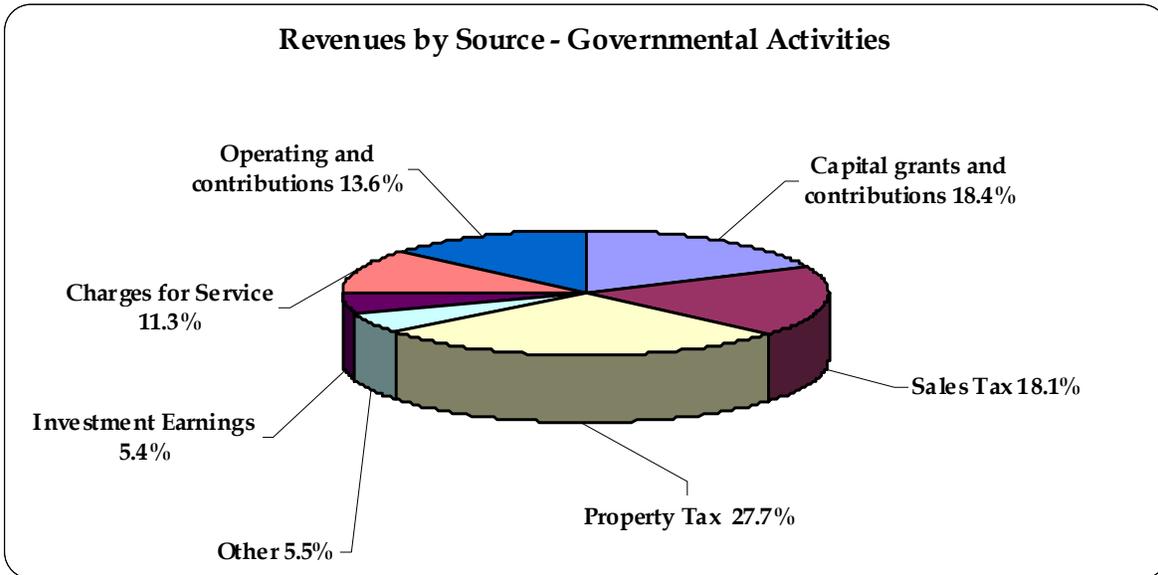
Community Development expense increased by \$2 million primarily due to more Redding Redevelopment Funds being spent on housing projects during the year.

Recreation and Culture increased by over \$2 million. The largest portion of this increase was due to the first full year of the City operating a new library and additional Redding Redevelopment Funds being spent on recreation and culture.



As shown in the expenses and program revenue graph above, Public Works revenues exceeded program expenses by \$15.6 million. The reason for revenues exceeding expenses is that program revenues from Public Works include \$19.6 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.



Business-Type Activities

Business-type activities increased the City's net assets by \$7.6 million, accounting for 24% of the total growth in the government's net assets. Key elements of this increase are as follows:

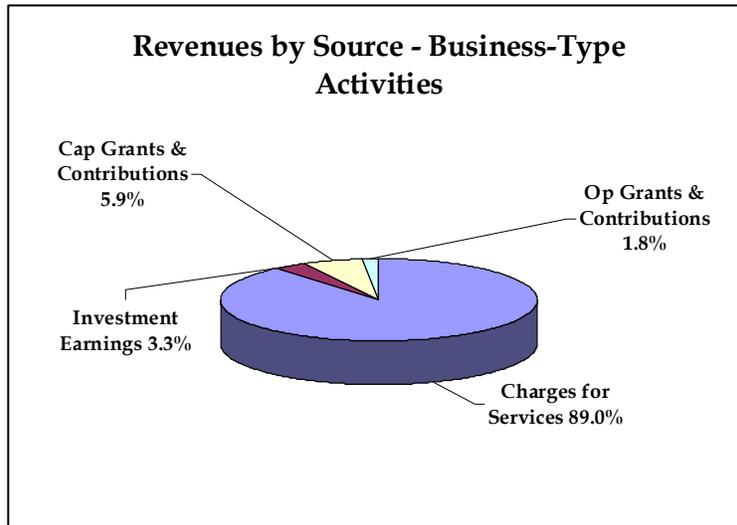
- Revenues exceed expenses for water, wastewater, storm drainage and solid waste as funds are being accumulated for current and future capital projects. The increase was partially offset by a planned reduction in electric reserves.

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	
	2008	2007	2008	2007	2008	2007
Electric	\$153,967	\$135,231	\$163,293	\$139,339	(\$9,326)	(\$4,108)
Water	17,639	19,026	12,570	12,023	5,069	7,003
Wastewater	21,157	20,469	13,378	12,517	7,779	7,952
Storm Drainage	2,573	3,309	2,564	2,123	9	1,186
Solid Waste	18,802	18,197	18,703	17,130	99	1,067
Transportation	10,664	10,775	9,838	9,159	826	1,616
Convention Center	950	646	2,953	2,496	(2,003)	(1,850)
Investment Earnings	7,738	8,459			7,738	8,459
Transfers	(2,613)	(1,941)			(2,613)	(1,941)
Other	2	5			2	5
Total	230,879	214,176	223,299	194,787	7,580	19,389

The Electric Utility change in net assets is \$6.6 million less than in the prior year primarily due to a planned draw down of reserves and higher cost of power. Due to a dry year not as much hydro power was available. Delivery of hydro electric power from Western Area Power Authority was 25% below that of an average year's results, which resulted in an estimated \$4.1 million increase in the cost of power.



Typically business-type activities charge customers for the services provided and the related necessary capital costs. As can be seen from the above graph, charges for services make up the vast majority (89.0%) 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, 2008, the City's governmental funds reported combined ending fund balances of \$144 million, a decrease of \$6.7 million in comparison to June 30, 2007. Approximately 55.4% of this total (\$79.5 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 (\$30.4 million), 2) to pay debt service (\$10.4 million), 3) for capital projects (\$19.6 million), or 4) miscellaneous other items.

The General Fund is the chief operating fund of the City. At June 30, 2008, unreserved fund balance was \$13.4 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 18.7% of the total General Fund expenditures, while total fund balance represents 27.5% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$3.6 million during the year ending June 30, 2008.

General Fund revenues decreased \$1 million, while expenditures increased by \$3.7 million from FYE 2007 to 2008. The decrease in revenue was due primarily to a decrease in sales tax of \$1.9 million and decrease in building related fees of \$0.7 million. Both of these reductions related to the slowing economy. Tax rates were not changed during the year.

The \$3.7 million increase in expenditures is due to the following:

Fire expense increased by \$2.3 million due to an increase in payroll related costs, changing a 2 man fire crew to a 3 man fire crew and other increased costs. The balance is due primarily to normal increases in costs.

Other financing sources decreased by \$34.7 million. The decrease is due to issuing bonds in the prior fiscal year.

The Capital Project Fund accounts for the financing and construction activities of the City. At June 30, 2008, unreserved fund balance was \$17.1 million. Unreserved fund balance represents 60.1% of the total Capital Project Funds expenditures, while total fund balance represents 84.7% of the total Capital Project Fund expenditures.

The fund balance of the City's Capital Project Fund decreased \$7 million during the year ending June 30, 2008.

Capital Project Fund revenues increased \$8.3 million and expenditures increased \$9.8 million. The increase in revenue was primarily due to revenues received from grants.

The \$9.8 million increase in expenditures is due to the following:

Capital outlay increased \$9.3 million. The balance is due primarily to increases in debt service payments.

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, 2007	Changes in Net Assets	Net Assets June 30, 2007
Electric Utility	\$147,794	(10,354)	\$137,440
Water Utility	\$64,656	6,045	\$70,701
Wastewater Utility	\$76,103	9,401	\$85,504
Solid Waste Collection/Disposal	\$27,485	1,510	\$28,995

Net Assets - Restricted and Unrestricted
Major Proprietary Funds as of June 30, 2008
(in thousands)

	Invested in Capital			Total Net Assets
	Assets, Net of Related Debt	Restricted Net Assets	Unrestricted Net Assets	
Electric Utility	\$83,238	-	54,202	\$137,440
Water Utility	\$55,532	17	15,152	\$70,701
Wastewater Utility	\$57,165	12,122	16,217	\$85,504
Solid Waste Collection/Disposal	\$15,090	16	13,889	\$28,995

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, 2008 was the first year of the two-year budget process. Differences between the original General Fund budget and the amended General Fund budget expenditures are shown below:

General Fund Original and Amended Budget
(in thousands)

	Original	Amended	Increase (Decrease)
General Government	\$ 7,394	\$ 7,471	\$ 77
Public Safety:			
Police	25,938	28,530	2,592
Fire Safety	16,135	17,934	1,799
Public Works	11,973	12,721	748
Planning	5,669	5,692	23
Recreation and culture	5,872	5,981	109
Principal payments	992	1,473	481
Interest payments and bond costs	1,857	1,637	(220)
Total Expenditures	<u>\$ 75,830</u>	<u>\$ 81,439</u>	<u>\$ 5,609</u>

As shown in the previous table, the General Fund's original budget was increased by \$5.6 million or approximately 7.4%. The reasons for this increase are as follows:

- \$3.2 million was appropriated for grant 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 \$2.9 million.
- During the midyear review the City decreased the General Fund budget by over \$0.7 million due to lower retirement costs and budget reductions due to lower than anticipated revenues. These two reductions were net of an increase to the City portion of employee medical insurance premiums.
- The City increased the General Fund budget by \$0.2 million due to higher than anticipated overtime in the Fire Department.

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, 2008, totaled \$656 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 \$63 million (an 11.4% increase for governmental activities and 9.2% for business-type activities).

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

- Developers added an estimated \$4.3 million of water, wastewater, electric and storm drainage improvements.
- Developers added an estimated \$2.7 million of streets, sidewalks and traffic signals.
- Electric Utility spent \$13.4 million in the current year on the new generation plant project.
- The City spent \$3.9 million on the Hilltop over crossing project.
- The City spent \$10.7 million in the current year on the \$72 million Cypress Bridge Project. The City also spent \$4.7 million on the \$13.4 million South Bonnyview Road widening project.
- \$4.7 million was spent on the Clear Creek Wastewater expansion project and \$4.0 million on the Buckeye Water Treatment expansion project.
- \$1.8 million was spent on the Stillwater Business Park project.
- \$1.5 million was spent on the Foothill Water Plant.
- \$1.6 million was spent on the N. Market Street force main.

Changes in capital assets consist of the following:

Changes in Capital Assets
(in thousands)
Governmental Activities

	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 25,624	\$ 3,746	\$ (487)	\$ (4)	\$ 28,879
Construction in process	18,487	31,409	(31)	(5,424)	44,441
Total capital assets, not being depreciated	44,111	35,155	(518)	(5,428)	73,320
Capital assets, being depreciated:					
Buildings	41,033	26	-	218	41,277
Improvements other than buildings	90,106	650	-	3,834	94,590
Infrastructure	120,674	1,877	-	1,317	123,868
Automotive equipment	9,037	570	(512)	260	9,355
Furnishings and equipment	5,359	166	(612)	-	4,913
Assets under capital lease:					
Furnishings and equipment	290	-	-	-	290
Automotive equipment	1,126	381	-	(235)	1,272
Total capital assets, being depreciated	267,625	3,670	(1,124)	5,394	275,565
Less accumulated depreciation for:					
Buildings	(14,488)	(1,232)	-	-	(15,720)
Improvements other than buildings	(20,981)	(4,112)	-	-	(25,093)
Infrastructure	(38,681)	(2,595)	-	-	(41,276)
Automotive equipment	(6,258)	(650)	491	(87)	(6,504)
Furnishings and equipment	(4,580)	(244)	587	-	(4,237)
Assets under capital lease:					
Furnishings and equipment	(259)	(8)	-	-	(267)
Automotive equipment	(527)	(223)	-	62	(688)
Total accumulated depreciation	(85,774)	(9,064)	1,078	(25)	(93,785)
Total capital assets, being depreciated, net	181,851	(5,394)	(46)	5,369	181,780
Governmental activities capital assets, net	\$ 225,962	\$ 29,761	\$ (564)	\$ (59)	\$ 255,100

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

Changes in capital assets consist of the following (continued):

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

	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 16,742	\$ 797	\$ (83)	\$ (13)	\$ 17,443
Construction in progress	21,644	44,663	(6)	(12,395)	53,906
Total capital assets, not being depreciated	<u>38,386</u>	<u>45,460</u>	<u>(89)</u>	<u>(12,408)</u>	<u>71,349</u>
Capital assets, being depreciated:					
Utility plants	505,583	8,054	(607)	11,438	524,468
Buildings	44,175	-	(16)	454	44,613
Improvements other than buildings	34,669	12	(75)	430	35,036
Automotive equipment	25,323	4,079	(1,900)	400	27,902
Furnishings and equipment	15,265	70	(1,086)	(256)	13,993
Assets under capital lease:					
Furnishings and equipment	634	-	-	-	634
Total capital assets, being depreciated	<u>625,649</u>	<u>12,215</u>	<u>(3,684)</u>	<u>12,466</u>	<u>646,646</u>
Less accumulated depreciation for:					
Utility plants	(227,972)	(17,570)	541	-	(245,001)
Buildings	(21,680)	(1,243)	16	-	(22,907)
Improvements other than buildings	(20,332)	(2,090)	75	-	(22,347)
Automotive equipment	(15,092)	(1,923)	1,743	(13)	(15,285)
Furnishings and equipment	(11,891)	(786)	1,086	13	(11,578)
Assets under capital lease:					
Furnishings and equipment	(390)	(75)	-	-	(465)
Total accumulated depreciation	<u>(297,357)</u>	<u>(23,687)</u>	<u>3,461</u>	<u>-</u>	<u>(317,583)</u>
Total capital assets, being depreciated, net	<u>328,292</u>	<u>(11,472)</u>	<u>(223)</u>	<u>12,466</u>	<u>329,063</u>
Business-type activities capital assets, net	<u>\$ 366,678</u>	<u>\$ 33,988</u>	<u>\$ (312)</u>	<u>\$ 58</u>	<u>\$ 400,412</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, 2007	Additional Transfers	Reductions	Balance June 30, 2008
Governmental Activities:				
Capital leases Payable	\$ 715	\$ 400	\$ 247	\$ 868
Lease Revenue Bonds	52,688	-	2,427	50,261
Redevelopment Bonds	53,300	-	1,880	51,420
Special assessment debt	5,321	-	928	4,393
State Loans	52	-	18	34
Total Government Activities	<u>112,076</u>	<u>400</u>	<u>5,500</u>	<u>106,976</u>
Business-Type Activities				
General Obligation debt				
State Loan Payable	16,258	7,089	786	22,561
Revenue Bonds	37,057	-	2,727	34,330
Certificates of participation	121,355	157,965	86,380	192,940
Capital leases	375	-	57	318
Special Assessment debt (payable from enterprise funds)	108	-	34	74
Total Business-Type Activities	<u>175,153</u>	<u>165,054</u>	<u>89,984</u>	<u>250,223</u>
Total outstanding long-term debt	<u>\$ 287,229</u>	<u>\$ 165,454</u>	<u>\$ 95,484</u>	<u>\$ 357,199</u>

The City's total debt increased by \$70 million during the year ending June 30, 2008. The increase is due primarily to issuing \$158 million in certificates of participation to construct a new 45-megawatt gas-powered generator and refunded a portion of the 2002A Electric System Revenue Certificates of Participation and all of the Electric System Revenue Certificates of Participation 2002 Series C-1 and C-2 certificates. In total approximately \$82 million of the issue was used to refund the above mentioned certificates. This increase was partially offset by the decrease due to regular scheduled debt payments.

Currently, the City's legal debt margin is \$287 million. However, this relates only to general obligation type bonds. Other factors such as available revenues, special assessment pledges, etc. will affect the City's actual capacity to issue future debt.

Additional information on the City's long-term debt can be found in note 10 on pages 95-103 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City of Redding has experienced a steady increase in population since 2000 of one to four percent per year, however, growth for 2007 and 2008 were both just under 1% while the unemployment rate has increased from 7.0% in 1999 to 9.2% in 2008.
- Inflationary trends in the region compare favorably to national indices.
- Overall tax revenue for the City has increased by 2.5% during the year. This was primarily due to the increase in property values; tax rates were not increased. The City expects the housing market to weaken during the coming year and the tax growth rate to below the historical average of approximately 4% during the fiscal year 2008-09.

All of these factors were considered in preparing the City's budget for 2008-09 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund decreased to \$13.4 million. The City anticipates spending approximately \$3 million of this amount in the 2008-09 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 had planned for rate increases of approximately 3.0% – 5.0% when their biennial budgets were built. Rate increases for all Utilities are currently under review.

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, Finance. Questions concerning any information provided in this report or request for additional financial information should be directed to:

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

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Redding
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 84,311,869	\$ 107,239,154	\$ 191,551,023
Receivables:			
Interest	2,459,956	1,109,873	3,569,829
Accounts, net	1,071,199	25,874,676	26,945,875
Taxes	5,753,908	-	5,753,908
Current intergovernmental	11,987,796	1,096,711	13,084,507
Notes	25,444,827	-	25,444,827
Special assessments	3,518,733	-	3,518,733
Pacifcorp Energy	-	4,005,632	4,005,632
Other	766,453	-	766,453
Internal balances	4,987,584	(4,987,584)	-
Inventories	442,275	7,614,586	8,056,861
Prepaid items	3,096,005	1,337,498	4,433,503
Assets held for sale	2,026,536	-	2,026,536
Restricted assets:			
Cash and investments	40,031,592	94,350,597	134,382,189
Interest receivable	155,667	262,093	417,760
Taxes receivable	960,011	-	960,011
Power acquisition costs, net	-	1,464,236	1,464,236
Prepaid purchase cost	-	5,740,000	5,740,000
Financing costs, net	2,033,758	822,017	2,855,775
Capital assets:			
Land and construction in progress	73,319,993	71,348,908	144,668,901
Other capital assets, net of depreciation	181,780,317	329,063,089	510,843,406
Investment in JPA	-	518,202	518,202
Total assets	444,148,479	646,859,688	1,091,008,167

(Continued)

See accompanying Notes to Basic Financial Statements.

City of Redding
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 6,117,041	\$ 17,819,286	\$ 23,936,327
Accrued liabilities	2,976,157	1,729,809	4,705,966
Intergovernmental payable	1,549,115	4,925,167	6,474,282
Accrued interest payable	1,354,877	1,413,164	2,768,041
Unearned revenue	3,155,483	6,397,397	9,552,880
Landfill closing costs, due within one year	-	100,000	100,000
Claims and judgements payable, due within one year	3,023,391	-	3,023,391
Deposits	158,518	4,188,390	4,346,908
Compensated absences, due within one year	3,803,148	1,783,589	5,586,737
Long-term debt, due within one year	5,648,790	7,769,752	13,418,542
Accounts payable from restricted	983,405	-	983,405
Long-term intergovernmental payable	-	-	-
Claims and judgements payable, due in more than one year	6,848,108	-	6,848,108
Landfill closing costs, due in more than one year	-	1,602,213	1,602,213
Accrued compensated absences, due in more than one year	7,418,099	4,028,820	11,446,919
Accrued liabilities, due in more than one year - OPEB	3,712,319	2,184,617	5,896,936
Long-term debt, due in more than one year	100,650,275	228,604,285	329,254,560
Total liabilities	147,398,726	282,546,489	429,945,215
NET ASSETS			
Invested in capital assets, net of related debt	213,545,402	257,415,432	470,960,834
Restricted for:			
Capital outlay	-	14,401,687	14,401,687
Debt service	863,770	1,033	864,803
Housing	26,053,130	-	26,053,130
Community development	19,097,306	-	19,097,306
Public works	1,985,306	-	1,985,306
Benton landfill closure	-	14,487	14,487
Unrestricted	35,204,839	92,480,560	127,685,399
Total net assets	\$ 296,749,753	\$ 364,313,199	\$ 661,062,952

(Concluded)

City of Redding
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2008

Functions / Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 5,168,803	\$ 5,215,942	\$ 233,181	\$ -	\$ 5,449,123
Police	27,716,907	1,115,157	1,863,516	4,808	2,983,481
Fire	17,618,698	825,391	82,060	293,216	1,200,667
Public works	10,339,597	1,279,365	4,999,252	19,632,215	25,910,832
Planning	5,750,052	2,900,666	928	12,907	2,914,501
Recreation and culture	10,964,863	2,191,746	344,923	2,089,173	4,625,842
Community development	15,160,077	21,642	8,738,727	-	8,760,369
Interest on long-term debt	5,367,360	-	-	-	-
Total governmental activities	98,086,357	13,549,909	16,262,587	22,032,319	51,844,815
Business-type activities:					
Electric	163,293,058	152,834,481	-	1,132,197	153,966,678
Water	12,570,242	14,550,142	-	3,088,756	17,638,898
Wastewater	13,378,188	17,128,355	98	4,029,038	21,157,491
Storm drainage	2,563,858	1,252,619	216,001	1,104,225	2,572,845
Solid waste	18,702,626	17,985,385	40,350	776,450	18,802,185
Transportation	9,838,187	3,037,429	4,054,836	3,571,339	10,663,604
Convention center	2,952,600	949,541	-	-	949,541
Total business-type activities	223,298,759	207,737,952	4,311,285	13,702,005	225,751,242
Total primary government	\$ 321,385,116	\$ 221,287,861	\$ 20,573,872	\$ 35,734,324	\$ 277,596,057

General Revenues and Transfers:

Taxes:

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

Total taxes

Investment income (loss)

Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 280,320	\$ -	\$ 280,320
(24,733,426)	-	(24,733,426)
(16,418,031)	-	(16,418,031)
15,571,235	-	15,571,235
(2,835,551)	-	(2,835,551)
(6,339,021)	-	(6,339,021)
(6,399,708)	-	(6,399,708)
(5,367,360)	-	(5,367,360)
(46,241,542)	-	(46,241,542)
-	(9,326,380)	(9,326,380)
-	5,068,656	5,068,656
-	7,779,303	7,779,303
-	8,987	8,987
-	99,559	99,559
-	825,417	825,417
-	(2,003,059)	(2,003,059)
-	2,452,483	2,452,483
(46,241,542)	2,452,483	(43,789,059)
16,328,116	-	16,328,116
16,910,091	-	16,910,091
3,957,034	-	3,957,034
21,647,441	-	21,647,441
384,059	-	384,059
967,150	-	967,150
1,150,466	-	1,150,466
61,344,357	-	61,344,357
6,492,706	7,738,038	14,230,744
100,000	2,496	102,496
2,612,585	(2,612,585)	-
70,549,648	5,127,949	75,677,597
24,308,106	7,580,432	31,888,538
272,441,647	356,732,767	629,174,414
\$ 296,749,753	\$ 364,313,199	\$ 661,062,952

This page intentionally left blank.

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements

This page intentionally left blank.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

City of Redding
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 12,361,900	\$ 18,745,748	\$ 43,810,044	\$ 74,917,692
Interest receivable	131,118	181,865	2,051,162	2,364,145
Accounts receivable, net	998,164	-	42,060	1,040,224
Intergovernmental receivable	1,287,217	7,748,370	2,952,209	11,987,796
Taxes receivable	5,161,880	-	592,028	5,753,908
Other receivable	743,601	-	23,272	766,873
Due from other funds	237,313	-	-	237,313
Prepaid items	1,406,957	-	7,085	1,414,042
Inventories	332,536	-	-	332,536
Restricted assets:				
Cash and investments	2,464,016	11,653,165	25,914,411	40,031,592
Interest receivable	14,226	18,818	122,622	155,666
Taxes receivable	-	-	960,011	960,011
Interfund receivable	-	-	54,281	54,281
Assets held for sale	-	-	2,026,536	2,026,536
Advances to other funds	4,284,037	-	1,043,163	5,327,200
Special assessments receivable	-	-	3,518,733	3,518,733
Notes receivable	-	-	25,444,827	25,444,827
Total assets	\$ 29,422,965	\$ 38,347,966	\$ 108,562,444	\$ 176,333,375

(Continued)

See accompanying Notes to Basic Financial Statements.

City of Redding
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 922,014	\$ 2,810,342	\$ 1,909,429	\$ 5,641,785
Accrued liabilities	2,397,265	38,067	156,269	2,591,601
Intergovernmental payable	102,775	-	1,427,209	1,529,984
Due to other funds	-	-	181,577	181,577
Accounts payable from restricted assets	-	983,405	-	983,405
Interfund payable	54,281	60,000	-	114,281
Deferred revenues	4,271,096	732,751	9,303,075	14,306,922
Deposits	7,270	-	150,671	157,941
Advances from other funds	1,935,603	132,554	5,157,415	7,225,572
Total liabilities	9,690,304	4,757,119	18,285,645	32,733,068
Fund Balances:				
Reserved for:				
Prepaid items	1,406,957	-	7,085	1,414,042
Inventories	332,536	-	-	332,536
Assets held for resale	-	-	2,026,536	2,026,536
Noncurrent advances	4,284,037	-	1,009,646	5,293,683
Debt service	-	-	10,374,696	10,374,696
Capital projects	278,794	16,493,202	2,778,491	19,550,487
Noncurrent notes receivable	-	-	25,104,397	25,104,397
Unreserved, designated for:				
Encumbrances	1,250,273	17,097,645	-	18,347,918
Rolling stock	1,705,921	-	-	1,705,921
Future expenditures/contingencies	5,369,000	-	-	5,369,000
Reported in:				
Special revenue	-	-	11,306,543	11,306,543
Capital projects	-	-	23,420,647	23,420,647
Unreserved, undesignated reported in:				
General fund	5,105,143	-	-	5,105,143
Special revenue funds	-	-	6,706,906	6,706,906
Capital projects fund	-	-	8,782,898	8,782,898
Debt service funds	-	-	(1,241,046)	(1,241,046)
Total fund balances	19,732,661	33,590,847	90,276,799	143,600,307
Total liabilities and fund balances	\$ 29,422,965	\$ 38,347,966	\$ 108,562,444	\$ 176,333,375

This page intentionally left blank.

City of Redding
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2008

Total Fund Balances - Total Governmental Funds	\$ 143,600,307
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets have not been included as financial resources in governmental fund activity.	334,096,360
Accumulated depreciation has not been included in the governmental fund financial statements.	(84,951,042)
Financing costs net of amortization	2,033,758
Long-term debt that has not been included in the governmental fund activity.	(106,299,064)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(1,354,877)
The net other post employment benefit obligation has not been reported in the governmental funds.	(3,242,983)
Revenue reported as deferred revenue in the governmental funds was recorded as revenue in the statement of activities.	11,538,786
Internal service fund net assets included in the governmental activities on the statement of activities.	11,235,164
Accrued vacation and other leave not reported in governmental funds, but recorded as expense in the statement of activities.	(9,906,656)
Net Assets of Governmental Activities	\$ 296,749,753

See accompanying Notes to Basic Financial Statements.

City of Redding
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 15,973,810	\$ -	\$ 16,910,091	\$ 32,883,901
Sales and use taxes	21,343,982	-	272,517	21,616,499
Other taxes	6,074,649	-	-	6,074,649
Special assessments	8,576	-	1,663,361	1,671,937
Licenses and permits	1,331,217	-	78,332	1,409,549
Intergovernmental revenues	3,256,411	16,363,931	12,509,944	32,130,286
Charges for services	3,691,244	-	1,137,156	4,828,400
Fines, forfeitures, and penalties	838,821	-	250,496	1,089,317
Use of money and property	6,312,514	-	6,155	6,318,669
Interest revenue	1,032,762	1,818,236	3,269,197	6,120,195
Other	849,092	3,565,811	522,047	4,936,950
Total revenues	60,713,078	21,747,978	36,619,296	119,080,352
EXPENDITURES:				
Current:				
General government	6,703,648	-	222,978	6,926,626
Community development	-	7,342	15,618,391	15,625,733
Public safety:				
Police	25,883,880	-	169,254	26,053,134
Fire	16,484,934	-	-	16,484,934
Public works	5,315,789	93,394	469,047	5,878,230
Planning	5,419,587	-	-	5,419,587
Recreation and culture	5,506,564	72,556	1,839,395	7,418,515
Capital outlay	2,930,768	26,409,553	6,532,421	35,872,742
Debt service:				
Principal	1,471,870	1,220,000	2,842,000	5,533,870
Interest and fiscal charges	1,930,221	638,646	2,904,278	5,473,145
Bond issuance costs	-	5,650	-	5,650
Total expenditures	71,647,261	28,447,141	30,597,764	130,692,166
REVENUES OVER (UNDER) EXPENDITURES	(10,934,183)	(6,699,163)	6,021,532	(11,611,814)
OTHER FINANCING SOURCES (USES):				
Sale of assets	385,350	246,531	1,219,491	1,851,372
Capital leases issued	400,000	-	-	400,000
Transfers in	9,837,702	170,000	1,344,051	11,351,753
Transfers out	(3,267,745)	(687,845)	(4,711,918)	(8,667,508)
Total other financing sources (uses)	7,355,307	(271,314)	(2,148,376)	4,935,617
Net change in fund balances	(3,578,876)	(6,970,477)	3,873,156	(6,676,197)
FUND BALANCES:				
Beginning of year	23,311,537	40,561,324	86,403,643	150,276,504
End of year	\$ 19,732,661	\$ 33,590,847	\$ 90,276,799	\$ 143,600,307

See accompanying Notes to Basic Financial Statements.

City of Redding

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (6,676,197)
--	----------------

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Governmental funds reported acquisition of capital assets as part of capital outlay expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period. 35,813,582

In the statement of activities, donated assets are reported as a capital contribution. 2,780,877

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in Governmental Funds. (7,951,313)

Disposal of capital assets is reported in the Governmental-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, it is not reported as expenditures in governmental funds. (517,526)

- Net book value of the assets disposed

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (927,994)

Bond proceeds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. (400,000)

In the Statement of Activities, the net other post employment benefit obligation has been accrued. (3,242,983)

Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets. 5,533,870

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from the prior year. (83,147)

Financing costs, premiums, discounts and deferred gain/loss on refundings were an expenditure in governmental funds, but the issuance of debt increased assets in the Government-Wide Statement of Net Assets. 5,650

Compensated absences in the Statement of Activities is reported as an expense but is not reported in the governmental funds. (647,361)

Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities. 620,648

Change in Net Assets of Governmental Activities	\$ 24,308,106
--	----------------------

See accompanying Notes to Basic Financial Statements.

This page intentionally left blank.

PROPRIETARY FUND FINANCIAL STATEMENTS

Enterprise Funds:

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

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

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

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

Internal Service Funds:

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

City of Redding
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
ASSETS			
Current assets:			
Cash and investments	\$ 40,564,360	\$ 14,043,507	\$ 28,878,152
Interest receivable	420,227	143,554	307,002
Accounts receivable, net	20,604,140	1,760,706	1,636,584
Prepaid items	1,293,839	8,189	9,345
Intergovernmental receivable	-	-	-
Inventories	6,864,111	554,944	43,836
Interfund receivable	-	-	-
Pacificorp Energy receivable	4,005,632	-	-
Total current assets	73,752,309	16,510,900	30,874,919
Noncurrent assets:			
Restricted assets:			
Cash and investments	91,239,086	1,240,025	33
Interest receivable	247,410	49	16
Total restricted assets	91,486,496	1,240,074	49
Capital assets:			
Land	4,210,465	382,765	2,737,147
Construction in progress	17,290,900	10,579,831	22,625,102
Utility plants	294,470,008	85,012,448	120,849,309
Buildings	4,585,086	3,604,902	2,613,886
Improvements other than buildings	2,842,651	-	138,158
Automotive equipment	4,241,294	1,753,542	1,291,500
Furnishings and equipment	6,874,978	469,148	975,069
Assets under capital lease	-	-	-
Total capital assets	334,515,382	101,802,636	151,230,171
Less: accumulated depreciation	(160,376,624)	(37,058,924)	(56,947,621)
Net capital assets	174,138,758	64,743,712	94,282,550
Other assets:			
Power acquisition costs, net	1,464,236	-	-
Prepaid purchase cost	5,740,000	-	-
Advances to other funds	2,684,582	-	1,474,968
Financing costs, net	262,746	195,103	233,826
Investment in JPA	518,202	-	-
Total other assets	10,669,766	195,103	1,708,794
Total noncurrent assets	276,295,020	66,178,889	95,991,393
Total assets	350,047,329	82,689,789	126,866,312

Solid Waste Collection/ Disposal	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 17,791,018	\$ 5,962,117	\$ 107,239,154	\$ 9,394,177
184,083	55,006	1,109,872	95,810
1,628,713	244,533	25,874,676	30,975
18,620	7,505	1,337,498	1,681,543
23,031	1,073,680	1,096,711	-
-	151,695	7,614,586	109,739
-	-	-	60,000
-	-	4,005,632	-
19,645,465	7,494,536	148,278,129	11,372,244
993,835	877,618	94,350,597	-
14,487	131	262,093	-
1,008,322	877,749	94,612,690	-
1,309,597	8,803,507	17,443,481	110,810
-	3,409,595	53,905,428	-
-	24,136,684	524,468,449	-
14,141,504	19,667,434	44,612,812	-
964,569	31,090,218	35,035,596	2,374,945
13,219,365	7,396,279	27,901,980	9,355,352
3,285,680	2,388,015	13,992,890	1,675,063
-	634,209	634,209	1,272,190
32,920,715	97,525,941	717,994,845	14,788,360
(14,419,661)	(48,780,016)	(317,582,846)	(8,833,367)
18,501,054	48,745,925	400,411,999	5,954,993
-	-	1,464,236	-
-	-	5,740,000	-
-	-	4,159,550	4,276,096
106,467	23,875	822,017	-
-	-	518,202	-
106,467	23,875	12,704,005	4,276,096
19,615,843	49,647,549	507,728,694	10,231,089
39,261,308	57,142,085	656,006,823	21,603,333

City of Redding
Statement of Net Assets
Proprietary Funds, Continued
June 30, 2007

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	12,528,522	663,070	3,209,706
Accrued liabilities	965,870	143,033	142,732
Accrued interest payable	1,065,380	39,439	202,339
Claims and judgements payable	-	-	-
Intergovernmental payable	4,736,871	114,125	5,540
Due to other funds	-	-	-
Deferred revenues	4,147,054	-	-
Deposits	2,350,087	-	-
Accrued compensated absences, due with in one year	1,063,555	128,807	152,668
Landfill closure costs, due with in one year	-	-	-
Capital leases, due with in one year	-	-	-
Long-term debt, due with in one year	4,142,841	686,539	1,130,124
State loan, due with in one year	-	-	940,971
Total current liabilities (payable from current assets)	31,000,180	1,775,013	5,784,080
Long-term liabilities:			
Accrued compensated absences, due in more than one year	2,320,804	287,478	347,148
Landfill closure costs, due in more than one year	-	-	-
Advances from other funds	-	-	-
Accrued liabilities, due in more than one year	1,289,564	161,148	184,787
Claims and judgements, due in more than one year	-	-	-
Capital leases, due in more than one year	-	-	-
Long-term debt, due in more than one year	177,996,940	9,765,010	14,396,112
State loan, due in more than one year	-	-	20,649,918
Total long-term liabilities	181,607,308	10,213,636	35,577,965
Total liabilities	212,607,488	11,988,649	41,362,045
NET ASSETS			
Invested in capital assets, net of related debt	83,238,063	55,532,190	57,165,425
Restricted for:			
Capital projects	-	16,742	12,122,636
Debt service	-	-	-
Other	-	-	-
Unrestricted	54,201,778	15,152,208	16,216,206
Total net assets	\$ 137,439,841	\$ 70,701,140	\$ 85,504,267

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental	
Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Total	Internal Service Funds	
380,393	1,037,595	17,819,286	475,256	
345,391	132,783	1,729,809	384,556	Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.
83,324	22,682	1,413,164	-	
-	-	-	3,023,391	
66,608	2,023	4,925,167	19,131	
-	55,737	55,737	-	
22,693	2,227,650	6,397,397	387,347	Proprietary Funds total net assets \$ 368,295,443
1,808,703	29,600	4,188,390	577	
307,501	131,058	1,783,589	367,225	Less business-type portion of the
100,000	-	100,000	-	Internal Service Fund (3,982,244)
-	60,777	60,777	-	
647,699	79,723	6,686,926	-	Statement of Activities:
-	81,078	1,022,049	-	Change in Net Assets \$ 364,313,199
<u>3,762,312</u>	<u>3,860,706</u>	<u>46,182,291</u>	<u>4,657,483</u>	
747,808	325,582	4,028,820	947,366	
1,602,213	-	1,602,213	-	
-	5,109,154	5,109,154	1,428,120	
398,101	151,017	2,184,617	469,336	
-	-	-	6,848,108	
-	256,359	256,359	-	
3,756,129	893,971	206,808,162	-	
-	889,846	21,539,764	-	
<u>6,504,251</u>	<u>7,625,929</u>	<u>241,529,089</u>	<u>9,692,930</u>	
<u>10,266,563</u>	<u>11,486,635</u>	<u>287,711,380</u>	<u>14,350,413</u>	
15,090,029	46,389,725	257,415,432	5,932,725	
-	2,262,309	14,401,687	-	
1,032	-	1,032	-	
14,487	-	14,487	-	
13,889,197	(2,996,584)	96,462,805	1,320,195	
<u>\$ 28,994,745</u>	<u>\$ 45,655,450</u>	<u>\$ 368,295,443</u>	<u>\$ 7,252,920</u>	

(Concluded)

City of Redding
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2008

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
OPERATING REVENUES:			
User fees and charges	\$ 81,916,025	\$ 14,325,702	\$ 17,090,999
Wholesale power sales	65,930,583	-	-
Rental charges	-	-	-
Other operating revenue	4,874,546	15,418	17,791
Total operating revenues	152,721,154	14,341,120	17,108,790
OPERATING EXPENSES:			
Cost of power, water, and transportation	87,044,181	369,218	-
Maintenance, operations, and administration	57,636,055	9,205,588	8,606,510
Depreciation and amortization	12,996,661	2,705,995	3,817,656
Total operating expenses	157,676,897	12,280,801	12,424,166
OPERATING INCOME (LOSS)	(4,955,743)	2,060,319	4,684,624
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	3,973,294	907,870	1,605,727
Interest expense	(5,717,456)	(316,992)	(983,592)
Intergovernmental revenues	-	-	98
Gain (loss) on disposal of assets	31,796	46,431	45,996
Other non-operating revenues (expenses)	113,327	2,258,164	2,952,989
Total nonoperating revenues (expenses)	(1,599,039)	2,895,473	3,621,218
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(6,554,782)	4,955,792	8,305,842
Capital contributions	1,132,197	1,089,614	1,095,614
Transfers in	-	-	-
Transfers out	(4,932,060)	-	-
Change in net assets	(10,354,645)	6,045,406	9,401,456
NET ASSETS:			
Beginning of year	147,794,486	64,655,734	76,102,811
End of year	\$ 137,439,841	\$ 70,701,140	\$ 85,504,267

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Total	Activities Internal Service Funds
\$ 16,101,012	\$ 3,148,353	\$ 132,582,091	\$ 53,663,917
-	-	65,930,583	-
-	1,235,698	1,235,698	-
1,882,517	852,522	7,642,794	48,858
17,983,529	5,236,573	207,391,166	53,712,775
-	2,782,699	90,196,098	-
16,237,837	8,306,950	99,992,940	52,843,495
1,604,973	4,139,247	25,264,532	1,112,234
17,842,810	15,228,896	215,453,570	53,955,729
140,719	(9,992,323)	(8,062,404)	(242,954)
1,000,358	250,787	7,738,036	502,506
(280,038)	(108,794)	(7,406,872)	-
40,350	4,053,270	4,093,718	-
153,236	396	277,855	(38,648)
455,743	408,970	6,189,193	1,023
1,369,649	4,604,629	10,891,930	464,881
1,510,368	(5,387,694)	2,829,526	221,927
-	4,511,335	7,828,760	885,850
-	2,418,015	2,418,015	34,422
-	(170,200)	(5,102,260)	(34,422)
1,510,368	1,371,456	7,974,041	1,107,777
27,484,377	44,283,994	360,321,402	6,145,143
\$ 28,994,745	\$ 45,655,450	\$ 368,295,443	\$ 7,252,920

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Proprietary Funds changes in net assets \$ 7,974,041

Add internal Service Funds income - business-type activity (393,609)

Statement of Activities:
Change in Net Assets \$ 7,580,432

City of Redding
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2008

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 142,344,903	\$ 14,335,113	\$ 17,023,861
Cash paid to suppliers	(114,222,277)	(6,372,184)	(5,306,324)
Cash paid to employees	(20,398,734)	(2,972,667)	(3,181,745)
Other income received	4,874,546	15,418	17,791
Net cash provided (used) by operating activities	12,598,438	5,005,680	8,553,583
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Intergovernmental revenue received	-	-	98
Advances from other funds	-	-	-
Repayment of advances from other funds	-	-	-
Advances to other funds	(76,804)	-	(43,076)
Repayment of advances to other funds	3,342	-	45,000
Transfers in	-	-	-
Transfers out	(4,932,060)	-	-
Other revenue (grant receipts)	-	317,022	14,597
Net cash provided (used) by noncapital financing activities	(5,005,522)	317,022	16,619
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grant received	-	-	-
Proceeds from sale of assets	197,944	52,686	53,996
Purchase of capital assets	(22,121,716)	(8,766,960)	(16,391,081)
Interest paid	(5,084,267)	(260,032)	(787,752)
Proceeds from from long-term debt	70,634,659	-	6,247,848
Principal paid on long-term debt	(4,370,000)	(730,000)	(2,029,575)
Principal paid on capital leases	-	-	-
Cash collected for future capital outlay	113,327	2,041,142	2,938,392
Net cash provided (used) by capital and related financing activities	39,369,947	(7,663,164)	(9,968,172)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment revenue received	4,029,869	914,333	1,577,160
Net cash provided (used) by investing activities	4,029,869	914,333	1,577,160
Net increase (decrease) in cash and cash equivalents	50,992,732	(1,426,129)	179,190
CASH AND CASH EQUIVALENTS:			
Beginning of year	80,810,714	16,709,661	28,698,995
End of year	\$ 131,803,446	\$ 15,283,532	\$ 28,878,185

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental Activities
Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 19,365,379	\$ 5,223,306	\$ 198,292,562	\$ 53,804,187
(12,101,524)	(8,080,709)	(146,083,018)	(44,957,833)
(6,679,082)	(2,818,173)	(36,050,401)	(7,056,904)
1,882,517	2,495	6,792,767	-
<u>2,467,290</u>	<u>(5,673,081)</u>	<u>22,951,910</u>	<u>1,789,450</u>
51,651	4,662,326	4,714,075	(265,628)
-	176,133	176,133	(397,870)
-	(1,528,227)	(1,528,227)	639,850
-	-	(119,880)	-
-	-	48,342	-
-	2,418,015	2,418,015	-
-	(170,200)	(5,102,260)	-
1,855	7,080	340,554	1,023
<u>53,506</u>	<u>5,565,127</u>	<u>946,752</u>	<u>(22,625)</u>
-	5,105,652	5,105,652	-
285,301	12,896	602,823	8,085
(1,843,241)	(3,461,618)	(52,584,616)	(166,518)
(244,575)	(105,105)	(6,481,731)	-
-	842,000	77,724,507	-
(660,000)	(128,111)	(7,917,686)	-
-	(57,448)	(57,448)	-
-	401,890	5,494,751	-
<u>(2,462,515)</u>	<u>2,610,156</u>	<u>21,886,252</u>	<u>(158,433)</u>
962,744	234,785	7,718,891	482,755
<u>962,744</u>	<u>234,785</u>	<u>7,718,891</u>	<u>482,755</u>
1,021,025	2,736,987	53,503,805	2,091,147
<u>17,763,828</u>	<u>4,102,748</u>	<u>148,085,946</u>	<u>7,303,030</u>
<u>\$ 18,784,853</u>	<u>\$ 6,839,735</u>	<u>\$ 201,589,751</u>	<u>\$ 9,394,177</u>

(Continued)

City of Redding
Statement of Cash Flows
Proprietary Funds, Continued
For the year ended June 30, 2007

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (4,955,743)	\$ 2,060,319	\$ 4,684,624
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	12,996,661	2,705,995	3,817,656
(Increase) decrease in accounts receivable	(5,501,705)	9,411	(67,138)
(Increase) decrease in inventories	317,851	(23,658)	17,063
(Increase) decrease in prepaid items	(10,579)	(26)	(655)
(Increase) decrease in investment in JPA	(265,334)	-	-
Increase (decrease) in accounts payable	2,924,484	133,514	(17,401)
Increase (decrease) in accrued liabilities	158,716	(5,105)	(8,324)
Increase (decrease) in claims and judgements payable		-	-
Increase (decrease) in deposits	207,651	-	-
Increase (decrease) in intergovernmental payable	1,174,510	95,411	2,938
Increase (decrease) in deferred revenues	4,021,534	-	-
Increase (decrease) in accrued compensated absences	240,828	(131,329)	(59,967)
Increase (decrease) in accrued landfill closure costs		-	-
Increase (decrease) in claims and judgements payable long-term	-	-	-
Increase (decrease) in accrued liabilities long-term	1,289,564	161,148	184,787
Total adjustments	17,554,181	2,945,361	3,868,959
Net cash provided (used) by operating activities	\$ 12,598,438	\$ 5,005,680	\$ 8,553,583
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Plant contributed from developers	\$ 1,132,197	\$ 1,039,614	\$ 1,095,614
Non-cash change in deposits	-	-	-
Equipment transfers	-	50,000	-
Total non-cash capital and related financing activities	\$ 1,132,197	\$ 1,089,614	\$ 1,095,614

See accompanying Notes to Basic Financial Statements.

Solid Waste Collection/ Disposal	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 140,719	\$ (9,992,323)	\$ (8,062,404)	\$ (242,954)
1,604,973	4,139,247	25,264,532	1,112,234
10,895	(13,515)	(5,562,052)	41,658
-	(9,473)	301,783	(13,971)
(3,034)	(1,347)	(15,641)	(266,176)
-	-	(265,334)	-
(25,281)	86,616	3,101,932	77,912
103,885	5,475	254,647	101,929
-	-	-	(258,816)
364,233	2,743	574,627	(1,539)
54,548	(915)	1,326,492	16,608
-	-	4,021,534	49,734
(82,207)	(40,606)	(73,281)	336,201
(99,542)	-	(99,542)	-
-	-	-	367,294
398,101	151,017	2,184,617	469,336
<u>2,326,571</u>	<u>4,319,242</u>	<u>31,014,314</u>	<u>2,032,404</u>
<u>\$ 2,467,290</u>	<u>\$ (5,673,081)</u>	<u>\$ 22,951,910</u>	<u>\$ 1,789,450</u>
\$ -	\$ 1,104,225	\$ 4,371,650	\$ -
(449,824)	-	(449,824)	5,111
-	21,660	71,660	22,838
<u>\$ (449,824)</u>	<u>\$ 1,125,885</u>	<u>\$ 3,993,486</u>	<u>\$ 27,949</u>

(Concluded)

This page intentionally left blank.

FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Funds

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

This page intentionally left blank.

City of Redding
Statement of Agency Net Assets
Agency Funds
June 30, 2008

ASSETS

Cash and cash equivalents	\$	1,694,386
Accounts receivable		6,950
Interest receivable		47,860
Total assets	\$	1,749,196

LIABILITIES

Deposits	\$	1,749,196
Total liabilities	\$	1,749,196

See accompanying Notes to Basic Financial Statements.

This page intentionally left blank.

NOTES TO BASIC FINANCIAL STATEMENTS

City of Redding
Notes to Basic Financial Statements
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 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 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 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, 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.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

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.

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.

Financial statements for 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.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Basis of Presentation, Continued

Governmental Funds - 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.

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.

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.

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 visions claims and liability claims under a self-insurance program.

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

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

General Support Services Fund - these funds are used to provide printing, reprographics, geographic services, records retention, building and maintenance services, volunteer services and employee services.

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

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 collects monies for various community events which are remitted to the organizers.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Basis of Presentation, Continued

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

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

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.

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Basis of Presentation, Continued

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.

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.

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). The weighted average method is used for establishing the cost of inventory consumed.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Assets, Liabilities, and Net Assets or Equity, Continued

Capital Assets, Continued

assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's 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:

<u>Asset Types</u>	<u>Useful Life (in years)</u>
Public domain infrastructure	50
Utility plants	20-50
Buildings	10-30
Improvements other than buildings	5-40
Equipment, furnishings and vehicles	5-7
Assets under capital lease	4-30
System infrastructure	30

Pension Plan

All full-time and certain part-time City employees are members of the State of California Public Employees' Retirement System (PERS), 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 PERS'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% payoffs depending on length of service. If the employee retires from the City after

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Assets, Liabilities, and Net Assets or Equity, Continued

Vacation and Sick Pay, Continued

having been employed ten or more years, they have the option to take from 33-1/3% to 60% payoffs, per various Memoranda of Understandings, of their accrued sick pay as additional termination pay and have the remaining accrued sick pay extend their term of service for retirement benefit purposes. Vacation pay and 33-1/3% to 60% of the sick pay of employees with terms of services equal to or exceeding ten years have been accrued in the accompanying government-wide financial statements and the accompanying proprietary fund financial statements.

Deferred Revenue

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

In the fund financial statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenues when 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.

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.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Assets, Liabilities, and Net Assets or Equity, Continued

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 are 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.

F. New Pronouncements

In 2008, the city adopted new account standards in order to conform to the following Governmental Accounting Standards Board Statement:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* – the statement addresses how governments should account for and report their costs and obligations related to post employment healthcare and other nonpension benefits.
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* – the statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

- GASB Statement No. 50, *Pensions Disclosures – An Amendment of GASB Statements No. 25 and 27* – this Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2008, are as follows:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental	Business	Total	Statement of	Total
	Activities	Activities		Net Assets	
Cash and investments	\$ 84,311,869	\$ 107,239,154	\$ 191,551,023	\$ 1,694,386	\$ 193,245,409
Restricted cash and investments	\$ 40,031,592	\$ 94,350,597	\$ 134,382,189	\$ -	\$ 134,382,189

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 Statement of Net Assets and the Fund Financial Statement Balance Sheets as “Cash and Investments.”

Deposits - At June 30, 2008, the carrying amount of the City’s deposits was \$9,562,511, of which \$2,250,214 was restricted and \$7,312,297 was unrestricted. The bank balance was \$12,188,405. Of the bank balance, \$400,000 was covered by Federal depository insurance, and \$11,788,405 was covered by collateral held in the pledging bank’s trust department. Such collateral is 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 operations.

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

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 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, LAIF invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2008, 14.72% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities.

At June 30, 2008, the City's investments and deposits were as follows:

	Cash and Investments		
	Fair Value		Total
	Unrestricted	Restricted	
Deposits	\$ 7,312,297	\$ 2,250,214	\$ 9,562,511
Medium Term Corporate Notes	6,480,225	-	6,480,225
Federal Agency Bonds	108,471,312	978,248	109,449,560
U.S. Treasury Notes	3,101,595	-	3,101,595
Local Agency Investment Fund	66,791,980	7,566,732	74,358,712
Guaranteed investment agreement	338,000	120,066,725	120,404,725
Mutual Funds	750,000	3,520,270	4,270,270
Total Investments	185,933,112	132,131,975	318,065,087
Total Cash and Investments	\$ 193,245,409	\$ 134,382,189	\$ 327,627,598

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. The City has no formal policy regarding interest rate risk.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

As of June 30, 2008, the City had the following investments and maturities:

Unrestricted:	Investments Maturities (in Years)				
	Fair Value	Less Than 1	1-2	3-4	5
Investment Type					
Medium Term Corporate Notes	6,480,225	\$ 1,997,360	\$ 1,514,805	\$ 2,968,060	\$ -
Federal Agency Bonds	108,471,312	-	2,985,515	54,233,255	51,252,542
U.S. Treasury Notes	3,101,595	1,520,385	-	1,581,210	-
Investment in State Treasurer's					
Investment Pool	66,791,980	66,791,980	-	-	-
Guaranteed investment agreement	338,000	338,000	-	-	-
Mutual Funds	750,000	750,000	-	-	-
Total	\$ 185,933,112	\$ 71,397,725	\$ 4,500,320	\$ 58,782,525	\$ 51,252,542

Restricted:	Investments Maturities (in Years)			
	Fair Value	Less Than 1	1-5	More Than 5
Investment Type				
Federal Agency Bonds	\$ 978,248	\$ -	\$ 978,248	\$ -
U.S. Treasury Notes	-	-	-	-
Investment in State Treasurer's Investment Pool	7,566,732	7,566,732	-	-
Guaranteed investment agreement	120,066,725	24,713,585	86,018,865	9,334,275
Mutual Funds	3,520,270	3,520,270	-	-
Total	\$ 132,131,975	\$ 35,800,587	\$ 86,997,113	\$ 9,334,275

Credit Risk - As of June 30, 2008, 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 Aa1 and Aaa by Moody's Investors Service. Investment in LAIF are not rated as LAIF is a State sponsored investment pool. The City policy limits the percentage invested in various instruments by category.

Custodial Credit Risk - All securities are held in the name of the City. As a result, the City had no custodial credit risk at June 30, 2008.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

3. INTERFUND ACTIVITIES

Due To Other Funds	Due From Other Funds	
	General Fund	Total
Governmental Funds:		
Nonmajor Governmental Funds	\$ 181,577	\$ 181,577
Enterprise funds:		
Nonmajor Enterprise Funds	55,737	55,737
Total	\$ 237,314	\$ 237,314

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

Interfund Payable	Interfund Receivable		Total
	Nonmajor Governmental Funds	Internal Service Funds	
Governmental Funds:			
General Fund	\$ 54,281	\$ -	\$ 54,281
General Capital Projects Fund	-	60,000	60,000
Total	\$ 54,281	\$ 60,000	\$ 114,281

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

4. ADVANCES TO AND 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.

Advances from other funds	Advances to other funds					Total
	General Fund	Nonmajor Governmental Funds	Electric Utility	Waste Water Utility	Internal Service Funds	
Governmental funds:						
General Fund	\$ -	\$ 367,990	\$ 1,567,613	\$ -	\$ -	\$ 1,935,603
General Capital Projects Fund	-	-	-	-	132,554	132,554
Funds	1,026,690	675,173	1,116,969	502,904	1,835,679	5,157,415
Enterprise funds:						
Nonmajor Enterprise Funds	3,257,347	-	-	972,064	879,743	5,109,154
Internal Service Funds	-	-	-	-	1,428,120	1,428,120
Total	\$ 4,284,037	\$ 1,043,163	\$ 2,684,582	\$ 1,474,968	\$ 4,276,096	\$ 13,762,846

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

4. ADVANCES TO AND FROM OTHER FUNDS, Continued

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 (Agency) 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 Agency's property tax increment revenues. Interest of three percent accrues on the outstanding principal balance of the loan. The outstanding balance at year end was \$566,912, which includes accrued interest.

2. The Electric Utility loaned the Parking Fund additional funds for another parking structure at the Downtown Mall. The outstanding balance at year-end was \$550,057.
3. The 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 of Redding (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 the future property tax increment. The year-end balance owed to the Parking Fund was \$675,173. Also, in recent years the General Fund has advanced funds to the Parking Fund to cover advances to the Midtown Project and operating expenditures. This balance was \$438,690 at year-end.
4. In recent years the General Fund has advanced \$8,917,054 to the Airport Fund to finance improvements and operating expenses. The Airport Fund has repaid \$6,543,054 to date. This leaves a balance of \$2,374,000 due to the General Fund.
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 \$227,500 to date. This leaves a balance of \$883,347 due to the General Fund.
6. The Electric Fund advanced the General Fund to finance a property purchase. The advance is to be repaid, including interest, at the City's average earnings on its pooled cash accounts. The balance at year-end was \$1,567,613, including accrued interest.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

4. ADVANCES TO AND FROM OTHER FUNDS, Continued

7. Under an agreement, the Wastewater Fund has made payments on the Airport Fund's sewer special assessment. The outstanding balance of the advance, in the amount of \$972,064, 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. The balance was \$502,904 at year-end.
9. The Risk Management Fund advanced funds for the construction of Enterprise Park. The funds are being repaid with interest. The long-term portion of this balance at year-end was \$132,554.
10. The Risk Management Fund advanced funds to the Airport Fund to acquire property. There was a balance of \$129,300 at year-end.
11. The Risk Management Fund advanced funds to the Convention Center Fund to finance additional improvements. At year-end the balance was \$750,443.
12. The City and the 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. The year-end balance owed was \$1,835,679.
13. In 2005 the Agency and the Redding Housing Authority each prepaid ten year's rent for use of the Civic Center. These entities have received a discounted rent from the General Fund which is being amortized over the 10 year period. The remaining balance at year-end was \$367,990.
14. The Risk Management Fund advanced funds to the Equipment Fund to finance the upgrade of the City's 800 megahertz communications system. At year-end the balance was \$1,428,120.
15. The City of Redding sold the Redevelopment Agency a parcel of land for \$588,000 that is being held for resale for future low-income housing projects. The advance is to be repaid with the sale proceeds.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. CAPITAL ASSETS

Changes in capital assets consisted of the following:

	Balance June 30, 2007	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2008
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 25,624,165	\$ 3,745,636	\$ (486,148)	\$ (4,166)	\$ 28,879,487
Construction in process	18,486,607	31,409,307	(31,378)	(5,424,030)	44,440,506
Total capital assets, not being depreciated	44,110,772	35,154,943	(517,526)	(5,428,196)	73,319,993
Capital assets, being depreciated:					
Buildings	41,032,829	26,232	-	217,747	41,276,808
Improvements other than buildings	90,106,222	650,000	-	3,834,491	94,590,713
Infrastructure	120,673,895	1,876,556	-	1,316,798	123,867,249
Automotive equipment	9,036,993	570,179	(511,614)	259,794	9,355,352
Furnishings and equipment	5,359,335	165,593	(612,392)	-	4,912,536
Assets under capital lease:					
Furnishings and equipment	289,878	-	-	-	289,878
Automotive equipment	1,126,365	381,018	-	(235,193)	1,272,190
Total capital assets, being depreciated	267,625,517	3,669,578	(1,124,006)	5,393,637	275,564,726
Accumulated depreciation:					
Buildings	(14,488,448)	(1,232,464)	-	-	(15,720,912)
Improvements other than buildings	(20,981,302)	(4,111,880)	-	-	(25,093,182)
Infrastructure	(38,680,663)	(2,594,547)	-	-	(41,275,210)
Automotive equipment	(6,258,281)	(650,539)	491,379	(87,317)	(6,504,758)
Furnishings and equipment	(4,579,848)	(243,576)	586,509	-	(4,236,915)
Assets under capital lease:					
Furnishings and equipment	(258,641)	(7,976)	-	-	(266,617)
Automotive equipment	(526,966)	(222,565)	-	62,716	(686,815)
Total accumulated depreciation	(85,774,149)	(9,063,547)	1,077,888	(24,601)	(93,784,409)
Total capital assets, being depreciated, net	181,851,368	(5,393,969)	(46,118)	5,369,036	181,780,317
Total governmental activities	\$ 225,962,140	\$ 29,760,974	\$ (563,644)	\$ (59,160)	\$ 255,100,310

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. CAPITAL ASSETS, Continued

Depreciation expense was charged to governmental activities as follows:

Program	Depreciation
General government	\$ 1,461,355
Police	509,401
Fire	370,293
Public works	3,154,708
Recreation and culture	3,503,655
Community development	64,135
Total depreciation - governmental functions	<u>\$ 9,063,547</u>

The following is a summary of capital assets for business-type activities:

	Balance June 30, 2007	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2008
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 16,742,384	\$ 796,724	\$ (83,128)	\$ (12,500)	\$ 17,443,480
Construction in progress	21,643,744	44,662,708	(6,255)	(12,394,769)	53,905,428
Total capital assets, not being depreciated	<u>38,386,128</u>	<u>45,459,432</u>	<u>(89,383)</u>	<u>(12,407,269)</u>	<u>71,348,908</u>
Capital assets, being depreciated:					
Utility plants	505,583,190	8,054,333	(606,863)	11,437,789	524,468,449
Buildings	44,174,329	-	(16,000)	454,483	44,612,812
Improvements other than buildings	34,668,443	11,175	(74,649)	430,627	35,035,596
Automotive equipment	25,323,481	4,079,077	(1,900,140)	399,561	27,901,979
Furnishings and equipment	15,264,735	70,369	(1,086,183)	(256,031)	13,992,890
Assets under capital lease:					
Furnishings and equipment	634,209	-	-	-	634,209
Total capital assets, being depreciated	<u>625,648,387</u>	<u>12,214,954</u>	<u>(3,683,835)</u>	<u>12,466,429</u>	<u>646,645,935</u>
Less accumulated depreciation for:					
Utility plants	(227,971,219)	(17,570,246)	540,782	-	(245,000,683)
Buildings	(21,680,118)	(1,243,078)	16,000	-	(22,907,196)
Improvements other than buildings	(20,332,248)	(2,088,978)	74,649	-	(22,346,577)
Automotive equipment	(15,092,125)	(1,923,211)	1,743,136	(13,319)	(15,285,519)
Furnishings and equipment	(11,891,032)	(786,621)	1,086,183	13,319	(11,578,151)
Assets under capital lease:					
Furnishings and equipment	(390,049)	(74,671)	-	-	(464,720)
Total accumulated depreciation	<u>(297,356,791)</u>	<u>(23,686,805)</u>	<u>3,460,750</u>	<u>-</u>	<u>(317,582,846)</u>
Total capital assets, being depreciated, net	<u>328,291,596</u>	<u>(11,471,851)</u>	<u>(223,085)</u>	<u>12,466,429</u>	<u>329,063,089</u>
Total business-type activities	<u>\$ 366,677,724</u>	<u>\$ 33,987,581</u>	<u>\$ (312,468)</u>	<u>\$ 59,160</u>	<u>\$ 400,411,997</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. CAPITAL ASSETS, Continued

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

	Depreciation Expense
Electric	\$ 11,472,602
Water	2,692,692
Wastewater	3,792,377
Storm drainage	1,089,561
Solid waste	1,591,524
Transportation	2,885,750
Convention center	162,299
	<hr/>
Total depreciation and amortization expense-business-type activities	\$ 23,686,805

6. POWER ACQUISITION COSTS

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

	June 30, 2008
Power Acquisition Cost	\$ 3,470,314
Less: Amortization	(2,006,078)
	<hr/>
Power Acquisition Cost, Net	\$ 1,464,236

7. SELF-INSURANCE

The City administers self-insurance programs for property, general liability, and workers' compensation. Effective May 1, 2007, the City became part of the California Public Entity Public Insurance Authority, a joint powers authority, which administers the City's self-insurance for employee health. This agreement is for a three year period ending April 30, 2010. These insurance activities are accounted for in the Risk Management 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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

7. SELF-INSURANCE, Continued

any of the insurance coverages from the prior year. Costs in the City's Risk Management Fund have not exceeded charges to the various funds of the City and its component units. Settled claims resulting from these risks have not exceeded co-insurance plan coverage or commercial insurance coverage in any of the past three fiscal years.

Employee Health Insurance The City is part of the California Public Entity Public Insurance Authority, a joint powers authority. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged estimated claims expense based on salary. The interfund charges are reported as an expense or expenditure in the at risk fund. The estimated liability for pending and incurred but not reported employee health insurance claims relating to July 1, 2007 and prior at June 30, 2008, 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 \$875,000 with an insurance company co-insuring claims from \$875,001 to \$50,000,000. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience and salary costs. The interfund charges are reported as an expense or expenditure in the fund at risk. The estimated liability for pending and incurred but not reported claims at June 30, 2008, has been included in the Risk Management Fund's claims payable amount as of June 30, 2008.

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 \$40,000,000. 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, 2008.

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 \$100,000,000. 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, 2008.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

7. SELF-INSURANCE, Continued

The following is a reconciliation of changes in claims liability amounts for fiscal years ended June 30, 2008:

<u>Worker's Compensation</u>					
For the Years Ended June 30,	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30	Claims Due Within One Year
2006	\$ 8,970,000	\$ 172,711	\$ (1,434,711)	\$ 7,708,000	\$ 2,209,763
2007	7,708,000	2,012,477	(1,499,407)	8,221,070	2,294,901
2008	8,221,070	1,897,145	(1,611,815)	8,506,400	2,346,525
<u>General Liability</u>					
For the Years Ended June 30,	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30	Claims Due Within One Year
2006	\$ 1,800,000	\$ 636,039	\$ (975,039)	\$ 1,461,000	\$ 793,797
2007	1,461,000	396,953	(787,393)	1,070,560	515,915
2008	1,070,560	747,975	(520,335)	1,298,200	609,967
<u>Health and Dental</u>					
For the Years Ended June 30,	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30	Claims Due Within One Year
2006	\$ 1,097,100	\$ 11,815,123	\$ (11,828,343)	\$ 1,083,880	\$ 1,083,880
2007	1,083,880	12,730,308	(13,342,797)	471,391	471,391 (1)
2008	471,391	15,665,397	(16,069,889)	66,899	66,899 (2)

(1) The City was self-insured through April 30, 2007 and then became part of the California Public Entity Public Insurance Authority, a joint powers authority.

(2) These claims are dental claims only.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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

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

The members' rights, property, income, and expense-sharing ratio in all Power Agency activities is as follows: Modesto Irrigation District - 50%; City of Santa Clara - 35%; and City of Redding - 15%.

The activities of M-S-R consist of a 28.8% ownership interest in a 498-megawatt coal-fire electricity generating plant located in New Mexico (the "San Juan" plant).), ownership of capacity on the Southwest Transmission Project, and a series of power purchase agreements with PPM Energy Inc. 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 Power 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.

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

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

8. JOINT VENTURES, Continued

Summary audited financial information of the M-S-R Public Power Agency as of and for the year ended December 31, 2007, is as follows (in thousands):

Total Assets	\$ 256,287	Total revenues	\$ 123,020
	<u>256,287</u>	Total expenses	<u>(104,070)</u>
Total liabilities	\$ 446,547	Net income	18,950
Total members' deficit	<u>(190,260)</u>	Members' deficit, January 1, 2007	(209,210)
Total liabilities & members' deficit	<u>\$ 256,287</u>	Member distributions	<u>-</u>
		Members' deficit, December 31, 2007	<u>\$ (190,260)</u>

The debt of the Power Agency is comprised entirely of revenue bonds totaling \$446.5 million. These bonds are secured by a pledge and assignment of the net electric revenues of the Power Agency and are supported by take-and-pay commitments of the participants.

The City utilizes the equity method of accounting for M-S-R Public Power Agency. The City has invested \$17.4 million in this joint venture. However, operating losses have caused the City to have a deficit equity in the Power Agency of \$28.54 million at December 31, 2007. 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, 2008, 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. In 2008, TANC purchased an additional 121 megawatts (MW) of COTP transfer capability from the City of Vernon. TANC's new ownership share of COTP transfer capability is 1367 MW and TANC pays 87% of the operating costs. The City's share of the project is 115 MW.

Also TANC receives from PG&E 300 MW of bi-directional transmission service over PG&E's system between the Tesla and Midway Substations. The City's share of this South of Tesla agreement is 10.33% at June 30, 2008.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

8. JOINT VENTURES, Continued

Summarized financial information of TANC as of and for the year ended June 30, 2008 is as follows (in thousands):

Total assets	\$ 483,122
Total liabilities	\$ 476,762
Total net assets	6,360
Total liabilities and net assets	\$ 483,122
Net increase (decrease) in net assets	\$ 3,321

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 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:

	Total Debt	City of Redding's Participating Share	City of Redding's Continget liability
M-S-R	\$ 412,875,000	15.00%	\$ 61,931,250
TANC	434,236,819	8.28%	35,954,809
Total	\$ 847,111,819		\$ 97,886,059

In addition, the City would be, under certain conditions, liable to pay a portion of costs associated with the operations of the entities. Under certain circumstances, such as default or bankruptcy of the other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of those participants and seek reimbursement from those participants.

9. SHORT-TERM DEBT ACTIVITY

On July 2, 2007 the City issued a Tax and Revenue Anticipation Note to cover expected cash flow needs. Short-term debt activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax and Revenue Anticipation Note	\$ -	\$ 5,000,000	\$ 5,000,000	\$ -

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT

The following is a summary of long-term obligations of the City at June 30, 2008.

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due within One Year
Governmental Activities:					
Long-term debt:					
Capital lease payable	\$ 714,966	\$ 400,000	\$ 246,926	\$ 868,040	\$ 309,532
Revenue bonds	52,687,544	-	2,427,264	50,260,280	2,422,264
Redevelopment bonds	53,300,000	-	1,880,000	51,420,000	1,945,000
Special assessment debt with governmental commitment	5,320,953	-	927,968	4,392,985	969,061
State loans	51,877	-	17,683	34,194	15,197
Long-term debt before unamortized amounts	112,075,340	400,000	5,499,841	106,975,499	5,661,054
Unamortized loss on defeasance of debt	(1,152,696)	-	(69,429)	(1,083,267)	(69,428)
Bond premiums	861,386	-	75,433	785,953	75,435
Bond discount	(397,392)	-	(18,272)	(379,120)	(18,271)
Total governmental activities long-term debt	111,386,638	400,000	5,487,573	106,299,065	5,648,790
Business-type activities:					
Long-term debt:					
State loans payable	16,257,885	7,089,848	785,920	22,561,813	1,022,049
Revenue bonds	37,057,456	-	2,727,736	34,329,720	2,797,736
Certificates of participation	121,355,000	157,965,000	86,380,000	192,940,000	4,655,000
Capital leases	374,583	-	57,447	317,136	60,777
Special assessment debt	108,047	-	34,032	74,015	35,939
Long-term debt before unamortized amounts	175,152,971	165,054,848	89,985,135	250,222,684	8,571,501
Unamortized deferred loss on defeasance of debt	(11,580,771)	(18,008,094)	(8,236,431)	(21,352,434)	(1,163,642)
Bond premium	2,719,345	5,163,470	379,028	7,503,787	361,893
Total business-type activities long-term debt	166,291,545	152,210,224	82,127,732	236,374,037	7,769,752
Total long-term debt	\$ 277,678,183	\$ 152,610,224	\$ 87,615,305	\$ 342,673,102	\$ 13,418,542

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

	Government Activities	Business-Type Activities
<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. Payable from tax increment of the Canby-Hilltop-Cypress Redevelopment Area.	\$ 4,050,000	\$ -
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. Payable from tax increment of the Canby-Hilltop-Cypress Redevelopment Area.	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. Payable from tax increment of the Canby-Hilltop-Cypress Redevelopment Area.	24,645,000	-
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. Payable from tax increment of the Market Street Redevelopment Area.	4,470,000	-
Tax Allocation Bonds, Series 2006:		
Interest from 3.83% to 5.00%, payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$245,000 to \$920,000; final payment September 1, 2036. Original issue \$15,000,000. Proceeds from the Series 2006 Bonds are being used to finance various capital improvements and infrastructure within the SHASTECC Redevelopment Area. Payable from tax increment of the SHASTECC Redevelopment Area.	14,755,000	-
Total Redevelopment Agency Bonds outstanding	\$ 51,420,000	\$ -

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

	Government Activities	Business-Type Activities
<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, 2019. Original issues totaled \$22,778,150. Payable from annual installments of unpaid special assessments on certain parcels of property within each assessment district.	\$ 4,392,985	\$ -
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. Payable from annual installments of unpaid special assessments on certain parcels of property within each assessment district.	-	74,015
Total 1915 Act Assessment District Bonds	\$ 4,392,985	\$ 74,015

Revenue Bonds:

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. Payable from the operating revenues of the Water Utility Fund.

\$	-	\$	11,270,000
----	---	----	------------

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 ranging from \$1,190,000 to \$1,885,000; final payment due December 1, 2018. Payable from the operating revenues of the Wastewater Utility Fund.

-	17,375,000
---	------------

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. Payable from the operating revenues of the Redding Aquatic Center, Sports Complex, Shascom, Convention Center, and Municipal Airport Funds.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

	Government Activities	Business-Type Activities
<u>Revenue Bonds, Continued</u>		
2003 Lease Revenue Bond, Series A and Series B (Continued):		
<u>Series A, Serial/Term Bonds:</u>		
Serial Bonds 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. Term Bonds, (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.	\$ 4,505,280	\$ 954,720
<u>Series B, Serial/Term Bonds:</u>		
Serial Bonds 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. Term Bonds, 5.875% interest, maturity payable on March 1, 2013, in the amount of \$2,280,000.	2,550,000	-
2004 Lease Revenue Bonds:		
Issued to finance the purchase and renovation of certain public safety and recreation facilities of the City and payable from General Fund revenues.		
<u>Series A, Serial/Term Bonds:</u>		
Serial Bonds interest from 2.0% to 5.0%, payable on March 1 and September 1, maturities payable annually on March 1 from \$250,000 to \$1,430,000; final payment on March 1, 2023. Original issue: \$17,620,000. Term Bonds bear interest at (1) 4.25% maturity payable March 1, 2018 in the amount of \$865,000; (2) bear interest at 5.0%, maturity payable on March 1, 2020 in the amount of \$1,230,000.	8,530,000	4,730,000
<u>Series B, Serial/Term Bonds:</u>		
Serial Bonds interest from 3.0% to 5.0%, payable on March 1 and September 1; maturities payable on March 1 from \$430,000 to \$1,305,000; final payment on March 1, 2020. Original issue: \$16,970,000. Term Bonds bear interest at (1) 5.00% maturity payable on March 1, 2022 in the amount of \$1,090,000; (2) bear interest at 5.0% maturity payable on March 1, 2024 in the amount of \$1,200,000; (3) bear interest at 4.625% maturity payable on March 1, 2026 in the amount of \$1,320,000.	14,045,000	-

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

	Government Activities	Business-Type Activities
<u>Revenue Bonds, Continued</u>		
2007 Lease Revenue Bonds:		
Serial Bonds interest from 3.45% to 5.00%, payable on March 1 and September 1; maturities payable on March 1 in annual redemptions from \$370,000 to \$1,220,000; final payment on March 1, 2037. Original issue: \$21,415,000. Term Bonds bear interest at (1) 4.00% maturity payable on March 1, 2023 in the amount of \$1,580,000; (2) bear interest at 4.25% maturity payable on March 1, 2032 in the amount of \$2,385,000; (3) bear interest at 4.25% maturity payable on March 1, 2037 in the amount of \$2,935,000.	\$ 20,630,000	\$ -
Total revenue bonds	\$ 50,260,280	\$ 34,329,720
State Loans:		
1984 California Airport Loan (Municipal) Original loan amount was \$88,705. Annual installments of \$3,548 plus interest at 9.2499% payable on January 9, maturity payable on January 9, 2010.	\$	\$ 7,096
1986 California Airport Loan (Municipal) Original loan amount was \$33,640. Annual installments of \$1,346 plus interest at 7.4258% payable on January 31, maturity payable on January 31, 2011.	-	4,037
1997 California Airport Loan (Benton) Original loan amount was \$235,000. Annual installments ranging from \$10,740 to \$27,100, including interest at 5.4804% payable August 20, maturity payable on August 20, 2010.	-	54,160
1998 California Airport Loan (Municipal) Original loan amount was \$83,000. Annual installments ranging from \$3,793 to \$9,571, including interest at 4.9874% payable August 4, maturity payable on August 4, 2010.	-	28,109
1999 California Airport Loan (Municipal) Original loan amount was \$80,746. Annual installments ranging from \$43,690 to \$9,311, including interest at 4.78% payable August 13, maturity payable on August 13, 2012.	-	35,522

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

	Government Activities	Business-Type Activities
State Loans (Continued):		
2007 California Airport Loan (Benton)		
Original loan amount was \$842,000. Annual installments are \$75,912, including interest at 5.219% payable June 10, maturity payable on June 10, 2025.	\$ -	\$ 842,000
State Water Resources Control Board Interceptor Loan		
Westside Interceptor		
The total loan amount was for \$15,344,784. In 2002, \$4,731,445 was drawn and in 2003 the remaining balance of \$10,613,339 was drawn to construct the Westside Wastewater interceptor. An additional amount of \$1,679,260 was withdrawn in 2007. Annual installments ranging from \$610,061 to \$1,086,907 plus interest payable February 20, maturity payable on February 20, 2023.	-	13,706,275
Clear Creek Interceptor (Phase I)		
The total loan amount was for \$4,378,396. In 2007, \$1,636,768 was drawn and in 2008 the remaining balance of \$2,741,6628 was drawn to construct Phase I of the Clear Creek Wastewater Interceptor. Annual installments of \$272,605, including interest payable September 30, maturity payable on September 30, 2027.	-	4,378,396
Clear Creek Interceptor (Phase II)		
The total of this loan is unknown at this time. In 2008, withdrawals were taken in the amount of \$3,506,218 to construct Phase II of the Clear Creek Wastewater Interceptor. Withdrawals will continue to take place as the project progresses. When the project is complete, any accrued interest will roll up into the principal amount to obtain the original loan amount. Until the project is completed, no principal or interest payments are due.	-	3,506,218
Police and Fire - LED		
Original loan amount was \$163,068. Biannual installments of \$10,144, including interest at 5.4% payable December 22 and June 22, maturity payable on June 22, 2013.	34,194	-
Total State Loans	\$ 34,194	\$ 22,561,813

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

	Government Activities	Business-Type Activities
<u>Capital Leases Payable</u>		
The capital leases payable from governmental activities were \$868,045 for fiscal year ended June 30, 2008.	\$ 868,040	\$ -
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, 2008, the capital leases in the enterprise funds were \$317,136.		317,136
Total Capital Leases Payable	\$ 868,040	\$ 317,136
<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 payment is \$8,433,923. Original issue of \$110,055,000. Payable from the operating revenues of the Electric Utility.	\$ -	\$ 4,275,000
2005 Electric System Revenue Certificates of Participation -Series 2005:		
\$30,700,000 Bonds due in annual principal installments of \$1,755,000 to \$3,105,000; starting June 30, 2023. Annual interest installments of \$155,250 to \$1,507,475, payable on June 30. Bonds are payable through June 30, 2035, interest accrues at 4.5% to 5%. Original issue of \$30,700,000. Payable from the operating revenues of the Electric Utility.	-	30,700,000
2008 Electric System Revenue Certificates of Participation -Series 2008:		
\$157,965,000 Bonds due in annual principal installments of \$380,000 to \$10,790,000 payable June 30 and semi-annual interest installments of \$269,750 to \$3,813,557, payable on December 1. Bonds payable through June 30, 2030, interest accrues at 3.0% to 5%. Original issue \$157,965,000. Payable from the operating revenues of the Electric Utility.		157,965,000
Total Certificates of Participation	\$ -	\$ 192,940,000

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

	<u>Government Activities</u>	<u>Business-Type Activities</u>
Summary of Outstanding Debt:		
Total Outstanding Debt	\$ 106,975,499	\$ 250,222,684
Add: Bond Premiums	785,953	7,503,787
Less: Bond Discounts	(379,120)	-
Less: Unamortized deferred loss on defeased debt	<u>(1,083,267)</u>	<u>(21,352,434)</u>
Total Outstanding Debt, net of premiums, discounts, unamortized deferred loss	<u>\$ 106,299,065</u>	<u>\$ 236,374,037</u>

Current year amortization expense for bond premiums, discounts and deferred loss on defeased debt was \$ 12,268 for the governmental activities and \$ 68,383 for the business-type activities.

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

	<u>Original Amount</u>	<u>2007-2008 Additions</u>	<u>Total Amortization</u>	<u>Net</u>
Governmental Activities	\$ 2,576,507	\$ 5,650	\$ 548,399	\$ 2,033,758
Business-Type Activities	<u>839,358</u>	<u>264,737</u>	<u>282,078</u>	<u>822,017</u>
	<u>\$ 3,415,865</u>	<u>\$ 270,387</u>	<u>\$ 830,477</u>	<u>\$ 2,855,775</u>

Current year amortization expense recorded in the governmental activities was \$129,097 and in the business-type activities was \$55,659.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. LONG-TERM DEBT, Continued

The annual requirements to amortize all debt outstanding as of June 30, 2008, excluding obligations associated with compensated absences and housing set aside, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Government-Wide	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 5,661,054.00	\$ 5,140,634.00	\$ 8,571,501.00	\$ 3,549,477.00	\$ 14,232,555.00	\$ 8,690,111.00
2010	5,709,882	4,906,179	9,132,173	3,244,086	14,842,055	8,150,265
2011	5,764,609	4,684,443	9,357,473	3,104,879	15,122,082	7,789,322
2012	5,429,551	4,455,283	9,556,269	2,959,657	14,985,820	7,414,940
2013-2017	26,997,567	18,546,578	50,066,192	12,663,563	77,063,759	31,210,141
2018-2022	28,549,127	12,678,638	54,441,497	9,472,807	82,990,624	22,151,445
2023-2027	14,123,709	7,413,052	56,616,275	6,912,343	70,739,984	14,325,395
2028-2032	7,250,000	6,033,313	43,596,304	4,117,118	50,846,304	10,150,431
2033-2035	7,490,000	5,127,331	8,885,000	902,750	16,375,000	6,030,081
Total	\$ 106,975,499	\$ 68,985,451	\$ 250,222,684	\$ 46,926,680	\$ 357,198,183	\$ 115,912,131

11. PLEDGED REVENUE

The City of Redding has pledged a portion of future tax increment revenue in the Canby-Hilltop-Cypress Project Area to repay \$6 million and \$3.5 million in tax allocation bonds issued in December of 2001. Proceeds from the \$9.5 million bonds provided funding for housing projects. The bonds are payable solely from housing set aside tax increment revenues and are payable through 2015 and 2021 respectively. Annual principal and interest payments on the bonds are expected to require less than 39 percent of tax increment revenue. The total principal and interest remaining to be paid on the bonds is \$10,725,320. Principal and interest paid for the current year and total tax increment revenue were \$772,695 and \$2,016,346, respectively.

The City has pledged a portion of future tax increment revenue in the Canby-Hilltop-Cypress Project Area to repay \$28.935 million in tax allocation bonds issued in August of 2003. Proceeds from the \$28.935 million bonds provided funding for various infrastructure projects. The bonds are payable solely from tax increment revenues and are payable through 2023. Annual principal and interest payments on the bonds are expected to require less than 28 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$34,933,538. Principal and interest paid for the current year and total tax increment revenue were \$2,213,983 and \$8,065,385, respectively.

The City has pledged a portion of future tax increment revenue in the Market Street Project Area to repay \$5.185 million in tax allocation bonds issued in August of 2003. Proceeds from the \$5.185 million bonds provided funding for various infrastructure projects. The bonds are payable solely from tax increment revenues and are payable through 2023. Annual principal and interest payments on the bonds are expected to require less than 14 percent of tax increment revenue. The total principal and interest remaining to be paid on the bonds is \$6,610,498. Principal and interest paid for the current year and total tax increment revenue were \$418,189 and \$3,165,186, respectively.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

11. PLEDGED REVENUE, Continued

The City has pledged a portion of future tax increment revenue in the SHASTECC Project Area to repay \$15 million in tax allocation bonds issued in August of 2006. Proceeds from the \$15 million bonds provided funding for various infrastructure projects including the Stillwater Industrial Park. The bonds are payable solely from tax increment revenues and are payable through 2036. Annual principal and interest payments on the bonds are expected to require less than 52 percent of tax increment revenue. The total principal and interest remaining to be paid on the bonds is \$27,397,063. Principal and interest paid for the current year and total tax increment revenue were \$944,821 and \$1,833,627, respectively.

The City has pledged future Water Utility customer revenues, net of operating expenses, to repay \$15,360,000 in water system revenue bonds issued in March 2003. Proceeds from the bonds were used to refund the Water Revenue Bonds, 1993 Series A, refund a portion of the City's Solid Waste and Corporation Yard Revenue Bonds, 1993 Series A, to prepay the 1993 Water Installment Sale Agreement dated October 1, 1993, prepay a 1977 loan to the City by the United States Department of Commerce, fund a debt service reserve account for the bonds and pay certain costs of issuance on the bonds. The bonds are payable solely from Water Utility customer net revenues and are payable through 2023. Annual principal and interest payments on the bonds are expected to require less than 16% of net revenues. The total principal and interest remaining to be paid on the bonds is \$15,564,117. Principal and interest paid for the current year and net revenues available for debt service coverage were \$1,228,088 and \$8,093,496, respectively.

The City has pledged future Wastewater Utility customer revenues, net of operating expenses, to repay \$23,575,000 in wastewater system revenue bonds issued in October 2002. Proceeds from the bonds were used to refund the Wastewater Revenue Refunding Bonds, 1992 Series A, to prepay the 1993 Wastewater Installment Sale Agreement dated October 1, 1993, refund a portion of the City's Solid Waste and Corporation Yard Revenue Bonds, 1993, Series A and pay certain costs of issuance on the bonds. The bonds are payable solely from Wastewater Utility customer net revenues and are payable through 2018. Annual principal and interest payments on the bonds are expected to require less than 15% of net revenues. The total principal and interest remaining to be paid on the bonds is \$19,539,940. Principal and interest paid for the current year and net revenues available for debt service coverage were \$1,937,156 and \$13,245,881, respectively.

The City pledged future Wastewater Utility customer revenues, net of operating expenses, to repay \$17,024,044 to the State Revolving Fund (SRF) of the State Water Resources Control Board (SWRCB). The loan proceeds were used to reimburse costs of the Westside Interceptor project. The final draw on the loan was received in September of 2006, after payments had already been initiated, in February of 2004. The loan is payable solely from Wastewater Utility customer net revenues and is payable through 2023. Annual principal and interest payments on the loan are expected to require less than 9% of net revenues. The total principal and interest remaining to be paid on the loan is \$16,727,505. Principal and interest paid for the current year and net revenues available for debt service coverage were \$1,115,167 and \$13,245,881, respectively.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

11. PLEDGED REVENUE, Continued

The City pledged future Wastewater Utility customer revenues, net of operating expenses, to repay \$4,378,396 to the State Revolving Fund (SRF) of the State Water Resources Control Board (SWRCB). The loan proceeds were used to reimburse costs of Phase I of the Clear Creek Wastewater Treatment Plant project. The final draw on the loan had not been received as of June 30, 2008. The loan is payable solely from Wastewater Utility customer net revenues and is payable through 2027. Annual principal and interest payments on the loan are expected to require just over 2% of net revenues. The total principal and interest remaining to be paid on the loan is \$5,452,100. Principal and interest paid for the current year and net revenues available for debt service coverage were \$0 and \$13,245,881, respectively. Payments began after the fiscal year-end in the amount of \$272,605. Payments are expected to be adjusted for subsequent disbursements.

The City pledged future Wastewater Utility customer revenues, net of operating expenses, to repay \$3,486,037 to the State Revolving Fund (SRF) of the State Water Resources Control Board (SWRCB). The loan proceeds were used to reimburse costs of Phase II of the Clear Creek Wastewater Treatment Plant project. The final draw on the loan had not been received as of June 30, 2008. The loan is payable solely from Wastewater Utility customer net revenues and is payable through 2028. Annual principal and interest payments on the loan are currently projected to require just under 2% of net revenues. The total principal and interest remaining to be paid on the loan is \$4,758,560. Principal and interest paid for the current year and net revenues available for debt service coverage were \$0 and \$13,245,881, respectively. Payments are scheduled to begin during the 2009-10 fiscal year in the amount of \$237,928. Required payments are expected to increase as a result of subsequent disbursements.

The City pledged future Electric Utility customer revenues, net of operating expenses plus available reserves, to repay \$30,700,000 in Electric System Revenue Certificates of Participation (COPs) issued in November 2005. Proceeds were used to finance the costs of acquisition and construction of infrastructure for the Electric Utility and to pay costs of issuance for the COPs. The bonds are payable from Electric Utility customer net revenues and available reserves and are payable through 2035. Annual principal and interest payments on the loan are expected to require just over 11% of net revenues, or just under 3% of net revenues plus reserves. The total principal and interest remaining to be paid on the bonds is \$63,520,050. Principal and interest paid for the current year, net revenues available for debt service coverage, and available reserves were \$1,507,475, \$13,448,899 and \$38,420,887, respectively.

The City pledged future Electric Utility customer revenues, net of operating expenses plus available reserves, to repay \$157,965,000 in Electric System Revenue Certificates of Participation (COPs) issued in May 2008. Proceeds were used to finance the costs of Unit No. 6 (a 45 megawatt gas powered generator at the Redding Power Plant); refund a portion of the City's outstanding Electric System Revenue Certificates of Participation (COPs), 2002 Series A, C-1 and C-2; to make a payment associated with terminating the interest rate exchange agreement related to the 2002 COPs; and to pay costs of issuance for the COPs. The bonds are payable from Electric Utility customer net revenues and available reserves and are payable through 2030. Annual principal and interest payments on the loan

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

11. PLEDGED REVENUE, Continued

are currently expected to require just under 60% of net revenues, or just under 16% of net revenues plus reserves in 2008-09. The total principal and interest remaining to be paid on the bonds is \$260,782,996. Principal and interest paid for the current year, net revenues available for debt service coverage, and available reserves were \$0, \$13,448,899 and \$38,420,887, respectively. Principal and interest for 2008-09 will be \$8,007,114.

12. COMPENSATED ABSENCES

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, Solid Waste Utility, Storm Drainage Utility, Redding Area Bus Authority, Information Systems, General Support Services, and Risk Management.

The City's changes in compensated absences for the year ended June 30, 2008 were as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due within One Year
Governmental Activities	\$ 10,237,687	\$ 6,464,504	\$ 5,480,944	\$ 11,221,247	\$ 3,803,148
Business-type activities	5,885,691	3,120,969	3,194,251	5,812,409	1,783,589
Total compensated absences	\$ 16,123,377	\$ 9,585,473	\$ 8,675,195	\$ 17,033,656	\$ 5,586,737

13. LEASES

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

Fiscal Year Ended June 30,	Capital Leases
2009	\$ 423,903
2010	273,808
2011	214,890
2012	180,561
2013	156,950
2014-2018	82,226
Total minimum lease payments	1,332,338
Less amount representing interest	(147,162)
Present value of minimum lease payments	\$ 1,185,176

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

13. LEASES, Continued

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

General	\$	960,140
Convention Center		283,661
Airports		35,284
Electric Utility		53,253
Total debt service	\$	<u>1,332,338</u>

Assets acquired with the above leases were as follows:

	Government Activities	Business Activities	Total
Asset:			
Furnishings and equipment	\$ 289,878	\$ 634,209	\$ 924,087
Automotive equipment	1,272,190	-	1,272,190
Less: Accumulated depreciation	(953,432)	(464,720)	(1,418,152)
Net capital assets	<u>\$ 608,636</u>	<u>\$ 169,489</u>	<u>\$ 778,125</u>

14. INDIVIDUAL FUND DISCLOSURES

Parking Special Revenue Fund - The deficit of \$225,275 in this fund arose from both the General Fund advance to the Parking Fund and the operational loss over the past ten years. 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 of \$1,241,046 in this fund 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. In addition, the deficit also increased due to the advances received in prior years from the Electric Utility Enterprise Fund to construct the bi-level and underground parking structures in downtown Redding.

Convention Center Enterprise Fund - The deficit of \$670,591 in this fund is the result of expenses exceeding revenue. The City has adopted a 5 year plan to provide for a positive net income to the fund.

Municipal Utilities Support - The deficit of \$202,095 in this fund arose as a result of transferring in the accrued compensated balances for existing employees.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

15. RETIREMENT PLANS

Information for the year ended June 30, 2008, has been used in the following note when possible. However, information provided by the California Public Employees Retirement System (CalPERS) for the year ended June 30, 2008 was not available. Therefore, PERS information has been prepared using information for the year ended June 30, 2007. Public Agency Retirement Services (PARS) has been prepared using information for the year ended June 30, 2006.

Plan Description

The City's defined benefit pension plans, Miscellaneous Plan and Safety Plan, 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 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 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, Lincoln Plaza -400 Q Street, Sacramento, California 95814.

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

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 2007/08 was 13.550%. 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 2007/08 was 28.291%. 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 2007/08 ranged from 5.79% to 11.10%.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

15. RETIREMENT PLANS, Continued

Annual Pension Cost

For fiscal year 2007/08 the City's annual pension cost was \$8,348,702 for the Miscellaneous Plan and \$5,808,690 for the Safety Plan. The City made all of the employer contributions to the retirement plans in July of 2007. If contributions had been made on a bi-weekly basis, the pension cost would have been \$8,575,221 and \$6,320,140 for the Miscellaneous Plan and the Safety Plan respectively. The City agreed with CalPERS to make these contributions at the beginning of the year resulting in savings of \$226,519 for Miscellaneous Plan and \$511,450 for the Safety Plan. The required contributions for fiscal year 2007/08 were determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. For fiscal year 2007/08 the City of Redding's annual pension cost to PARS was \$2,576,084. 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 13.15% 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 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 a rolling 30 year period. 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.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

15. RETIREMENT PLANS, Continued

THREE-YEAR TREND INFORMATION FOR PERS
Miscellaneous Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/06	\$ 7,344,708	100%	\$ -
06/30/07	7,639,290	100%	-
06/30/08	8,348,702	100%	-

CALIFORNIA PUBLIC EMPLOYEE RETIREMENT SYSTEM SCHEDULE OF FINDING
PROGRESS
Miscellaneous Plan

<u>Actuarial Valuation Date</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Total Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability as a Percentage of Covered Payroll</u>
6/30/05	\$ 191,249,929	\$ 161,319,439	\$ 29,930,490	84.35 %	\$ 37,748,891	79.29%
6/30/06	211,705,021	178,219,972	33,485,049	84.18 %	39,027,236	85.80%
6/30/07	229,332,353	197,145,240	32,187,113	85.96 %	41,097,908	78.32%

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

15. RETIREMENT PLANS, Continued

THREE-YEAR TREND INFORMATION FOR PERS
Safety Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/06	\$ 6,079,197	100%	\$ -
06/30/07	5,475,330	100%	-
06/30/08	5,808,690	100%	-

CALIFORNIA PUBLIC EMPLOYEE RETIREMENT SYSTEM SCHEDULE OF FINDING
PROGRESS
Safety Plan

<u>Actuarial Valuation Date</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Total Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability as a Percentage of Covered Payroll</u>
6/30/05	\$ 130,280,103	\$ 103,381,992	\$ 26,898,111	79.35%	\$ 14,277,944	188.39%
6/30/06	142,819,074	113,551,726	29,267,348	79.51%	14,973,900	195.46%
6/30/07	154,756,055	124,027,520	30,728,535	80.14%	15,730,694	195.34%

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

15. RETIREMENT PLANS, Continued

THREE-YEAR TREND INFORMATION FOR PARS
Miscellaneous Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/06	\$ 2,503,813	100%	\$ -
06/30/07	2,576,084	100%	-
06/30/07	3,294,956	100%	-

PUBLIC AGENCY RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS
Miscellaneous Plan

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Total Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Liability as a Percentage of Covered Payroll
1/1/05	\$ 17,267,376	\$ -	\$ 17,276,376	0.00%	\$ 34,315,284	50.35%
1/1/07	25,444,243	4,622,526	20,821,717	18.17%	36,645,443	56.82%

16. POSTEMPLOYMENT HEALTHCARE PLAN

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

Funding Policy. The contribution requirements of plan members are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For fiscal year 2008, the City did not prefund any portion of the plan. The cost of current premiums, financed on a pay-as-you-go basis, is shared equally between the City and the retirees. The full cost of current premiums for the fiscal year ended June 30, 2008 was \$4,198,114 of which the retirees contributed \$1,960,064.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

16. POSTEMPLOYMENT HEALTHCARE PLAN, Continued

Annual OPEB Cost and Net OPEB Obligation. The City’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table show the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the City of Redding PARS Post-Retirement Health Care Plan:

Annual required contribution	\$ 7,857,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>7,857,000</u>
Contributions made	<u>(1,960,064)</u>
Increase in net OPEB obligation	5,896,936
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ 5,896,936</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

<u>For the Years</u> <u>Ended June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2008	\$ 7,857,000	24.9%	\$ 5,896,936

Funded Status and Funding Progress. As of January 1, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$94.7 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$94.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$48.7 million, and the ratio of the UAAL to the covered payroll was 194%.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

16. POSTEMPLOYMENT HEALTHCARE PLAN, Continued

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

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

In the January 1, 2007, actuarial valuation, the Entry Age Normal cost funding method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 4.75 percent after ten years. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2008 was twenty nine years.

17. POSTCLOSURE CARE COSTS

State and federal laws and regulations required the City of Redding (City) to place a final cover on Benton Landfill, which closed in 1990. The City has completed the final cover and other closure items required. The City is also required under state and federal laws and regulations to perform certain maintenance and monitoring functions at the landfill site for the next 18 years. The remaining estimated liability for landfill postclosure care cost was \$1,801,755 as of June 30, 2007. Expenses of \$99,542 were incurred during the 2007-08 fiscal year leaving the estimated remaining liability for landfill postclosure care costs at \$1,702,213 as of June 30, 2008. 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, 2008. There is no requirement to currently fund this

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

17. POSTCLOSURE CARE COSTS, Continued

amount. The cost for postclosure care at the landfill and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) will be covered by charges to Solid Waste rate payers.

Changes in postclosure care costs for the year ended June 30, 2008 were as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due within</u> <u>One Year</u>
Postclosure care liability	\$ 1,801,755	\$ -	\$ 99,542	\$ 1,702,213	\$ 100,000

18. COMMITMENTS AND CONTINGENCIES

- A. A number of construction contracts existed at June 30, 2008. The unexpended authorized amount of \$99,562,305 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. REU has been taking deliveries from America Electric Power (AEP) since 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 December 31, 2010. 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 the City when compared to today's market.
- D. REU is contractually obligated to purchase 7,500 Dth/dy of natural gas 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 natural gas 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 \$4 million per year.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

18. COMMITMENTS AND CONTINGENCIES, Continued

E. REU is contractually committed to purchase natural gas in the 2009 through 2017 time period. The following table provides on a yearly basis the approximate purchase dollar amount and what percentage these purchases cover of the minimum fuel requirements for the expected operating level of the Redding Power facility.

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Purchase Cost \$ (million)	\$9.9	\$11.4	\$13.2	\$13.2	\$13.2	\$14.5	\$14.7	\$8.7	\$8.7
% of Expected Yearly Minimum Operating Requirement	100%	100%	100%	100%	100%	100%	100%	100%	100%

F. REU entered into a natural gas storage contract with Wild Goose Gas Storage from April 1, 2007 through March 31, 2010, at an annual cost of approximately \$800,000. REU has the right to store up to 400,000 Dth at one time.

G. REU has contractually committed to purchase power from M-S-R Public Power Agency on an as-delivered basis from a Pacific Northwest wind project. Deliveries began October 1, 2006. REU's share of the output from the wind project is approximately 201,000 MWH per year. The twenty-year contract has a \$13,000,000 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.

H. In addition to the eligible renewable wind based energy covered in the previous item, REU has contractually committed to purchase eligible renewable power from RLC Industries. This purchase is for 8 MW of biomass-generated energy. Delivery is expected to commence in early to mid 2009, and provide approximately 60,000 MWH per year. The 15 year contract has an expected \$4,000,000 annual expense.

I. Work has begun on an additional unit at Redding Power, Unit No. 6. In June 2007, Redding City Council authorized proceeding with the Unit 6 Project. Unit 6 will be a twin to the existing combined-cycle generation Unit No. 5. The new 45 MW rated unit is scheduled to come on line in July 2010 at a cost of approximately \$69 million.

Conduit Debt

In 2001 Redding Redevelopment Agency (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 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, 2008, the total outstanding principal on the bonds was \$4,850,000.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

18. COMMITMENTS AND CONTINGENCIES, Continued

West Central Landfill

In 1990 the City entered into an agreement with Shasta County to operate West Central Landfill (the landfill). Under the agreement, the City is obligated to operate the landfill at least until there are no bonds or contracts outstanding. The current 1997 refunding bonds expire July 1, 2010. The City records the activity and net assets of the operations portion of the landfill in its Solid Waste enterprise fund. Net assets associated with the landfill, recorded on the City's books at June 30, 2008 were \$5,410,741.

19. TRANSFERS

Transfers Out	Transfers In					Total
	General Fund	General Capital Projects	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
Governmental Funds:						
Major Funds:						
General Fund	\$ -	\$ 170,000	\$ 679,730	\$ 2,418,015	\$ -	\$ 3,267,745
General Capital Projects Fund	687,845	-	-	-	-	687,845
Nonmajor Governmental Funds	4,047,597	-	664,321	-	-	4,711,918
Enterprise Funds:						
Major Enterprise Funds:						
Electric	4,932,060	-	-	-	-	4,932,060
Nonmajor Enterprise Funds	170,200	-	-	-	-	170,200
Internal Service Funds	-	-	-	-	34,422	34,422
Total	\$ 9,837,702	\$ 170,000	\$ 1,344,051	\$ 2,418,015	\$ 34,422	\$ 13,804,190

The following operating transfers were made during the fiscal year ended June 30, 2008:
(The reasons for these transfers are set forth below)

- The General Fund transferred one half of the transient occupancy tax to the Convention Center per City policy.
- The General Fund transferred funds to the Library for operations.
- The General Fund transferred funds to the General Capital Projects Fund for capital projects.
- The Airports, Electric and Convention Center Enterprise Funds transfer funds to the General Fund in lieu of property tax.
- Within the Nonmajor Governmental Funds, gas taxes and other special revenues are transferred to the General Fund to pay for related expenditures. In addition, funds were transferred from the capital development to cover portions of qualified projects. There were also transfers between Nonmajor Governmental Funds. These included moving excess between RRA debt service and RRA capital projects.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

20. 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 GASB 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.

In accordance with legal requirements pertaining to the sale of 1915 Act Assessment Districts Bonds, a reserve fund was 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, 2008, was \$9,877.

21. REFUNDING OF DEBT

On May 15, 2008 the City of Redding Electric System (Electric) issued \$157,965,000 of Revenue Certificates of Participation with an all-in true interest cost of 5.229 percent. \$78.9 million of the issue along with \$3.7 million from the refunded bonds debt service reserve fund were used to refund a portion of the 2002 Series A and 2002 Series C Revenue Certificates of Participation Bonds.

The Electric 2002 Series A refund was undertaken to reduce interest costs. The cash flow requirements on the 2002 Series A refunded bonds prior to the current refunding were \$18.4 million through 2017. The cash flow requirements on the Electric 2008 portion of bonds related to refunding of the 2002 Series A Bonds refunded are \$17.6 million. The refunding of the 2002 Series A Bonds resulted in an economic gain (difference between the present value of the debt serviced payments on the old and new debt) of \$937,726.

The Electric 2002 Series C Bonds were auction rate securities with a maximum rate of 15%. Due to the failure in the auction rate securities market and consequently an increase in the Bonds interest rates, the City decided to refund the 2002 Series C Bonds by issuing fixed rate debt. \$67.3 million of the auction rate securities were refunded by using \$3.1 million in the 2002 bond reserve account and the balance by issuing new debt (a portion of the 2008 Bonds). As part of the 2002 Series C Bonds original financing, the City entered into an interest rate exchange transaction for the purpose of effectively changing the variable interest rate on the bonds to a synthetic fixed rate of 4.1225%. Under the exchange, the City of Redding paid the counterparty a fixed payment of 4.1225% and received a variable payment computed as 65 percent of the London Interbank Offered Rate. The swap agreement had an exchange value of \$6.9 million at the date of the refunding the 2002 Series C Bonds, which the City was required to pay to the counterparty. In addition to the above, the City received a premium of \$3.3 million on the portion of the refunding bonds related to the 2002 Series C Bonds and paid bond related costs of \$1.7 million.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

21. REFUNDING OF DEBT, Continued

The balance of funds from the 2008 Bonds will be used to help finance the construction of a second 45-MW combined-cycle, gas-powered generator at the Redding Power Plant.

22. SUBSEQUENT EVENTS

In July 2008 the City issued a Tax and Revenue Anticipation Note in the amount of \$5,000,000. The note provides for an interest rate of 4.5% and matures on June 30, 2009.

Subsequent to the basic financial statement date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions that, at least in part, are intended to relieve and correct this Financial Credit Crisis, investment are subject to significant impairment and losses. To date, the City has not been informed and is not aware of any investment losses. Accordingly, any such investment losses have not been reflected in the accompanying basic financial statement.

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank.

City of Redding
Required Supplementary Information
For the year ended June 30, 2008

1. BUDGETARY PRINCIPLES

Budget Data

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

Budget information is adopted and presented for the general, special revenue (except for the Landscape Maintenance Districts and Asset Seizure Fund), capital project funds and the debt service funds relating to Redding Redevelopment Agency (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 or intergovernmental payables.
- 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 expenditure.
- G. Encumbrances are not included in the Statement of Revenue, Expenditures and Changes in Fund Balance

Budgetary Basis Reconciliation

Budgets are not adopted for the debt service fund except for the debt service funds of the Agency. Budgets are also not adopted for the Landscape Maintenance Fund and the Asset Seizure Fund.

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

General Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 15,800,000	\$ 15,800,000	\$ 15,973,810	\$ 173,810
Sales and use taxes	24,662,000	22,220,310	22,220,309	(1)
Other taxes	6,396,600	6,254,280	6,106,646	(147,634)
Licenses and permits	1,443,100	1,369,790	1,331,217	(38,573)
Intergovernmental revenues	2,232,730	4,489,280	3,174,048	(1,315,232)
Charges for services	2,817,130	2,981,610	3,049,364	67,754
Fines, forfeitures, and penalties	630,000	853,180	838,821	(14,359)
Use of money and property	5,828,670	6,228,670	6,243,454	14,784
Interest revenue	365,000	373,250	800,692	427,442
Other revenue	600,450	1,027,255	826,298	(200,957)
Total revenues	60,775,680	61,597,625	60,564,659	(1,032,966)
EXPENDITURES:				
Current:				
General government	7,394,370	7,470,835	7,223,315	247,520
Public safety:				
Police	25,938,300	28,529,670	26,610,366	1,919,304
Fire safety	16,135,150	17,933,570	17,950,288	(16,718)
Public works	11,973,170	12,720,840	7,942,227	4,778,613
Planning	5,669,250	5,692,030	5,466,783	225,247
Recreation and culture	5,871,540	5,980,510	5,765,056	215,454
Principal payments	991,560	1,472,690	1,473,707	(1,017)
Interest and fiscal charges	1,857,040	1,637,030	1,851,888	(214,858)
Total expenditures	75,830,380	81,437,175	74,283,630	7,153,545
REVENUES OVER (UNDER) EXPENDITURES				
	(15,054,700)	(19,839,550)	(13,718,971)	6,120,579
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	108,000	90,000	288,377	198,377
Capital lease proceeds	-	400,000	400,000	-
Transfers in	13,227,400	15,400,480	12,422,248	(2,978,232)
Transfers out	(3,748,240)	(3,948,240)	(3,857,552)	90,688
Total other financing sources (uses)	9,587,160	11,942,240	9,253,073	(2,689,167)
Net change in fund balances	(5,467,540)	(7,897,310)	(4,465,898)	3,431,412
BUDGETARY FUND BALANCES:				
Beginning of year	23,311,537	23,311,537	23,311,537	-
End of year	\$ 17,843,997	\$ 15,414,227	\$ 18,845,639	\$ 3,431,412

(Continued)

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual General Fund, Continued For the year ended June 30, 2008

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances.	\$ 19,732,661
1. The City budgets for taxes on a cash basis.	908,324
2. The City budgets for grants on a cash basis.	(82,363)
3. Timing difference due to GASB #33.	3,648
4. The City does not budget for accounts payable adjustments.	449,975
5. The City does not budget for benefit accruals.	(193,836)
6. Financial statement only interest income adjustment for GASB #31.	(137,487)
7. The City does not budget for interest, sale of property or rental income related to the rolling stock fund. The City budgets only for the transfers in and out of the rolling stock fund.	263,128
8. The City does not budget for special assessments.	(8,576)
9. The City budgets for the cash transfers to and from other funds as loans, but records the advances in advances receivable and payable in the balance sheet.	1,343,610
10. The City does not budget for interest on the long-term advances.	79,176
11. Encumbrances are not included in the Statement of Revenues, Expenditures and Changes in Fund Balance.	(2,017,853)
12. The City did not budget for prepaid rent for the Housing Authority and the Agency	(69,060)
13. The City does not budget for developer's fees that are prepaid.	(641,880)
14. The City budgeted for the prepayment on a fire apparatus, but recorded it as a deposit.	(1,171,554)
15. The City budgeted for a fire apparatus in a previous year, but received it in the current year.	375,226
16. The City does not budget for the purchase of property from another fund in lieu of a reduction in long-term advances from that fund.	12,500
Budgetary Fund Balance	<u><u>\$ 18,845,639</u></u>

(Concluded)

City of Redding
Schedule of Funding Progress-PERS/PARS
Required Supplementary Information
For the year ended June 30, 2008

California Public Employee Retirement System Schedule of Funding Progress

Miscellaneous Plan:

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Total Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/05	191,249,929	161,319,439	29,930,490	84.35%	37,748,891	79.29%
6/30/06	211,705,021	178,219,972	33,485,049	84.18%	39,027,236	85.80%
6/30/07	229,332,353	197,145,240	32,187,113	85.96%	41,097,908	78.32%

Safety Plan

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Total Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/05	130,280,103	103,381,992	26,898,111	79.35%	14,277,944	188.39%
6/30/06	142,819,074	113,551,726	29,267,348	79.51%	14,973,900	195.46%
6/30/07	154,756,055	124,027,520	30,728,535	80.14%	15,730,694	195.34%

Public Agency Retirement System Schedule of Funding Progress

Miscellaneous Plan - PARS

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Total Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Liability as a Percentage of Covered Payroll
1/1/05	\$ 17,267,376	\$ -	\$ 17,276,376	0.00%	\$ 34,315,284	50.35%
1/1/07	25,444,243	4,622,526	20,821,717	18.17%	36,645,443	56.82%

City of Redding
Schedule of Funding Progress-Healthcare Plan
Required Supplementary Information
For the year ended June 30, 2008

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/07	\$ -	\$ 94,727,000	\$ 94,727,000	0.00%	\$ 48,714,000	194%

This page intentionally left blank.

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

NON-MAJOR 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.

General Special Revenue

This fund was established to account for receipts and disbursements of special revenues required to be segregated from the General Fund revenues.

Landscape Maintenance Districts

This fund was established to account for the activities of landscape maintenance assessment districts. The landscape districts collect assessments to pay for landscape maintenance in the assessment area.

Library Fund

This fund was established to account for the activities of the public library.

Asset Seizure Fund

This fund was established to account for the activities involved with asset seizures.

DEBT SERVICE 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

This page intentionally left blank.

NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS, Continued

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.

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

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.

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 (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 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 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 of Redding. Financing will be provided by future Agency tax allocation bonds. Current activity is ongoing and will span several years.

City of Redding
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2008

	Special Revenue				
	Parking	Street Maintenance	Community Development	Housing	General Special Revenue
ASSETS					
Cash and investments	\$ 93,654	\$ 1,716,682	\$ 1,728,305	\$ 16,297,469	\$ -
Interest receivable, unrestricted	1,210	-	966,603	888,157	-
Accounts receivable, net	2,738	-	-	37,762	-
Intergovernmental receivable	-	2,733,463	105,758	112,988	-
Taxes receivable	-	-	-	539,460	-
Other receivable	-	-	20,650	1,877	-
Restricted cash and investments	-	-	-	1,299,954	-
Restricted interest receivable	-	-	-	9,374	-
Restricted taxes receivable	-	-	-	-	-
Interfund receivable	-	-	-	34,513	-
Prepaid items	449	-	4,083	-	-
Assets held for resale	-	-	-	2,026,536	-
Advances to other funds	675,173	-	-	233,977	-
Special assessments receivable	-	-	-	-	-
Notes receivable	-	-	17,501,068	7,943,759	-
Total assets	\$ 773,224	\$ 4,450,145	\$ 20,326,467	\$ 29,425,826	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 934	\$ -	\$ 69,548	\$ 4,208	\$ -
Accrued liabilities	8,819	-	10,568	62,611	-
Intergovernmental payable	-	-	36,968	1,143,155	-
Due to other funds	-	-	-	61,085	-
Deferred revenues	-	2,464,839	1,112,077	1,362,966	-
Deposits	-	-	-	150,671	-
Advances from other funds	988,746	-	-	588,000	-
Total liabilities	998,499	2,464,839	1,229,161	3,372,696	-
Fund Balances (deficit):					
Reserved for:					
Prepaid items	449	-	4,083	-	-
Assets held for resale	-	-	-	2,026,536	-
Noncurrent advances	675,173	-	-	200,460	-
Debt service	-	-	-	-	-
Capital projects	-	1,985,306	-	-	-
Notes receivable	-	-	17,170,684	7,933,713	-
Unreserved, designated for:					
Encumbrances	1,338	-	797,169	5,450,944	-
Housing	-	-	-	4,930,760	-
Capital projects	-	-	-	-	-
Unreserved, undesignated	(902,235)	-	1,125,370	5,510,717	-
Total fund balances	(225,275)	1,985,306	19,097,306	26,053,130	-
Total liabilities and fund balances	\$ 773,224	\$ 4,450,145	\$ 20,326,467	\$ 29,425,826	\$ -

Special Revenue			Debt Service				
Landscape Maintenance District	Library	Asset Seizure Fund	1915 ACT Assessment District Bonds	Midtown Project Bonds	Canby- Hilltop- Cypress Project Bonds	Market Street Project Bonds	SHASTEC Project Bonds
\$ 342,425	\$ 809,901	\$ 65,049	\$ 2,681,194	\$ -	\$ -	\$ -	\$ -
3,708	3,402	684	23,847	-	-	-	-
-	1,560	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
420	-	-	-	-	-	-	-
-	-	-	942,735	-	4,999,402	930,325	1,063,095
-	-	-	1,156	78	1,441	537	18,650
-	-	-	-	4,089	550,409	219,871	185,642
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
43,184	-	-	3,475,549	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 389,737</u>	<u>\$ 814,863</u>	<u>\$ 65,733</u>	<u>\$ 7,124,481</u>	<u>\$ 4,167</u>	<u>\$ 5,551,252</u>	<u>\$ 1,150,733</u>	<u>\$ 1,267,387</u>
\$ 91	\$ 54,692	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,313	3,108	-	694	-	-	-	-
-	153	-	-	-	-	-	-
-	-	-	-	-	-	-	-
20,725	82,865	-	3,475,549	3,128	426,356	166,699	146,955
-	-	-	-	-	-	-	-
-	-	-	502,904	1,242,085	-	-	-
<u>30,129</u>	<u>140,818</u>	<u>-</u>	<u>3,979,147</u>	<u>1,245,213</u>	<u>426,356</u>	<u>166,699</u>	<u>146,955</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	3,145,334	-	5,124,896	984,034	1,120,432
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	126,332	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
359,608	547,713	65,733	-	(1,241,046)	-	-	-
<u>359,608</u>	<u>674,045</u>	<u>65,733</u>	<u>3,145,334</u>	<u>(1,241,046)</u>	<u>5,124,896</u>	<u>984,034</u>	<u>1,120,432</u>
<u>\$ 389,737</u>	<u>\$ 814,863</u>	<u>\$ 65,733</u>	<u>\$ 7,124,481</u>	<u>\$ 4,167</u>	<u>\$ 5,551,252</u>	<u>\$ 1,150,733</u>	<u>\$ 1,267,387</u>

City of Redding
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2008

	Capital Project				Total Non-Major Governmental Funds
	Canby- Hilltop- Cypress Project	Market Street Project	Buckeye Project	SHASTEC Project	
ASSETS					
Cash and investments	\$ 12,760,744	\$ 3,099,267	\$ 821,364	\$ 3,393,990	\$ 43,810,044
Interest receivable, unrestricted	106,956	25,536	6,186	24,873	2,051,162
Accounts receivable, net	-	-	-	-	42,060
Intergovernmental receivable	-	-	-	-	2,952,209
Taxes receivable	2,286	903	48,801	578	592,028
Other receivable	-	325	-	-	23,272
Restricted cash and investments	3,200,384	-	-	13,478,516	25,914,411
Restricted interest receivable	35,733	-	-	55,653	122,622
Restricted taxes receivable	-	-	-	-	960,011
Interfund receivable	19,768	-	-	-	54,281
Prepaid items	2,553	-	-	-	7,085
Assets held for resale	-	-	-	-	2,026,536
Advances to other funds	134,013	-	-	-	1,043,163
Special assessments receivable	-	-	-	-	3,518,733
Notes receivable	-	-	-	-	25,444,827
Total assets	\$ 16,262,437	\$ 3,126,031	\$ 876,351	\$ 16,953,610	\$ 108,562,444
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,682,825	\$ 97,131	\$ -	\$ -	\$ 1,909,429
Accrued liabilities	18,515	8,743	3,649	30,249	156,269
Intergovernmental payable	-	-	-	246,933	1,427,209
Due to other funds	120,492	-	-	-	181,577
Deferred revenues	-	-	40,916	-	9,303,075
Deposits	-	-	-	-	150,671
Advances from other funds	-	-	-	1,835,680	5,157,415
Total liabilities	1,821,832	105,874	44,565	2,112,862	18,285,645
Fund Balances (deficit):					
Reserved for:					
Prepaid items	2,553	-	-	-	7,085
Assets held for resale	-	-	-	-	2,026,536
Noncurrent advances	134,013	-	-	-	1,009,646
Debt service	-	-	-	-	10,374,696
Capital projects	316,666	476,519	-	-	2,778,491
Notes receivable	-	-	-	-	25,104,397
Unreserved, designated for:					
Encumbrances	6,270,392	84,360	155,472	9,485,065	22,371,072
Housing	-	-	-	-	4,930,760
Capital projects	971,130	2,459,278	159,720	3,835,230	7,425,358
Unreserved, undesignated	6,745,851	-	516,594	1,520,453	14,248,758
Total fund balances	14,440,605	3,020,157	831,786	14,840,748	90,276,799
Total liabilities and fund balances	\$ 16,262,437	\$ 3,126,031	\$ 876,351	\$ 16,953,610	\$ 108,562,444

This page intentionally left blank.

City of Redding

Combined Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2008

	Special Revenue				General Special Revenue
	Parking	Street Maintenance	Community Development	Housing	
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ 3,370,519	\$ -
Sales tax revenue	-	-	-	-	272,517
Special assessments	-	-	-	-	-
Licenses, fees and permits	78,332	-	-	-	-
Intergovernmental revenues	-	3,637,399	1,031,229	7,669,655	-
Charges for services	-	-	-	-	-
Fines, forfeitures and penalties	143,385	-	-	-	-
Use of money and property	-	-	-	-	-
Interest revenue	25,464	67,352	208,277	757,390	-
Other revenues	47,703	-	384	24,008	-
Total revenues	294,884	3,704,751	1,239,890	11,821,572	272,517
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Community development	-	-	970,702	8,382,030	-
Public safety	155,971	-	-	-	-
Public works	114,649	-	-	-	-
Recreation and culture	-	-	-	-	-
Capital outlay	20,927	-	198,824	15,168	-
Debt service:					
Principal retirement	-	-	-	340,000	-
Interest and fiscal charges	-	-	5,715	435,395	-
Total expenditures	291,547	-	1,175,241	9,172,593	-
REVENUE OVER (UNDER) EXPENDITURE	3,337	3,704,751	64,649	2,648,979	272,517
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	-	-	-	2,278	-
Transfers in	-	-	-	-	-
Transfers out	-	(3,775,080)	-	-	(272,517)
Total other financing sources (uses)	-	(3,775,080)	-	2,278	(272,517)
Net change in fund balances	3,337	(70,329)	64,649	2,651,257	-
FUND BALANCES:					
Beginning of year	(228,612)	2,055,635	19,032,657	23,401,873	-
End of year	\$ (225,275)	\$ 1,985,306	\$ 19,097,306	\$ 26,053,130	\$ -

Special Revenue			Debt Service				
Landscape Maintenance District	Library	Asset Seizure Fund	Assessment District Bonds	Midtown Project Bonds	Canby- Hilltop- Cypress Bonds	Market Street Project Bonds	SHASTEC Project Bonds
\$ -	\$ -	\$ -	\$ -	\$ 57,496	\$ 2,653,659	\$ 500,169	\$ 1,133,786
-	-	-	-	-	-	-	-
382,587	-	-	1,280,774	-	-	-	-
-	-	-	-	-	-	-	-
-	88,556	-	-	-	-	-	-
-	1,137,156	-	-	-	-	-	-
1,434	105,677	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,632	16,874	3,567	143,022	483	126,896	13,030	98,192
-	253,144	3,602	-	75	-	-	-
399,653	1,601,407	7,169	1,423,796	58,054	2,780,555	513,199	1,231,978
-	-	-	4,014	1,264	129,245	51,641	36,814
-	-	-	-	-	-	-	-
-	-	13,283	-	-	-	-	-
354,398	-	-	-	-	-	-	-
-	1,839,395	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	962,000	-	1,105,000	190,000	245,000
-	-	-	317,350	30,327	1,111,553	229,759	703,271
354,398	1,839,395	13,283	1,283,364	31,591	2,345,798	471,400	985,085
45,255	(237,988)	(6,114)	140,432	26,463	434,757	41,799	246,893
-	-	-	-	-	-	-	-
-	679,730	-	-	-	-	-	-
-	-	-	-	-	(442,688)	(63,626)	(158,007)
-	679,730	-	-	-	(442,688)	(63,626)	(158,007)
45,255	441,742	(6,114)	140,432	26,463	(7,931)	(21,827)	88,886
314,353	232,303	71,847	3,004,902	(1,267,509)	5,132,827	1,005,861	1,031,546
\$ 359,608	\$ 674,045	\$ 65,733	\$ 3,145,334	\$ (1,241,046)	\$ 5,124,896	\$ 984,034	\$ 1,120,432

City of Redding
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2008

	Capital Project				Non-Major Governmental Funds
	Canby- Hilltop- Cypress Project	Market Street Project	Buckeye Project	SHASTE Project	
REVENUES:					
Property taxes	\$ 5,411,726	\$ 2,665,117	\$ 417,778	\$ 699,841	\$ 16,910,091
Sales tax revenue	-	-	-	-	272,517
Special assessments	-	-	-	-	1,663,361
Licenses, fees and permits	-	-	-	-	78,332
Intergovernmental revenues	70,000	-	-	13,105	12,509,944
Charges for services	-	-	-	-	1,137,156
Fines, forfeitures and penalties	-	-	-	-	250,496
Use of money and property	5,223	932	-	-	6,155
Interest revenue	800,101	135,238	28,097	829,582	3,269,197
Other revenues	181,882	6,658	899	3,692	522,047
Total revenues	6,468,932	2,807,945	446,774	1,546,220	36,619,296
EXPENDITURES:					
Current:					
General government	-	-	-	-	222,978
Community development	3,567,333	1,998,113	39,175	661,038	15,618,391
Public safety	-	-	-	-	169,254
Public works	-	-	-	-	469,047
Recreation and culture	-	-	-	-	1,839,395
Capital outlay	5,254,278	262,895	36,357	743,972	6,532,421
Debt service:					
Principal retirement	-	-	-	-	2,842,000
Interest and fiscal charges	-	-	-	70,908	2,904,278
Total expenditures	8,821,611	2,261,008	75,532	1,475,918	30,597,764
REVENUE OVER (UNDER) EXPENDITURE	(2,352,679)	546,937	371,242	70,302	6,021,532
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	1,217,213	-	-	-	1,219,491
Transfers in	442,688	63,626	-	158,007	1,344,051
Transfers out	-	-	-	-	(4,711,918)
Total other financing sources (uses)	1,659,901	63,626	-	158,007	(2,148,376)
Net change in fund balances	(692,778)	610,563	371,242	228,309	3,873,156
FUND BALANCES:					
Beginning of year	15,133,383	2,409,594	460,544	14,612,439	86,403,643
End of year	\$ 14,440,605	\$ 3,020,157	\$ 831,786	\$ 14,840,748	\$ 90,276,799

This page intentionally left blank.

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Special Revenue Parking Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Licenses and permits	\$ 65,650	\$ 65,650	\$ 78,332	\$ 12,682
Fines, forfeitures and penalties	143,000	143,000	143,385	385
Interest revenue	36,700	36,700	24,801	(11,899)
Other revenue	-	-	47,703	47,703
Total revenues	245,350	245,350	294,221	48,871
EXPENDITURES:				
Current:				
Public safety	183,410	204,650	177,791	26,859
Public works	113,800	114,590	114,561	29
Total expenditures	297,210	319,240	292,352	26,888
Net change in fund balance	(51,860)	(73,890)	1,869	75,759
FUND BALANCE:				
Beginning of year	(228,612)	(228,612)	(228,612)	-
End of year	\$ (280,472)	\$ (302,502)	\$ (226,743)	\$ 75,759
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances.			\$ (225,275)	
1. Financial statement only interest income adjustment per GASB #31.			(663)	
2. The City does not budget for accounts payable adjustments.			(445)	
3. The City does not budget for benefit accruals.			978	
4. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.			(1,338)	
Budgetary Fund Balance			\$ (226,743)	

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Special Revenue Street Maintenance Fund For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 6,073,000	\$ 6,073,000	\$ 4,542,810	\$ (1,530,190)
Interest revenues	44,600	44,600	57,006	12,406
Total revenues	6,117,600	6,117,600	4,599,816	(1,517,784)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	6,117,600	6,117,600	4,599,816	(1,517,784)
OTHER FINANCING SOURCES (USES):				
Transfers out	(7,590,000)	(7,590,000)	(3,775,080)	3,814,920
Total other financing sources (uses)	(7,590,000)	(7,590,000)	(3,775,080)	3,814,920
Net change in fund balance	(1,472,400)	(1,472,400)	824,736	2,297,136
FUND BALANCE:				
Beginning of year	2,055,635	2,055,635	2,055,635	-
End of year	\$ 583,235	\$ 583,235	\$ 2,880,371	\$ 2,297,136

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

	\$ 1,985,306
1. Financial statement only interest income adjustment per GASB #31	(10,346)
2. The City does not budget for revenue accruals.	(425,481)
3. The City budgets for grants and taxes on a cash basis.	1,330,892
Budgetary Fund Balance	\$ 2,880,371

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Special Revenue Community Development Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 1,468,860	\$ 1,627,910	\$ 1,153,302	\$ (474,608)
Interest revenue	150,000	150,000	141,234	(8,766)
Use of money and property	570,000	702,680	554,101	(148,579)
Other revenues	450	450	55,376	54,926
Total revenues	2,189,310	2,481,040	1,904,013	(577,027)
EXPENDITURES:				
Current:				
Community development	4,654,560	5,003,320	3,071,201	1,932,119
Total expenditures	4,654,560	5,003,320	3,071,201	1,932,119
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,465,250)	(2,522,280)	(1,167,188)	(1,355,092)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(2,465,250)	(2,522,280)	(1,167,188)	1,355,092
FUND BALANCE:				
Beginning of year	19,032,657	19,032,657	19,032,657	-
End of year	\$ 16,567,407	\$ 16,510,377	\$ 17,865,469	\$ 1,355,092

(Continued)

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Special Revenue Community Development Fund For the year ended June 30, 2008

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances.	\$	19,097,306
1. Financial statement only interest income adjustment per GASB #31.		(18,933)
2. The City does not budget for accounts payable adjustments.		(13,833)
3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.		(1,069,116)
4. The City does not budget for benefit accruals.		(502)
5. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.		556,374
6. The City budgets for grants on a cash basis.		122,073
7. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.		(812,518)
8. The City did not budget for interest on funds held in trust during the year.		(48,136)
9. The City budgets for interest income on notes receivable, trust fund assets and rolling stock cash on a cash basis.		(2,246)
10. The City records revenue on transfers from trust, on a budgetary basis, but eliminates the revenue for financial statement purposes.		55,000
		<hr/>
Budgetary Fund Balance	\$	17,865,469
		<hr/> <hr/> (Concluded)

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Special Revenue Housing Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,978,480	\$ 3,193,530	\$ 3,370,519	\$ 176,989
Intergovernmental revenue	6,746,570	7,174,040	8,047,806	873,766
Use of money and property	408,460	232,060	307,278	75,218
Interest	857,970	754,460	748,022	(6,438)
Taxes and special assessments	5,100	5,250	5,065	(185)
Total revenues	10,996,580	11,359,340	12,478,690	1,119,350
EXPENDITURES:				
Current:				
Community development	18,560,790	19,291,740	15,489,722	3,802,018
Debt service:				
Principal retirement	340,000	340,000	340,000	-
Interest fiscal charges	442,700	442,700	435,395	7,305
Total expenditures	19,343,490	20,074,440	16,265,117	3,809,323
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,346,910)	(8,715,100)	(3,786,427)	4,928,673
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of asset	-	103,000	-	(103,000)
Transfers out	-	-	-	-
Total other financing sources (uses)	-	103,000	-	(103,000)
Net change in fund balance	(8,346,910)	(8,612,100)	(3,786,427)	4,825,673
FUND BALANCE:				
Beginning of year	23,401,873	23,401,873	23,401,873	-
End of year	\$ 15,054,963	\$ 14,789,773	\$ 19,615,446	\$ 4,825,673

(Continued)

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Special Revenue Housing Fund

For the year ended June 30, 2008

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

	\$	26,053,130
1. Financial statement only interest income adjustment per GASB #31.		(239)
2. The City does not budget for accounts payable or intergovernmental payable adjustments.		(10,625)
3. The City budgets for an records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.		181,115
4. The City budgets for sale of assets held for resale, but adjusts the revenue to reduce Assets Held for Resale account and gain/loss on the sale.		(289,928)
5. The City does not budget for a grant of land held for resale.		49,000
6. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.		(1,305,930)
7. The City does not budget for gain/loss or interest on rolling stock funds.		(2,357)
8. The City budgets for grants on a cash basis.		359,028
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.		(5,452,607)
10. The City budgets for interest income on notes receivable on a cash basis.		(9,051)
11. The City budgeted and paid rent in a prior year, but adjusts the prepayment for the current year portion.		43,910
		<hr/>
Budgetary Fund Balance	\$	<u>19,615,446</u>

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Special Revenue General Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales tax	\$ 272,500	\$ 272,500	\$ 272,517	\$ 17
Total revenues	<u>272,500</u>	<u>272,500</u>	<u>272,517</u>	<u>17</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>272,500</u>	<u>272,500</u>	<u>272,517</u>	<u>17</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(272,500)	(272,500)	(272,517)	(17)
Total other financing sources (uses)	<u>(272,500)</u>	<u>(272,500)</u>	<u>(272,517)</u>	<u>(17)</u>
Net change in fund balance	-	-	-	-
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This page intentionally left blank.

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Special Revenue Library Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 100,000	\$ 201,738	\$ 171,421	\$ (30,317)
Charges for services	1,137,160	1,137,160	1,137,156	(4)
Fines, forfeitures and penalties	45,140	45,140	105,677	60,537
Interest revenue	-	-	12,932	12,932
Other revenues	10,000	46,570	122,489	75,919
Total revenues	1,292,300	1,430,608	1,549,675	119,067
EXPENDITURES:				
Current:				
Recreation and culture	1,951,270	2,091,078	1,896,980	194,098
Total expenditures	1,951,270	2,091,078	1,896,980	194,098
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(658,970)	(660,470)	(347,305)	(313,165)
OTHER FINANCING SOURCES (USES):				
Transfers in	679,730	679,730	641,473	(38,257)
Total other financing sources (uses)	679,730	679,730	641,473	(38,257)
Net change in fund balance	20,760	19,260	294,168	274,908
FUND BALANCE:				
Beginning of year	232,303	232,303	232,303	-
End of year	\$ 253,063	\$ 251,563	\$ 526,471	\$ 274,908

(Continued)

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Special Revenue Library Fund

For the year ended June 30, 2008

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

\$ 674,045

1. Financial statement only interest income adjustment per GASB #31.

(3,687)

2. The City does not budget for accounts payable adjustments.

45,868

3. The City budgets for transfers to and from the rolling stock fund

(38,257)

4. The City budgets for grants on a cash basis.

82,865

5. The City did not budget for funds received and held in trust during the year.

(130,655)

6. The City does not budget for interest income on rolling stock funds.

(255)

7. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.

(103,453)

Budgetary Fund Balance

\$ 526,471

(Concluded)

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Midtown Debt Service Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 37,900	\$ 57,730	\$ 57,496	\$ (234)
Investment revenue	100	500	484	(16)
Other revenue	40	70	75	5
Total revenues	38,040	58,300	58,055	(245)
EXPENDITURES:				
Current:				
General government	1,200	1,300	1,264	36
Debt Service:				
Principal retirement	15,630	35,600	35,585	15
Interest and fiscal charges	21,210	21,400	21,084	316
Total expenditures	38,040	58,300	57,933	367
Net change in fund balance	-	-	122	122
FUND BALANCE:				
Beginning of year	(1,267,509)	(1,267,509)	(1,267,509)	-
End of year	\$ (1,267,509)	\$ (1,267,509)	\$ (1,267,387)	\$ 122

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

	\$ (1,241,046)
1. The City budgets for interest on loans on a cash basis, not an accrual basis.	9,243
2. The City budgets for and records payments on loans in the expenditure accounts, but adjusts the actual payment to advances payable to other funds.	(35,584)
Budgetary Fund Balance	<u>\$ (1,267,387)</u>

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Canby-Hilltop-Cypress Debt Service Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,276,650	\$ 2,259,690	\$ 2,653,659	\$ 393,969
Investment revenue	100,000	127,210	126,896	(314)
Total revenues	2,376,650	2,386,900	2,780,555	393,655
EXPENDITURES:				
Current:				
General government	150,980	150,980	129,245	21,735
Debt Service:				
Principal retirement	1,105,000	1,105,000	1,105,000	-
Interest and fiscal charges	1,124,990	1,124,990	1,111,553	13,437
Total expenditures	2,380,970	2,380,970	2,345,798	35,172
Net change in fund balance	(4,320)	5,930	434,757	428,827
FUND BALANCE:				
Beginning of year	5,132,827	5,132,827	5,132,827	-
End of year	\$ 5,128,507	\$ 5,138,757	\$ 5,567,584	\$ 428,827

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

\$ 5,124,896

1. The City does not budget for transfers in and out from the capital project fund.

442,688

Budgetary Fund Balance

\$ 5,567,584

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Market Street Debt Service Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 465,600	\$ 468,690	\$ 500,169	\$ 31,479
Investment revenue	20,000	13,340	13,030	(310)
Total revenues	485,600	482,030	513,199	31,169
EXPENDITURES:				
Current:				
General government	61,060	61,060	51,641	9,419
Debt Service:				
Principal retirement	190,000	190,000	190,000	-
Interest and fiscal charges	236,190	236,190	229,759	6,431
Total expenditures	487,250	487,250	471,400	15,850
Net change in fund balance	(1,650)	(5,220)	41,799	47,019
FUND BALANCE:				
Beginning of year	1,005,861	1,005,861	1,005,861	-
End of year	\$ 1,004,211	\$ 1,000,641	\$ 1,047,660	\$ 47,019
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances.			\$ 984,034	
1. The City does not budget for transfers in and out from the capital project fund.			63,626	
Budgetary Fund Balance			\$ 1,047,660	

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

SHASTEC Debt Service

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
			Budgetary	Positive
			Basis	(Negative)
REVENUES:				
Property taxes	\$ 950,650	\$ 943,650	\$ 1,133,786	\$ 190,136
Investment revenue	45,000	52,000	98,192	46,192
Total revenues	995,650	995,650	1,231,978	236,328
EXPENDITURES:				
Current:				
General government	45,820	45,820	36,814	9,006
Debt Service:				
Principal retirement	245,000	245,000	245,000	-
Interest and fiscal charges	704,830	704,830	703,271	1,559
Total expenditures	995,650	995,650	985,085	10,565
Net change in fund balance	-	-	246,893	225,763
FUND BALANCE:				
Beginning of year	1,031,546	1,031,546	1,031,546	-
End of year	\$ 1,031,546	\$ 1,031,546	\$ 1,278,439	\$ 225,763
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances.			\$ 1,120,432	
1. The City does not budget for transfers in and out from the capital project fund.			158,007	
Budgetary Fund Balance			\$ 1,278,439	

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

General Capital Projects Fund -- Major Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ -	\$ 5,085,393	\$ 14,079,160	\$ 8,993,767
Investment revenue	-	24,500	1,658,067	1,633,567
Other	5,037,980	5,155,645	3,896,166	(1,259,479)
Total revenues	5,037,980	10,265,538	19,633,393	9,367,855
EXPENDITURES:				
Current:				
General government	6,030	6,030	6,001	29
Public works	103,959,940	109,736,583	86,762,941	22,973,642
Recreation and culture	4,815,020	6,416,105	5,151,861	1,264,244
Debt Service:				
Principal retirement	1,283,800	1,283,800	1,289,784	(5,984)
Interest and fiscal charges	644,670	644,670	638,646	6,024
Bond issuance costs	-	5,660	5,650	10
Total expenditures	110,709,460	118,092,848	93,854,883	24,237,965
REVENUES OVER (UNDER) EXPENDITURES	(105,671,480)	(107,827,310)	(74,221,490)	33,605,820
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	-	56,700	246,531	189,831
Transfers in	-	750,000	-	(750,000)
Transfers out	(50,880)	(996,550)	(687,845)	308,705
Total other financing sources (uses)	(50,880)	(189,850)	(441,314)	(251,464)
Net change in fund balance	(105,722,360)	(108,017,160)	(74,662,804)	33,354,356
FUND BALANCE:				
Beginning of year	40,561,324	40,561,324	40,561,324	-
End of year	\$ (65,161,036)	\$ (67,455,836)	\$ (34,101,480)	\$ 33,354,356

(Continued)

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual General Capital Projects Fund -- Major Fund For the year ended June 30, 2008

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

\$ 33,590,847

1. Financial statement only interest income adjustment per GASB #31.

(169,657)

2. The City does not budget for accounts payable adjustments.

3,135,893

3. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

(68,136,361)

4. The City does not budget for the transfer of developer fees and interest on those fees to the related enterprise funds.

347,872

5. The City budgets for grants on a cash basis.

(2,292,801)

6. The City budgets for and records payments on advances in the expenditure accounts, but adjusts the actual payment to advances payable to other funds.

(69,784)

6. The City budgeted for the establishment of an endowment account as an expenditure and a transfer out to the General Fund.

(507,489)

Budgetary Fund Balance

\$ (34,101,480)

(Concluded)

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Canby-Hilltop-Cypress Capital Project Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 5,004,120	\$ 5,557,770	\$ 5,411,726	\$ (146,044)
Intergovernmental revenue	415,500	-	70,000	70,000
Use of money and property	423,200	5,220	5,223	3
Investment revenue	350,000	856,070	800,101	(55,969)
Other revenue	85,500	158,670	181,882	23,212
Total revenues	6,278,320	6,577,730	6,468,932	(108,798)
EXPENDITURES:				
Current:				
General government	3,198,300	3,472,940	3,297,543	175,397
Capital outlay	14,908,870	15,198,140	11,828,312	3,369,828
Total expenditures	18,107,170	18,671,080	15,125,855	3,545,225
REVENUES OVER (UNDER) EXPENDITURES	(11,828,850)	(12,093,350)	(8,656,923)	(3,654,023)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	2,229,000	2,651,060	2,651,060	-
Total other financing sources (uses)	2,229,000	2,651,060	2,651,060	-
Net change in fund balance	(9,599,850)	(9,442,290)	(6,005,863)	(3,654,023)
FUND BALANCE:				
Beginning of year	15,133,383	15,133,383	15,133,383	-
End of year	\$ 5,533,533	\$ 5,691,093	\$ 9,127,520	\$ (3,654,023)

(Continued)

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual Candy-Hilltop-Cypress Capital Project, Continued For the year ended June 30, 2008

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

\$ 14,440,605

1. The City budgeted and paid for rent in a prior year, but adjusts the prepayment for the current year expenditure.	25,150
2. The City does not budget for transfers in and out from the debt service fund.	(442,688)
3. The City does not budget for accounts payable adjustments.	1,424,327
4. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.	(7,753,670)
5. The City budgets for land purchases in the expenditure accounts, but adjusts the actual payment to assets held for resale.	1,453,847
6. The City budgeted for the deposit on the sale of property in a previous year, but recorded it as an increase in revenue in the current year.	(20,000)
7. The City does not budget for benefit accruals.	(51)
Budgetary Fund Balance	<u>\$ 9,127,520</u>

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Market Street Capital Project Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 2,360,340	\$ 2,580,870	\$ 2,665,117	\$ 84,247
Use of money and property	-	930	932	2
Investment revenue	90,000	147,000	135,238	(11,762)
Other revenue	5,000	6,450	6,658	208
Total revenues	2,455,340	2,735,250	2,807,945	72,695
EXPENDITURES:				
Current:				
General government	1,652,670	1,891,470	1,639,676	251,794
Capital outlay	1,701,345	4,451,345	716,170	3,735,175
Total expenditures	3,354,015	6,342,815	2,355,846	3,986,969
REVENUES OVER (UNDER) EXPENDITURES	(898,675)	(3,607,565)	452,099	(3,914,274)
OTHER FINANCING SOURCES (USES):				
Long-term debt issued	-	1,600,000	-	(1,600,000)
Total other financing sources (uses)	-	1,600,000	-	(1,600,000)
Net change in fund balance	(898,675)	(2,007,565)	452,099	2,459,664
FUND BALANCE:				
Beginning of year	2,409,594	2,409,594	2,409,594	-
End of year	\$ 1,510,919	\$ 402,029	\$ 2,861,693	\$ 2,459,664
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances.			\$ 3,020,157	
1. The City does not budget for transfers in and out from the debt service fund.			(63,626)	
2. The City does not budget for accounts payable adjustments.			(2,908)	
3. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.			(91,930)	
Budgetary Fund Balance			\$ 2,861,693	

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Buckeye Capital Project Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 349,080	\$ 405,220	\$ 417,778	\$ 12,558
Investment revenue	25,000	28,000	28,097	97
Other revenue	450	800	899	99
Total revenues	374,530	434,020	446,774	12,754
EXPENDITURES:				
Current:				
General government	87,840	89,820	84,651	5,169
Capital outlay	50,000	210,000	196,357	13,643
Total expenditures	137,840	299,820	281,008	18,812
Net change in fund balance	236,690	134,200	165,766	31,566
FUND BALANCE:				
Beginning of year	460,544	460,544	460,544	-
End of year	\$ 697,234	\$ 594,744	\$ 626,310	\$ 31,566
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances.			\$ 831,786	
1. The City does not budget for accounts payable adjustments.			(50,004)	
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.			(155,472)	
Budgetary Fund Balance			\$ 626,310	

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

SHASTEC Capital Project Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 507,490	\$ 581,720	\$ 699,841	\$ 118,121
Intergovernmental revenue	13,110	13,110	13,105	(5)
Investment revenue	525,000	770,000	829,582	59,582
Other revenue	2,300	2,300	3,692	1,392
Total revenues	1,047,900	1,367,130	1,546,220	179,090
EXPENDITURES:				
Current:				
General government	308,470	368,690	339,037	29,653
Capital outlay	13,541,250	13,541,250	10,372,601	3,168,649
Total expenditures	13,849,720	13,909,940	10,711,638	3,198,302
Net change in fund balance	(12,801,820)	(12,542,810)	(9,165,418)	3,377,392
FUND BALANCE:				
Beginning of year	14,612,439	14,612,439	14,612,439	-
End of year	\$ 1,810,619	\$ 2,069,629	\$ 5,447,021	\$ 3,377,392

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

	\$ 14,840,748
1. The City does not budget for accounts payable adjustments.	178,437
2. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.	(9,485,065)
3. The City budgets for interest expense on loans on a cash basis only.	70,908
4. The City does not budget for transfers in/out from the debt service fund.	(158,007)
Budgetary Fund Balance	\$ 5,447,021

NONMAJOR 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

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, 2008

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
ASSETS					
Current assets:					
Cash and investments	\$ 15,684	\$ 2,695,339	\$ 2,910,586	\$ 340,508	\$ 5,962,117
Interest receivable	191	27,000	27,154	661	55,006
Accounts receivable	16,238	173,282	54,803	210	244,533
Prepaid items	2,207	1,543	-	3,755	7,505
Intergovernmental receivable	881,397	-	192,283	-	1,073,680
Inventories	-	11,484	140,211	-	151,695
Total current assets	915,717	2,908,648	3,325,037	345,134	7,494,536
Non-current assets:					
Restricted assets:					
Cash and investments	841,516	-	-	36,102	877,618
Interest receivable	80	-	-	51	131
Total restricted assets	841,596	-	-	36,153	877,749
Capital assets:					
Land	6,317,638	909,184	1,326,685	250,000	8,803,507
Utility plants	-	24,136,684	-	-	24,136,684
Buildings	10,737,427	-	5,488,813	3,441,194	19,667,434
Improvements other than buildings	26,014,944	2,348,779	1,345,127	1,381,368	31,090,218
Automotive equipment	689,526	587,757	5,967,792	151,204	7,396,279
Furnishings and equipment	266,086	24,054	1,786,175	311,700	2,388,015
Assets under capital lease	75,000	-	-	559,209	634,209
Construction in progress	2,990,654	113,823	305,118	-	3,409,595
Total capital assets	47,091,275	28,120,281	16,219,710	6,094,675	97,525,941
Less: accumulated depreciation	(25,211,525)	(10,353,510)	(8,732,180)	(4,482,801)	(48,780,016)
Net capital assets	21,879,750	17,766,771	7,487,530	1,611,874	48,745,925
Other assets:					
Financing costs, net	14,609	-	-	9,266	23,875
Total other assets	14,609	-	-	9,266	23,875
Total non-current assets	22,735,955	17,766,771	7,487,530	1,657,293	49,647,549
Total assets	23,651,672	20,675,419	10,812,567	2,002,427	57,142,085

(Continued)

City of Redding
Combining Statement of Net Assets, Continued
Nonmajor Enterprise Funds
June 30, 2008

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
LIABILITIES					
Current liabilities (payable from current assets):					
Accounts payable	524,163	6,343	470,772	36,317	1,037,595
Accrued liabilities	37,922	19,394	16,351	59,116	132,783
Accrued interest payable	17,240	-	-	5,442	22,682
Intergovernmental payables	2,023	-	-		2,023
Due to other funds	-	-	55,737	-	55,737
Deferred revenues	11,371	-	2,216,279	-	2,227,650
Deposits payable	29,600	-	-	-	29,600
Accrued compensated absences, due within one year	40,670	23,623	-	66,765	131,058
Capital leases, due within one year	19,677	-	-	41,100	60,777
Long-term debt, due within one year	62,212	-	-	17,511	79,723
State loan, due within one year	81,078	-	-	-	81,078
Total current liabilities	825,956	49,360	2,759,139	226,251	3,860,706
Long-term liabilities:					
Compensated absences, due in more than one year	108,333	56,927	-	160,322	325,582
Advances from other funds	3,475,364	-	-	1,633,790	5,109,154
Accrued liabilities, due in more than one year	45,960	33,867	-	71,190	151,017
Capital leases, due in more than one year	13,797	-	-	242,562	256,359
Long-term debt, due in more than one year	555,068	-	-	338,903	893,971
State loan, due in more than one year	889,846	-	-	-	889,846
Total long-term liabilities	5,088,368	90,794	-	2,446,767	7,625,929
Total liabilities	5,914,324	140,154	2,759,139	2,673,018	11,486,635
NET ASSETS					
Invested in capital assets, net of related debt	20,127,524	17,766,771	7,487,530	1,007,900	46,389,725
Restricted for capital projects	-	2,262,309	-	-	2,262,309
Unrestricted	(2,390,176)	506,185	565,898	(1,678,491)	(2,996,584)
Total net assets	\$ 17,737,348	\$ 20,535,265	\$ 8,053,428	\$ (670,591)	\$ 45,655,450

(Concluded)

This page intentionally left blank.

City of Redding
Combining Statement of Activities and Changes in Net Assets
Nonmajor Enterprise Funds
For the year ended June 30, 2008

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
OPERATING REVENUES:					
User Fees and Charges	\$ 189,641	\$ 1,252,619	\$ 962,374	\$ 743,719	\$ 3,148,353
Rental fees	1,031,177	-	-	204,521	1,235,698
Other operating revenue	848,726	2,495	-	1,301	852,522
Total operating revenues	2,069,544	1,255,114	962,374	949,541	5,236,573
OPERATING EXPENSES:					
Cost of power, water, and transportation	-	-	2,782,699	-	2,782,699
Maintenance, operations, and administration	2,018,006	1,445,846	2,064,591	2,778,507	8,306,950
Depreciation and amortization	1,945,505	1,089,561	941,247	162,934	4,139,247
Total operating expenses	3,963,511	2,535,407	5,788,537	2,941,441	15,228,896
Operating income (loss)	(1,893,967)	(1,280,293)	(4,826,163)	(1,991,900)	(9,992,323)
NONOPERATING REVENUE (EXPENSES):					
Interest revenue	5,544	159,430	77,218	8,595	250,787
Interest expense	(91,054)	-	-	(17,740)	(108,794)
Intergovernmental revenues	245,571	-	3,807,699	-	4,053,270
Gain (loss) on disposal of assets	-	-	396	-	396
Other non-operating revenues (expenses)	192,969	216,001	-	-	408,970
Total nonoperating revenues (expenses)	353,030	375,431	3,885,313	(9,145)	4,604,629
Income (loss) before operating transfers and capital contributions	(1,540,937)	(904,862)	(940,850)	(2,001,045)	(5,387,694)
Capital contributions	3,031,835	1,104,225	370,089	5,186	4,511,335
Transfers in	423,500	-	-	1,994,515	2,418,015
Transfers out	(95,000)	-	-	(75,200)	(170,200)
Change in net assets	1,819,398	199,363	(570,761)	(76,544)	1,371,456
NET ASSETS:					
Beginning of year	15,917,950	20,335,902	8,624,189	(594,047)	44,283,994
End of year	\$ 17,737,348	\$ 20,535,265	\$ 8,053,428	\$ (670,591)	\$ 45,655,450

City of Redding
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the year ended June 30, 2008

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 2,061,777	\$ 1,261,280	\$ 949,372	\$ 950,877	\$ 5,223,306
Cash paid to suppliers	(1,141,365)	(846,452)	(4,841,232)	(1,251,660)	(8,080,709)
Cash paid to employees	(780,072)	(581,456)	-	(1,456,645)	(2,818,173)
Other operating revenue	-	2,495	-	-	2,495
Net cash provided (used) by operating activities	140,340	(164,133)	(3,891,860)	(1,757,428)	(5,673,081)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Intergovernmental revenue received	297,050	-	4,365,276	-	4,662,326
Advances from other funds	43,076	-	55,737	77,320	176,133
Repayment of advances to other funds	(1,343,406)	-	(72,321)	(112,500)	(1,528,227)
Transfers in	423,500	-	-	1,994,515	2,418,015
Transfers out	(95,000)	-	-	(75,200)	(170,200)
Other revenue (grant receipts)	7,080	-	-	-	7,080
Net cash provided (used) by noncapital financing activities	(667,700)	-	4,348,692	1,884,135	5,565,127
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital grants received	3,360,973	-	1,744,679	-	5,105,652
Proceeds from sale of assets	12,500	-	396	-	12,896
Purchases of capital assets	(2,917,533)	(232,275)	(234,560)	(77,250)	(3,461,618)
Interest paid	(88,225)	-	-	(16,880)	(105,105)
Proceeds from long-term debt	842,000	-	-	-	842,000
Principal paid on long-term debt	(109,586)	-	-	(18,525)	(128,111)
Principal paid on capital leases	(18,519)	-	-	(38,929)	(57,448)
Cash collected for future capital outlay	185,889	216,001	-	-	401,890
Net cash provided (used) by capital and related financing activities	1,267,499	(16,274)	1,510,515	(151,584)	2,610,156
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment revenue received	6,021	156,955	63,447	8,362	234,785
Net cash provided (used) by investing activities	6,021	156,955	63,447	8,362	234,785
Net increase (decrease) in cash and cash equivalents	\$ 746,160	\$ (23,452)	\$ 2,030,794	\$ (16,515)	2,736,987
CASH AND CASH EQUIVALENTS:					
Beginning of year	111,040	2,718,791	879,792	393,125	4,102,748
End of year	\$ 857,200	\$ 2,695,339	\$ 2,910,586	\$ 376,610	\$ 6,839,735

(Continued)

City of Redding
Combining Statement of Cash Flows
Nonmajor Enterprise Funds, Continued
For the year ended June 30, 2008

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ (1,893,967)	\$ (1,280,293)	\$ (4,826,163)	\$ (1,991,900)	\$ (9,992,323)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,945,505	1,089,561	941,247	162,934	4,139,247
Accounts receivable	(10,510)	8,661	(13,002)	1,336	(13,515)
Inventories	-	533	(10,006)	-	(9,473)
Prepaid items	(314)	(392)	-	(641)	(1,347)
Accounts payable	38,308	5,016	16,960	26,332	86,616
Accrued liabilities	(671)	963	(896)	6,079	5,475
Deposits payable	2,743	-	-	-	2,743
Intergovernmental payable	683	-	-	(1,598)	(915)
Accrued compensated absences	12,603	(22,049)	-	(31,160)	(40,606)
Accrued liabilities long-term	45,960	33,867	-	71,190	151,017
Net cash provided (used) by operating activities	\$ 140,340	\$ (164,133)	\$ (3,891,860)	\$ (1,757,428)	\$ (5,673,081)
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Plant contributed from developers	\$ -	\$ 1,104,225	\$ -	\$ -	\$ 1,104,225
Equipment transfers	16,474	-	-	5,186	21,660
Total non-cash capital and related financing activities	\$ 16,474	\$ 1,104,225	\$ -	\$ 5,186	\$ 1,125,885

(Concluded)

This page intentionally left blank.

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.

Municipal Utilities Support Fund

This fund was established to provide management and electrical technician support to the Utilities and Street Maintenance.

City of Redding
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
ASSETS						
Current assets:						
Cash and investments	\$ 491,579	\$ 827,461	\$ 1,023,027	\$ 6,639,258	\$ 412,852	\$ 9,394,177
Interest receivable	3,923	7,186	8,934	74,012	1,755	95,810
Accounts receivable, net	9,820	-	-	21,155	-	30,975
Prepaid items	4,217	5,774	4,999	1,660,445	6,108	1,681,543
Inventories	109,739	-	-	-	-	109,739
Interfund receivables	-	-	-	60,000	-	60,000
Total current assets	619,278	840,421	1,036,960	8,454,870	420,715	11,372,244
Non-current assets:						
Capital assets:						
Land	-	-	110,810	-	-	110,810
Land Improvements other than buildings	2,346,746	-	28,199	-	-	2,374,945
Automotive equipment	9,084,648	-	150,045	-	120,659	9,355,352
Furnishings and equipment	879,862	429,604	365,597	-	-	1,675,063
Assets under capital lease	1,272,190	-	-	-	-	1,272,190
Total capital assets	13,583,446	429,604	654,651	-	120,659	14,788,360
Less: accumulated depreciation	(8,053,446)	(330,956)	(350,574)	-	(98,391)	(8,833,367)
Net capital assets	5,530,000	98,648	304,077	-	22,268	5,954,993
Other assets:						
Advances to other funds	-	-	-	4,276,096	-	4,276,096
Total other assets	-	-	-	4,276,096	-	4,276,096
Total non-current assets	5,530,000	98,648	304,077	4,276,096	22,268	10,231,089
Total assets	6,149,278	939,069	1,341,037	12,730,966	442,983	21,603,333
LIABILITIES						
Current liabilities:						
Accounts payable	74,713	5,138	129,473	257,750	8,182	475,256
Intergovernmental payable	-	-	18,719	-	412	19,131
Accrued liabilities	67,285	75,538	84,815	73,618	83,300	384,556
Claims and judgements payable	-	-	-	3,023,391	-	3,023,391
Deferred revenues	-	13,984	-	373,363	-	387,347
Deposits	-	-	20	557	-	577
Compensated absences - current	77,061	69,186	76,695	30,107	114,176	367,225
Total current liabilities	219,059	163,846	309,722	3,758,786	206,070	4,657,483
Long-term liabilities:						
Advances from other funds	1,428,120	-	-	-	-	1,428,120
Accrued compensated absences	151,959	166,231	244,043	58,623	326,510	947,366
Accrued liabilities	93,816	113,494	103,402	46,126	112,498	469,336
Claims and judgements	-	-	-	6,848,108	-	6,848,108
Total long-term liabilities	1,673,895	279,725	347,445	6,952,857	439,008	9,692,930
Total liabilities	1,892,954	443,571	657,167	10,711,643	645,078	14,350,413
NET ASSETS						
Invested in capital assets, net of related debt	5,530,000	98,648	304,077	-	-	5,932,725
Unrestricted	(1,273,676)	396,850	379,793	2,019,323	(202,095)	1,320,195
Total net assets	\$ 4,256,324	\$ 495,498	\$ 683,870	\$ 2,019,323	\$ (202,095)	\$ 7,252,920

City of Redding
Combining Statement of Activities and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2008

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
OPERATING REVENUES:						
User fees and charges	\$ 3,511,449	\$ 2,283,150	\$ 5,625,073	\$ 39,835,085	\$ 2,409,160	\$ 53,663,917
Other operating revenue	12,207	32,508	4,143	-	-	48,858
Total operating revenues	3,523,656	2,315,658	5,629,216	39,835,085	2,409,160	53,712,775
OPERATING EXPENSES:						
Maintenance, operations, and administration	3,145,472	2,142,011	5,299,811	39,750,055	2,506,146	52,843,495
Depreciation and amortization	1,007,909	42,579	55,384	-	6,362	1,112,234
Total operating expenses	4,153,381	2,184,590	5,355,195	39,750,055	2,512,508	53,955,729
OPERATING INCOME (LOSS)	(629,725)	131,068	274,021	85,030	(103,348)	(242,954)
NONOPERATING REVENUE (EXPENSES):						
Interest revenue	14,375	27,427	33,424	420,841	6,439	502,506
Gain on disposal of capital assets	(18,206)	(25,883)	5,441	-	-	(38,648)
Other non-operating revenues(exp)					1,023	1,023
Total nonoperating expenses	(3,831)	1,544	38,865	420,841	7,462	464,881
Income (loss) before transfers and contributions	(633,556)	132,612	312,886	505,871	(95,886)	221,927
Capital contributions	880,739	5,111	-	-	-	885,850
Transfer in	5,792	-	-	-	28,630	34,422
Transfers out	(28,630)	-	-	(5,792)	-	(34,422)
Change in net assets	224,345	137,723	312,886	500,079	(67,256)	1,107,777
NET ASSETS:						
Beginning of year	4,031,979	357,775	370,984	1,519,244	(134,839)	6,145,143
End of year	\$ 4,256,324	\$ 495,498	\$ 683,870	\$ 2,019,323	\$ (202,095)	\$ 7,252,920

City of Redding
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2008

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from other funds	\$ 3,516,928	\$ 2,315,658	\$ 5,630,746	\$ 39,931,695	\$ 2,409,160	\$ 53,804,187
Cash paid to suppliers	(1,516,138)	(406,166)	(3,552,387)	(39,073,791)	(409,351)	(44,957,833)
Cash paid to employees	(1,509,555)	(1,590,296)	(1,593,322)	(695,850)	(1,667,881)	(7,056,904)
Net cash provided (used) by operating activities	491,235	319,196	485,037	162,054	331,928	1,789,450
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Intergovernmental revenue received	(265,628)	-	-	-	-	(265,628)
Repayment of advances to other funds	-	-	(20,204)	660,054	-	639,850
Advances from other funds	-	-	-	(397,870)	-	(397,870)
Other non-operating revenue (exp)	-	-	-	-	1,023	1,023
Net cash provided (used) by noncapital financing activities	(265,628)	-	(20,204)	262,184	1,023	(22,625)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from sale of assets	2,644	-	5,441	-	-	8,085
Purchase of capital assets	(11,199)	(87,426)	(62,101)	(5,792)	-	(166,518)
Net cash provided (used) by capital and related financing activities	(8,555)	(87,426)	(56,660)	(5,792)	-	(158,433)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment revenue received	12,597	24,816	29,550	409,697	6,095	482,755
Net cash provided (used) by investing activities	12,597	24,816	29,550	409,697	6,095	482,755
Net increase (decrease) in cash and cash equivalents	229,649	256,586	437,723	828,143	339,046	2,091,147
CASH AND CASH EQUIVALENTS:						
Beginning of year	261,930	570,875	585,304	5,811,115	73,806	7,303,030
End of year	\$ 491,579	\$ 827,461	\$ 1,023,027	\$ 6,639,258	\$ 412,852	\$ 9,394,177

(Continued)

City of Redding
Combining Statement of Cash Flows
Internal Service Funds, Continued
For the year ended June 30, 2008

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating income (loss)	\$ (629,725)	\$ 131,068	\$ 274,021	\$ 85,030	\$ (103,348)	\$ (242,954)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	1,007,909	42,579	55,384	-	6,362	1,112,234
(Increase) decrease in accounts receivable	(6,728)	-	1,510	46,876	-	41,658
(Increase) decrease in inventories	(13,971)	-	-	-	-	(13,971)
(Increase) decrease in prepaid items	(522)	(1,446)	(1,071)	(258,628)	(4,509)	(266,176)
(Increase) decrease in accounts payable	1,690	4,884	13,274	56,201	1,863	77,912
(Increase) decrease in accrued liabilities	9,660	16,433	4,287	13,057	58,492	101,929
(Increase) decrease in claims and judgements payable	-	-	-	(258,816)	-	(258,816)
(Increase) decrease in deposits	-	-	20	(1,559)	-	(1,539)
(Increase) decrease in intergovernmental payable	-	-	16,658	(462)	412	16,608
(Increase) decrease in deferred revenues	-	-	-	49,734	-	49,734
(Increase) decrease in accrued compensated absences	29,106	12,184	17,552	17,201	260,158	336,201
(Increase) decrease in claims and judgements long-term	-	-	-	367,294	-	367,294
(Increase) decrease in accrued liabilities long-term	93,816	113,494	103,402	46,126	112,498	469,336
Total adjustments	1,120,960	188,128	211,016	77,024	435,276	2,032,404
Net cash provided (used) by operating activities	\$ 491,235	\$ 319,196	\$ 485,037	\$ 162,054	\$ 331,928	\$ 1,789,450
Schedule of noncash capital activities:						
Equipment transfers	\$ -	\$ -	\$ -	\$ (5,792)	\$ 28,630	\$ 22,838
Equipment contributed from customer	-	5,111	-	-	-	5,111

(Concluded)

This page intentionally left blank.

FIDUCIARY FUNDS

Agency Funds

Agency Funds are used to account for assets held by a government unit as an agent for individuals, governmental entities (other than the City) and non-public organizations.

Special Deposits

This fund was established to account for deposits and collect monies for various community events, which are remitted to the organizers.

IPSS Fund

This fund collects and disburses payments for a joint powers authority (JPA) between the Cities of Redding, Anderson, and Shasta County. The JPA is responsible for integrating public safety records between the entities.

City of Redding
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 1,623,573	\$ 9,290,476	\$ 9,689,978	\$ 1,224,071
Accounts receivable	24,207	528,209	545,466	6,950
Interest receivable	40,092	2,871	-	42,963
Total assets	\$ 1,687,872	\$ 9,821,556	\$ 10,235,444	\$ 1,273,984
Liabilities:				
Deposits	\$ 1,687,872		\$ 413,888	\$ 1,273,984
Total liabilities	\$ 1,687,872	\$ -	\$ 413,888	\$ 1,273,984
<u>IPSS</u>				
Assets:				
Cash and investments	\$ 446,418	\$ 518,317	\$ 494,420	\$ 470,315
Accounts receivable	-			-
Interest receivable	4,360	537	-	4,897
Total assets	\$ 450,778	\$ 518,854	\$ 494,420	\$ 475,212
Liabilities:				
Deposits	\$ 450,778	\$ 518,854	\$ 494,420	\$ 475,212
Total liabilities	\$ 450,778	\$ 518,854	\$ 494,420	\$ 475,212
<u>Total</u>				
Assets:				
Cash and investments	\$ 2,069,991	\$ 9,808,793	\$ 10,184,398	\$ 1,694,386
Accounts receivable	24,207	528,209	545,466	6,950
Interest receivable	44,452	3,408	-	47,860
Total assets	\$ 2,138,650	\$ 10,340,410	\$ 10,729,864	\$ 1,749,196
Liabilities:				
Deposits	\$ 2,138,650	\$ 518,854	\$ 908,308	\$ 1,749,196
Total liabilities	\$ 2,138,650	\$ 518,854	\$ 908,308	\$ 1,749,196

STATISTICAL SECTION

STATISTICAL SECTION

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

INDEX

Page

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time 174

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenues sources. 186

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability issues additional debt in the future. 192

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 203

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. 205

CITY OF REDDING
Net Assets by Component
Last Eight Fiscal Years*
(accrual basis of accounting)

	Fiscal Year		
	2000-01	2001-02	2002-03
Governmental activities			
Invested in capital assets, net of related debt	\$ 94,413,778	\$ 104,205,896	\$ 113,740,928
Restricted	47,706,211	49,159,188	48,116,563
Unrestricted	9,457,948	9,443,505	16,605,960
Total governmental activities net assets	\$ 151,577,937	\$ 162,808,589	\$ 178,463,451
Business-type activities			
Invested in capital assets, net of related debt	\$ 150,896,561	\$ 163,216,577	\$ 196,489,648
Restricted	14,309,722	10,375,003	14,678,467
Unrestricted	96,236,732	109,766,473	80,121,237
Total business-type activities net assets	\$ 261,443,015	\$ 283,358,053	\$ 291,289,352
Primary government			
Invested in capital assets, net of related debt	\$ 245,310,339	\$ 267,422,473	\$ 310,230,576
Restricted	62,015,933	59,534,191	62,795,030
Unrestricted	105,694,680	119,209,978	96,727,197
Total primary government net assets	\$ 413,020,952	\$ 446,166,642	\$ 469,752,803

* Data not available prior to implementation of GASB 34 in 2000-01
Source: City of Redding Comprehensive Annual Financial Report

Fiscal Year				
2003-04	2004-05	2005-06	2006-07	2007-08
\$ 152,599,739	\$ 160,825,551	\$ 172,814,117	\$ 188,370,460	\$ 213,545,402
37,186,278	40,434,959	41,537,596	46,293,480	47,999,512
24,216,326	26,390,155	28,543,456	37,777,707	35,204,839
<u>\$ 214,002,343</u>	<u>\$ 227,650,665</u>	<u>\$ 242,895,169</u>	<u>\$ 272,441,647</u>	<u>\$ 296,749,753</u>
\$ 200,043,626	\$ 220,179,734	\$ 190,161,873	\$ 238,330,630	\$ 257,415,432
31,011,072	34,051,195	33,452,385	15,786,725	14,417,207
77,810,482	63,110,632	116,877,608	102,615,412	92,480,560
<u>\$ 308,865,180</u>	<u>\$ 317,341,561</u>	<u>\$ 340,491,866</u>	<u>\$ 356,732,767</u>	<u>\$ 364,313,199</u>
\$ 352,643,365	\$ 381,005,285	\$ 362,975,990	\$ 426,701,090	\$ 470,960,834
68,197,350	74,486,154	74,989,981	62,080,205	62,416,719
102,026,808	89,500,787	145,421,064	140,393,119	127,685,399
<u>\$ 522,867,523</u>	<u>\$ 544,992,226</u>	<u>\$ 583,387,035</u>	<u>\$ 629,174,414</u>	<u>\$ 661,062,952</u>

CITY OF REDDING

Change in Net Assets

Last Eight Fiscal Years*

(accrual basis of accounting)

	Fiscal Year		
	2000-01	2001-02	2002-03
Expenses			
Governmental Activities			
General government	\$ 4,879,222	\$ 5,614,465	\$ 6,355,591
Police	16,188,282	17,233,269	18,636,632
Fire	8,557,370	9,031,551	11,674,640
Public Works	8,554,010	9,238,103	9,227,910
Planning	3,357,226	3,196,894	3,468,665
Recreation and culture	3,665,398	8,534,432	7,237,374
Community development	8,227,515	8,479,611	8,829,726
Interest on long-term debt	3,318,874	3,229,379	3,452,316
Total governmental activities expenses	56,747,897	64,557,704	68,882,854
Business-Type Activities			
Electric	208,374,716	102,382,759	101,853,586
Water	8,744,949	9,291,738	9,424,821
Wastewater	9,415,315	9,805,825	10,023,354
Storm drainage	1,405,689	1,509,788	1,523,000
Solid waste	10,393,622	11,674,164	12,125,866
Transportation	6,504,218	6,901,577	7,680,703
Convention center	1,957,669	2,042,346	2,059,258
Total business-type activities expenses	246,796,178	143,608,197	144,690,588
Total primary government expenses	\$ 303,544,075	\$ 208,165,901	\$ 213,573,442
Program Revenues			
Governmental Activities			
Charges for services:			
General government	\$ 1,697,088	\$ 1,934,680	\$ 2,014,549
Public works	1,093,682	1,192,243	1,141,885
Planning	2,045,050	2,194,469	2,594,993
Other activities	1,590,604	1,842,303	1,803,948
Operating grants and contributions	14,110,520	14,410,025	13,883,419
Capital grants and contributions	7,120,128	8,608,113	14,922,344
Total governmental activities program revenues	27,657,072	30,181,833	36,361,138
Program Revenues			
Business-type activities			
Charges for services:			
Electric	238,633,524	104,470,688	91,766,907
Water	9,049,847	10,312,159	11,314,044
Wastewater	8,254,528	9,039,453	9,492,114
Solid waste	13,172,232	14,343,371	14,858,534
Transportation	2,016,152	2,248,135	2,116,890
Other activities	1,227,424	1,421,133	1,353,358
Operating grants and contributions	2,597,050	2,959,025	3,235,428
Capital grants and contributions	9,830,668	13,140,958	10,186,180
Total business-type activities program revenues	284,781,425	157,934,922	144,323,455
Total primary government program revenues	\$ 312,438,497	\$ 188,116,755	\$ 180,684,593
Net (Expense)/Revenue			
Governmental activities	\$ (29,090,825)	\$ (34,375,871)	\$ (32,521,716)
Business-type activities	37,985,247	14,326,725	(367,133)
Total primary government	\$ 8,894,422	\$ (20,049,146)	\$ (32,888,849)

Fiscal Year				
2003-04	2004-05	2005-06	2006-07	2007-08
\$ 6,460,999	\$ 7,823,328	\$ 6,043,808	\$ 5,840,837	\$ 5,168,803
21,554,360	22,639,639	22,938,459	24,388,239	27,716,907
12,568,277	13,614,525	13,896,656	14,587,056	17,618,698
9,616,568	8,439,622	11,350,449	11,427,486	10,339,597
4,202,068	4,871,248	3,894,286	4,869,938	5,750,052
5,732,598	9,075,527	8,390,240	8,650,759	10,964,863
11,707,216	15,516,690	16,349,078	13,036,414	15,160,077
3,976,239	3,731,476	4,110,575	4,743,424	5,367,360
<u>75,818,325</u>	<u>85,712,055</u>	<u>86,973,551</u>	<u>87,544,153</u>	<u>98,086,357</u>
118,023,084	133,187,082	131,048,566	139,338,821	163,293,058
10,447,116	9,779,384	10,878,391	12,022,834	12,570,242
11,743,540	10,609,067	11,718,895	12,517,219	13,378,188
1,765,074	1,510,206	1,846,993	2,122,729	2,563,858
15,880,622	14,617,316	16,433,051	17,130,494	18,702,626
8,214,988	8,301,803	9,172,005	9,159,483	9,838,187
2,680,425	2,503,314	2,578,833	2,495,721	2,952,600
<u>168,754,849</u>	<u>180,508,172</u>	<u>183,676,734</u>	<u>194,787,301</u>	<u>223,298,759</u>
<u>\$ 244,573,174</u>	<u>\$ 266,220,227</u>	<u>\$ 270,650,285</u>	<u>\$ 282,331,454</u>	<u>\$ 321,385,116</u>
\$ 2,105,485	\$ 2,293,668	\$ 4,669,323	\$ 5,933,921	\$ 5,215,942
936,885	1,013,954	269,504	219,567	1,279,365
2,575,763	3,059,516	3,204,622	2,609,623	2,900,666
2,319,156	2,433,455	2,064,225	2,976,895	4,153,936
14,347,489	16,331,121	17,524,126	18,594,929	16,262,587
39,516,056	11,837,627	10,834,923	18,918,861	22,032,319
<u>61,800,834</u>	<u>36,969,341</u>	<u>38,566,723</u>	<u>49,253,796</u>	<u>51,844,815</u>
124,669,322	127,893,208	140,336,132	133,308,642	152,834,481
12,174,497	11,966,513	12,540,136	14,264,218	14,550,142
10,459,146	11,806,688	12,709,979	15,768,736	17,128,355
15,727,879	15,984,667	16,608,413	17,317,785	17,985,385
2,063,966	2,363,703	2,558,384	2,863,235	3,037,429
1,706,783	1,661,984	1,660,073	1,788,340	2,202,160
3,594,562	4,000,415	4,152,460	5,141,381	4,311,285
10,080,012	17,315,640	15,773,165	17,199,684	13,702,005
<u>180,476,167</u>	<u>192,992,818</u>	<u>206,338,742</u>	<u>207,652,021</u>	<u>225,751,242</u>
<u>\$ 242,277,001</u>	<u>\$ 229,962,159</u>	<u>\$ 244,905,465</u>	<u>\$ 256,905,817</u>	<u>\$ 277,596,057</u>
\$ (14,017,491)	\$ (48,742,714)	\$ (48,406,828)	\$ (38,290,357)	\$ (46,241,542)
11,721,318	12,484,646	22,662,008	12,864,720	2,452,483
<u>\$ (2,296,173)</u>	<u>\$ (36,258,068)</u>	<u>\$ (25,744,820)</u>	<u>\$ (25,425,637)</u>	<u>\$ (43,789,059)</u>

CITY OF REDDING

Change in Net Assets

Last Eight Fiscal Years*

(accrual basis of accounting) (Continued)

	Fiscal Year		
	2001-02	2001-02	2002-03
General Revenue and Other Changes in Net Assets			
Governmental Activities			
Taxes			
Sales taxes	\$ 16,781,979	\$ 18,004,770	\$ 19,327,138
Property taxes	11,018,519	12,055,646	13,275,953
In lieu	3,776,210	4,765,460	5,047,821
Transient and occupancy taxes	2,766,956	3,027,116	3,178,073
Motor vehicle in-lieu taxes	4,251,566	4,619,185	4,833,438
Franchise taxes	842,605	826,600	794,739
Other taxes	685,730	924,976	1,037,862
Investment earnings	4,449,915	3,572,026	3,276,758
Gain on sale of property	180,625	2,066,225	231,587
Miscellaneous	139,454	18,116	25,597
Transfers	(1,170,596)	(4,273,590)	(2,852,381)
Other items	(72,105)	-	-
Total governmental activities	43,650,858	45,606,530	48,176,585
Business-type activities			
Investment earnings	6,106,628	5,752,313	3,940,608
Gain on sale of property	848,775	(883,213)	(430,458)
Miscellaneous	-	-	250
Transfers	1,170,596	4,273,590	2,852,381
Other items	-	-	-
Total business activities	8,125,999	9,142,690	6,362,781
Total primary government	\$ 51,776,857	\$ 54,749,220	\$ 54,539,366
Change in Net Assets			
Governmental activities	\$ 14,560,033	\$ 11,230,659	\$ 15,654,869
Adjustments	6,514,300	(7)	(7)
Total governmental activities	21,074,333	11,230,652	15,654,862
Business-type activities	46,111,246	23,469,415	5,995,648
Adjustments - business activities	(4,150,541)	(1,554,377)	1,935,651
Total business activities	41,960,705	21,915,038	7,931,299
Total changes in net assets - primary government	\$ 63,035,038	\$ 33,145,690	\$ 23,586,161

Source: City of Redding Comprehensive Annual Financial Report

* Data not available prior to implementation of GASB 34 in 2000-01

Fiscal Year				
2003-04	2004-05	2005-06	2006-07	2007-08
\$ 20,297,843	\$ 21,696,313	\$ 23,857,074	\$ 23,184,177	\$ 21,647,441
16,965,869	17,900,941	25,735,494	30,017,785	33,238,207
5,753,770	-	-	-	-
3,275,325	3,512,022	3,747,553	3,966,328	3,957,034
3,960,686	6,971,460	611,129	479,622	384,059
828,940	827,175	916,818	997,756	967,150
1,129,334	1,329,072	1,364,821	1,221,396	1,150,466
2,031,348	3,106,598	3,355,569	5,916,734	6,492,706
(337,650)	-	-	-	-
68,789	120,092	103,125	101,000	100,000
(4,180,250)	7,666,014	3,794,368	1,941,445	2,612,585
<u>49,794,004</u>	<u>63,129,687</u>	<u>63,485,951</u>	<u>67,826,243</u>	<u>70,549,648</u>
1,866,949	3,657,749	3,785,359	8,459,278	7,738,038
(42,005)	-	-	-	-
-	-	-	-	-
4,180,250	(7,666,014)	(3,794,368)	(1,941,445)	(2,612,585)
(150,684)	-	-	4,685	2,496
<u>5,854,510</u>	<u>(4,008,265)</u>	<u>(9,009)</u>	<u>6,522,518</u>	<u>5,127,949</u>
\$ 55,648,514	\$ 59,121,422	\$ 63,476,942	\$ 74,348,761	\$ 75,677,597
\$ 35,776,513	\$ 14,386,973	\$ 15,079,123	\$ 29,535,886	\$ 24,308,106
(237,621)	(738,651)	165,381	10,592	-
<u>35,538,892</u>	<u>13,648,322</u>	<u>15,244,504</u>	<u>29,546,478</u>	<u>24,308,106</u>
17,575,828	8,476,381	22,652,999	19,387,238	7,580,432
-	-	497,306	(3,146,337)	-
<u>17,575,828</u>	<u>8,476,381</u>	<u>23,150,305</u>	<u>16,240,901</u>	<u>7,580,432</u>
\$ 53,114,720	\$ 22,124,703	\$ 38,394,809	\$ 45,787,379	\$ 31,888,538

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

	Fiscal Year			
	1998-99	1999-00	2000-01	2001-02
General Fund				
Reserved	\$ 5,362,094	\$ 5,434,312	\$ 4,950,873	\$ 5,147,964
Unreserved	3,570,557	4,000,580	11,506,021	16,570,439
Total general fund	<u>8,932,651</u>	<u>9,434,892</u>	<u>16,456,894</u>	<u>21,718,403</u>
All Other Governmental Funds				
Reserved	\$ 22,513,798	\$ 22,532,470	\$ 16,822,908	\$ 36,372,262
Unreserved, designated for, reported in:				
Special revenue funds	782,345	1,384,164	339,743	769,476
Capital projects funds	5,196,130	14,661,948	1,992,295	15,707,201
Unreserved, undesignated, reported in:				
Special revenue funds	6,833,985	7,657,444	20,877,784	4,283,923
Capital projects funds	13,905,745	(8,110)	15,502,175	2,788,923
Debt service funds	(680,352)	(744,057)	(810,260)	(895,768)
Total all other governmental funds	<u>\$ 48,551,651</u>	<u>\$ 45,483,859</u>	<u>\$ 54,724,645</u>	<u>\$ 59,026,017</u>

Source: City of Redding Comprehensive Annual Financial Report

Fiscal Year					
2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
\$ 4,330,021	\$ 5,604,846	\$ 7,960,371	\$ 5,088,973	\$ 5,836,083	\$ 6,302,324
10,767,456	20,908,746	14,051,582	14,409,873	17,475,454	13,430,337
15,097,477	26,513,592	22,011,953	19,498,846	23,311,537	19,732,661
\$ 38,043,606	\$ 42,922,062	\$ 43,711,331	\$ 49,982,576	\$ 41,495,690	\$ 57,794,053
698,876	4,925,613	14,667,177	14,531,667	8,939,932	11,306,543
21,637,855	15,120,183	24,925,785	26,139,758	62,437,942	40,518,292
2,548,815	3,130,866	877,114	2,435,338	7,776,230	6,706,906
(593,847)	(9,839,024)	296,773	675,765	7,582,682	8,782,898
9,101,683	14,674,603	2,465,914	(1,271,925)	(1,267,509)	(1,241,046)
\$ 71,436,988	\$ 70,934,303	\$ 86,944,094	\$ 92,493,179	\$ 126,964,967	\$ 123,867,646

CITY OF REDDING

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year			
	1998-99	1999-00	2000-01	2001-02
Revenues				
Taxes	\$ 26,542,009	\$ 29,362,518	\$ 31,678,833	\$ 34,765,295
Licenses and permits	2,610,906	3,124,541	3,371,388	1,657,421
Intergovernmental revenues	15,077,974	20,735,492	19,664,597	20,029,676
Charges for services	1,110,241	1,507,658	1,426,356	1,906,412
Fines	518,247	546,628	659,359	812,678
Use of money and property	5,999,432	6,315,439	6,658,522	7,772,780
Interest revenue	2,853,283	2,750,493	3,978,977	3,140,148
Special assessments	1,374,892	1,862,667	1,703,404	1,348,315
Miscellaneous	1,149,903	1,485,756	2,454,392	4,297,682
Total revenues	57,236,887	67,691,192	71,595,828	75,730,407
Expenditures				
Community development	8,079,937	8,445,784	9,258,838	8,802,958
General government	4,174,803	4,792,570	5,060,328	5,675,997
Public safety	21,125,577	22,319,512	23,725,083	25,128,752
Public works	3,545,643	3,605,805	4,509,068	4,430,424
Planning	2,734,804	2,876,760	3,242,427	3,134,055
Recreation and culture	2,787,764	2,722,836	2,950,432	3,742,962
Midtown Mall	103,769	114,543	-	-
Capital outlay	14,151,069	18,747,635	6,643,923	17,094,408
Debt service:				
Principal retirement	2,112,349	2,358,643	2,363,166	1,962,251
Interest and fiscal charges	3,627,101	3,439,789	3,667,726	3,517,467
Bond issuance costs	22,398	13,530	11,480	-
Total expenditures	62,465,214	69,437,407	61,432,471	73,489,274
Excess of revenues over (under) expenditures	(5,228,327)	(1,746,215)	10,163,357	2,241,133

Fiscal Year					
2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
\$ 37,607,285	\$ 42,463,395	\$ 43,856,582	\$ 55,488,972	\$ 59,524,861	\$ 60,575,049
1,822,042	1,868,324	2,159,509	2,244,909	1,589,747	1,409,549
24,465,420	26,857,196	29,538,610	20,651,015	25,835,843	32,130,286
2,128,300	2,343,447	2,698,496	3,087,242	3,730,253	4,828,400
852,813	985,786	1,063,502	800,275	926,522	1,089,317
8,212,771	9,255,389	3,679,150	5,452,555	5,639,155	6,318,669
2,922,392	1,833,241	2,854,682	3,167,557	5,526,660	6,120,195
1,599,284	1,522,665	2,887,274	1,524,188	1,464,323	1,671,937
3,845,229	5,197,696	6,145,044	8,676,756	6,853,688	4,936,950
83,455,536	92,327,139	94,882,849	101,093,469	111,091,052	119,080,352
10,888,839	12,439,346	14,226,661	17,004,289	14,262,851	15,625,733
6,339,169	6,403,628	6,648,418	6,994,486	7,296,375	6,926,626
29,378,432	31,269,917	35,625,481	37,684,535	38,417,064	42,538,068
4,184,655	4,750,695	5,915,842	7,690,555	5,920,843	5,878,230
3,409,124	4,031,899	4,859,683	4,392,294	4,714,858	5,419,587
3,661,822	4,459,732	5,755,954	5,051,006	5,719,996	7,418,515
-	-	-	-	-	-
16,912,493	21,921,650	13,206,504	15,007,032	26,539,273	35,872,742
2,770,161	2,016,759	4,012,357	4,562,460	4,324,708	5,533,870
3,490,765	4,076,484	3,901,201	4,133,488	4,493,534	5,473,145
246,818	982,578	349,311	-	677,851	5,650
81,282,278	92,352,688	94,501,412	102,520,145	112,367,353	130,692,166
2,173,258	(25,549)	381,437	(1,426,676)	(1,276,301)	(11,611,814)

CITY OF REDDING

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year			
	1998-99	1999-00	2000-01	2001-02
Other Financing Sources (Uses)				
Sale of capital asset	733,606	251,012	260,698	1,093,768
Financing proceeds	-	190,000	111,356	1,094,430
Long-term debt issued	416,500	-	-	9,500,000
Bond discount	-	-	-	(92,860)
Premium on bonds issued	-	-	-	-
Proceeds of refunding bonds	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-
Transfers in	5,423,851	8,381,064	5,104,909	4,956,979
Transfers out	(6,630,755)	(9,646,968)	(6,275,505)	(9,230,569)
Total other financing sources (uses)	(56,798)	(824,892)	(798,542)	7,321,748
Net change in fund balances	\$ (5,285,125)	\$ (2,571,107)	\$ 9,364,815	\$ 9,562,881
Fund Balances (deficit), beginning of year, as originally stated	\$ 63,094,748	\$ 57,484,302	\$ 54,918,751	\$ 71,181,539
Prior period adjustment	(325,321)	3,762	1,712,194	-
Change in accounting principal	-	-	5,185,779	-
Fund Balances (deficit), beginning of year, as restated	62,769,427	57,488,064	61,816,724	71,181,539
Residual equity transfer in	-	1,794	-	-
Fund balances (deficit), end of year	\$ 57,484,302	\$ 54,918,751	\$ 71,181,539	\$ 80,744,420
Debt service as a percentage of noncapital expenditures*			11%	9%

* Information on capital expenditures is only available after implementation of GASB 34 in 2000-01.

Source: City of Redding Comprehensive Annual Financial Report

Fiscal Year					
2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
280,637	77,735	33,058	838,344	696,456	1,851,372
235,193	-	290,891	39,878	250,000	400,000
7,977,616	44,430,000	16,970,000	-	36,415,000	-
(40,250)	(51,342)	-	-	(266,824)	-
17,271	365,639	611,624	-	76,427	-
-	-	-	-	-	-
(2,001,298)	(29,465,181)	(10,548,316)	-	-	-
15,910,603	18,368,202	33,800,013	15,230,516	11,213,114	11,351,753
<u>(18,762,985)</u>	<u>(22,548,453)</u>	<u>(29,764,223)</u>	<u>(11,646,084)</u>	<u>(8,738,168)</u>	<u>(8,667,508)</u>
3,616,787	11,176,600	11,393,047	4,462,654	39,646,005	4,935,617
<u>\$ 5,790,045</u>	<u>\$ 11,151,051</u>	<u>\$ 11,774,484</u>	<u>\$ 3,035,978</u>	<u>\$ 38,369,704</u>	<u>\$ (6,676,197)</u>
\$ 80,744,420	\$ 86,534,465	\$ 97,447,895	\$ 108,956,047	\$ 108,956,047	\$ 150,276,504
-	(237,621)	(266,332)	-	(85,225)	-
-	-	-	-	-	-
<u>80,744,420</u>	<u>86,296,844</u>	<u>97,181,563</u>	<u>108,956,047</u>	<u>108,870,822</u>	<u>150,276,504</u>
-	-	-	-	-	-
<u>\$ 86,534,465</u>	<u>\$ 97,447,895</u>	<u>\$ 108,956,047</u>	<u>\$ 111,992,025</u>	<u>\$ 147,240,526</u>	<u>\$ 143,600,307</u>
10%	13%	10%	10%	11%	12%

CITY OF REDDING

General Governmental Tax Revenues By Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

(In thousands)

Fiscal Year	Property Tax	Transient Occupancy Tax	Sales Tax	Other Taxes	Total
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
2005-2006	25,885	3,748	23,575	2,281	55,489
2006-2007	29,781	3,966	23,558	2,220	59,525
2007-2008	32,884	3,957	21,616	2,118	60,575

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

Revenue Base - Own Source Revenue Metered Customers and MWHs Sold Last Five Fiscal Years*

Type of Customer	Fiscal Year ended June 30,					
	2004		2005		2006	
	Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)
Residential	35,547	374,713	36,259	363,204	35,729	383,508
Commercial	5,324	334,195	4,948	336,012	4,957	344,753
Industrial	303	16,899	319	17,231	318	16,865
Other	663	43,422	808	45,594	765	46,027
Total	41,837	769,229	42,334	762,041	41,769	791,153

Type of Customer	Fiscal Year ended June 30,		Fiscal Year ended June 30,	
	2007		2008	
	Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)
Residential	36,264	388,390	36,486	381,654
Commercial	5,019	350,435	5,063	345,468
Industrial	333	16,808	341	15,967
Other	800	47,376	877	48,248
Total	42,416	803,009	42,767	791,337

* Data prior to the 2003-04 fiscal year is not readily available

Source: Electric Utility CEC 1306 reports to California Energy Commission

CITY OF REDDING

Electric Utility Rates

Last Five Fiscal Years*

Fiscal Year	Residential		Commercial			
	Monthly Base Rate	Energy charge per kwh	Monthly Base Rate		Energy charge	
			Small Commercial (< 15,000 kwh)	Large Commercial (> 15,000 kwh)	All kwh	Per kwh in excess of 15,000
2004	5.46	0.0848	5.41	12.48	0.0950	0.0441
2005	5.68	0.0882	5.63	12.98	0.0988	0.0459
2006	5.68	0.0882	5.63	12.98	0.0988	0.0459
2007	6.01	0.0934	5.96	13.74	0.1046	0.0486
2008	6.36	0.989	6.31	14.54	0.1107	0.0514

* Data prior to the 2003-04 fiscal year is not readily available

Source: City of Redding Utility Rate Schedules

Industrial				
Monthly Base Rate	On Peak Energy Charge		Off Peak Energy Charge	
	All kwh	Per kWh in excess of 15,000	If off-peak demand exceeds on- peak demand	If off-peak demand is less than on-peak demand
26.00	0.0964	0.0447	0.0378	0.0447
27.04	0.1003	0.0465	0.0393	0.0465
27.04	0.1003	0.0465	0.0393	0.0465
28.62	0.1062	0.0492	0.0416	0.0492
30.29	0.1124	0.0521	0.0440	0.0521

CITY OF REDDING
Principal Electric Utility Payers
Fiscal Years 2007-08 and 2005-06*

Utility Payer	June 30, 2008 Fiscal Year			June 30, 2006 Fiscal Year		
	2008 Utilities Paid	Rank	Percentage of City Total Utilities Paid	2006 Utilities Paid	Rank	Percentage of City Total Utilities Paid
Customer #1	\$3,984,746	1	4.86%	\$3,465,972	1	4.38%
Customer #2	1,510,793	2	1.84%	1,300,615	2	1.64%
Customer #3	1,067,608	3	1.30%	999,336	3	1.26%
Customer #4	906,020	4	1.10%	862,444	4	1.09%
Customer #5	621,431	5	0.76%			
Customer #6	530,420	6	0.65%	478,871	5	0.60%
Customer #7	525,682	7	0.64%			
Customer #8	493,814	8	0.60%	445,379	6	0.56%
Customer #9	456,875	9	0.56%	426,104	8	0.54%
Customer #10	451,070	10	0.55%	429,352	7	0.54%
Customer #11				406,238	9	0.51%
Customer #12				391,892	10	0.49%
Total	\$10,548,459		12.86%	\$9,206,203		11.61%

* Data nine years previous is not readily available

Source: City of Redding Electric Utility

This page intentionally left blank.

CITY OF REDDING

Ratios of Outstanding Debt by Type

Last Eight Fiscal Years*

(amounts expressed in thousands, except per capita amount)

Fiscal Year Ending	Governmental Activities				
	Revenue Bonds	Tax Allocation Bonds	Loans	Special Assessment Bonds	Capital Leases
2001	20,836	22,405	-	11,506	331
2002	20,301	31,370	511	10,694	973
2003	25,852	30,395	246	9,817	1,009
2004	28,090	42,925	194	8,940	773
2005	34,426	41,425	138	7,367	839
2006	32,892	39,885	78	6,160	688
2007	52,688	53,300	52	5,276	715
2008	50,260	51,420	34	4,393	868

* Data not available prior to implementation of GASB 34 in 2000-01

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.

Business-Type Activities

General Obligation Bonds	Revenue Bonds	Certificates of Participation	Loans	Special Assessment Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
1,979	58,154	92,058	600	278	810	208,956	10.36%	2,531
1,629	56,089	127,648	5,241	253	796	255,504	11.76%	3,022
700	55,643	106,600	15,536	227	681	246,705	11.17%	2,879
350	45,275	102,830	15,108	200	561	245,246	10.68%	2,810
-	42,304	98,915	14,433	171	436	240,454	9.67%	2,718
-	39,713	125,560	13,740	140	429	259,286	10.02%	2,908
-	37,057	121,355	16,258	108	375	287,183	10.41%	3,189
-	34,330	192,940	22,562	74	317	357,198	12.12%	3,947

CITY OF REDDING

Computation of Direct and Overlapping Debt

As of June 30, 2008

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Redding (4)	Amount Applicable to City of Redding
Direct:			
City of Redding: (1)			
City of Redding	\$4,447,000	100.000%	\$4,447,000
City of Redding 1915 Act Bonds			0
Total direct debt	4,447,000		4,447,000
Overlapping:			
Redding Redevelopment Agency (1)	51,420,000	100.000%	51,420,000
County of Shasta: (2)			
Shasta Joint Powers Financing Authority	50,900,000	51.168%	26,044,512
Shasta County Schools: (2)			
Enterprise School District	25,774,829	99.130%	25,550,588
Shasta Union High	27,146,768	69.356%	18,827,912
Gateway School	21,124,968	40.940%	8,648,562
Redding School District	26,425,000	99.215%	26,217,564
Columbia School District	6,250,000	75.480%	4,717,500
Shasta College	31,950,000	51.316%	16,395,462
Grant School	1,508,580	4.834%	72,925
Centerville (3)	167,336	25.480%	42,637
Total overlapping debt	242,667,481		177,937,662
Total direct and overlapping debt	\$247,114,481		\$182,384,662

Source: (1) City of Redding
(2) Shasta County Auditor-Controller's Office
(3) Centerville District Office
(4) Percentages for Computation of Direct and Overlapping Debt Calculated using the Shasta County valuations by taxing district for fiscal year 2006-07.

This page intentionally left blank.

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

	Fiscal Year				
	1999	2000	2001	2002	2003
Debt Limit	\$ 149,835	\$ 149,835	\$ 156,447	\$ 165,865	\$ 178,629
Total net debt applicable to limit	2,624	2,302	1,979	1,629	700
Legal debt margin	<u>\$ 147,211</u>	<u>\$ 147,533</u>	<u>\$ 154,468</u>	<u>\$ 164,236</u>	<u>\$ 177,929</u>
Total net debt applicable to the limit as a percentage of debt limit	1.75%	1.54%	1.26%	0.98%	0.39%

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.

Fiscal Year				
2004	2005	2006	2007	2008
\$ 193,720	\$ 211,455	\$ 233,010	\$ 262,662	\$ 286,996
350	0	0	0	0
<u>\$ 193,370</u>	<u>\$ 211,455</u>	<u>\$ 233,010</u>	<u>\$ 262,662</u>	<u>\$ 286,996</u>
0.18%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed Value (1)	<u>\$ 7,653,233</u>
Debt Limit - 3.75% of Total Assessed Value	\$ 286,996
Amount of Debt Applicable to the Limit	<u>0</u>
Legal Debt Margin	<u>\$ 286,996</u>

CITY OF REDDING
Wastewater Revenue Bond Coverage
Last Ten Fiscal Years

	Fiscal Year Ending			
	1999	2000	2001	2002
Operating Revenue	7,088,972	7,795,795	8,254,527	9,039,453
Other Revenue	-	175	-	90
Interest Revenue	417,964	574,200	323,882	732,672
Adjusted Revenue	7,506,936	8,370,170	8,578,409	9,772,215
25% of Adjusted Revenue	1,876,734	2,092,543	2,144,602	2,443,054
Actual Connection Fees	1,557,901	1,544,219	1,664,479	1,952,468
Allowable Connection Fees	1,557,901	1,544,219	1,664,479	1,952,468
Total Revenue	9,064,837	9,914,389	10,242,888	11,724,683
Operating Expense	(7,274,235)	(7,605,015)	(7,837,138)	(8,336,914)
Add back In-Lieu	793,900	776,450	784,220	894,230
Add back Depreciation/ Amortization	2,688,173	2,764,191	2,799,259	2,843,330
Net Operating Expense	(3,792,162)	(4,064,374)	(4,253,659)	(4,599,354)
Net Wastewater Revenues*	5,272,675	5,850,015	5,989,229	7,125,329
Total Debt Service	2,161,621	2,163,737	2,163,110	2,164,639
Debt Coverage Ratio	2.44	2.70	2.77	3.29

* Excludes interest expense and gain/loss on disposal of assets.

Fiscal Year Ending					
2003	2004	2005	2006	2007	2008
9,492,114	10,459,146	11,806,688	12,700,189	15,696,939	17,108,790
49,248	470	-	12,459	88,188	19,663
599,133	229,254	585,167	613,530	1,473,122	1,605,727
<u>10,140,495</u>	<u>10,688,870</u>	<u>12,391,855</u>	<u>13,326,178</u>	<u>17,258,249</u>	<u>18,734,180</u>
2,535,124	2,672,218	3,097,964	3,331,545	4,314,562	4,683,545
2,615,896	2,547,755	2,812,014	3,458,536	2,941,713	2,933,424
<u>2,535,124</u>	<u>2,547,755</u>	<u>2,812,014</u>	<u>3,331,545</u>	<u>2,941,713</u>	<u>2,933,424</u>
<u>12,675,619</u>	<u>13,236,625</u>	<u>15,203,869</u>	<u>16,657,723</u>	<u>20,199,962</u>	<u>21,667,604</u>
(8,609,979)	(10,057,528)	(9,392,352)	(10,551,395)	(11,277,304)	(12,239,379)
903,180	1,337,400	1,237,100	751,380	-	-
2,957,227	3,389,830	3,488,037	3,564,164	3,488,891	3,817,656
<u>(4,749,572)</u>	<u>(5,330,298)</u>	<u>(4,667,215)</u>	<u>(6,235,851)</u>	<u>(7,788,413)</u>	<u>(8,421,723)</u>
<u>7,926,047</u>	<u>7,906,327</u>	<u>10,536,654</u>	<u>10,421,872</u>	<u>12,411,549</u>	<u>13,245,881</u>
<u>1,000,984</u>	<u>2,916,912</u>	<u>2,915,058</u>	<u>2,925,508</u>	<u>3,042,063</u>	<u>3,040,868</u>
<u>7.92</u>	<u>2.71</u>	<u>3.61</u>	<u>3.56</u>	<u>4.08</u>	<u>4.36</u>

CITY OF REDDING
Water Revenue Bond Coverage
Last Ten Fiscal Years

	Fiscal Year Ending			
	1999	2000	2001	2002
Operating Revenue	6,819,312	7,984,920	9,049,847	10,312,158
Other Revenue	7,030	31,423	62,249	234,782
Interest Revenue	296,865	385,907	657,277	614,900
Adjusted Revenue	<u>7,123,207</u>	<u>8,402,250</u>	<u>9,769,373</u>	<u>11,161,840</u>
25% of Adjusted Revenue	1,780,802	2,100,563	2,442,343	2,790,460
Actual Connection Fees	810,062	891,033	1,054,555	1,305,576
Allowable Connection Fees	<u>810,062</u>	<u>891,033</u>	<u>1,054,555</u>	<u>1,305,576</u>
Total Revenue	<u>7,933,269</u>	<u>9,293,283</u>	<u>10,823,928</u>	<u>12,467,416</u>
Operating Expense	(6,667,759)	(7,543,108)	(7,809,305)	(8,432,657)
Add back In-Lieu	537,900	530,730	536,040	607,830
Add back Depreciation/ Amortization	1,752,689	1,820,838	1,854,238	1,924,400
Net Operating Expense	<u>(4,377,170)</u>	<u>(5,191,540)</u>	<u>(5,419,027)</u>	<u>(5,900,427)</u>
Net Water Revenues*	<u>3,556,099</u>	<u>4,101,743</u>	<u>5,404,901</u>	<u>6,566,989</u>
Total Debt Service	<u>1,723,144</u>	<u>1,696,270</u>	<u>1,697,930</u>	<u>1,662,060</u>
Debt Coverage Ratio	<u>2.06</u>	<u>2.42</u>	<u>3.18</u>	<u>3.95</u>

* Excludes interest expense and gain/loss on disposal of assets.

Fiscal Year Ending					
2003	2004	2005	2006	2007	2008
11,314,044	12,174,497	11,862,077	12,403,356	13,824,991	14,341,120
137,302	139,532	291,151	821,377	661,080	209,022
478,117	207,585	506,373	517,974	1,139,710	907,870
<u>11,929,463</u>	<u>12,521,614</u>	<u>12,659,601</u>	<u>13,742,707</u>	<u>15,625,781</u>	<u>15,458,012</u>
2,982,366	3,130,404	3,164,900	3,435,677	3,906,445	3,864,503
1,884,456	1,506,985	1,541,114	3,047,465	2,779,003	2,049,142
<u>1,884,456</u>	<u>1,506,985</u>	<u>1,541,114</u>	<u>3,047,465</u>	<u>2,779,003</u>	<u>2,049,142</u>
<u>13,813,919</u>	<u>14,028,599</u>	<u>14,200,715</u>	<u>16,790,172</u>	<u>18,404,784</u>	<u>17,507,154</u>
(8,691,621)	(9,472,975)	(9,288,618)	(10,321,364)	(11,397,057)	(12,119,653)
613,900	739,850	754,450	455,230	-	-
1,924,183	2,073,982	2,166,769	2,277,378	2,431,867	2,705,995
<u>(6,153,538)</u>	<u>(6,659,143)</u>	<u>(6,367,399)</u>	<u>(7,588,756)</u>	<u>(8,965,190)</u>	<u>(9,413,658)</u>
<u>7,660,381</u>	<u>7,369,456</u>	<u>7,833,316</u>	<u>9,201,416</u>	<u>9,439,594</u>	<u>8,093,496</u>
<u>682,851</u>	<u>1,600,112</u>	<u>1,602,593</u>	<u>1,206,493</u>	<u>1,217,893</u>	<u>1,228,088</u>
<u>11.22</u>	<u>4.61</u>	<u>4.89</u>	<u>7.63</u>	<u>7.75</u>	<u>6.59</u>

CITY OF REDDING
Electric Revenue Bond Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Expense</u>	<u>Available Reserves</u>	<u>Funds Available for Debt Service</u>
1998-1999	109,432,980	64,910,584	0	44,522,396
1999-2000	120,936,162	74,156,644	0	46,779,518
2000-2001	239,317,954	188,054,627	0	51,263,327
2001-2002	107,883,690	83,450,503	0	24,433,187
2002-2003	93,712,191	79,638,278	27,410,488	41,484,401
2003-2004	125,727,720	95,701,838	37,774,186	67,800,068
2004-2005	128,446,969	114,995,623	28,789,991	42,241,337
2005-2006	142,606,354	112,583,106	46,005,959	76,029,207
2006-2007	138,035,984	120,052,752	41,649,569	59,632,801
2007-2008	156,839,571	143,390,672	38,420,887	51,869,786

* Current debt service coverage excludes available reserves.

Source: Electric Utility Bond Disclosure Reports

<u>Debt Service</u>	<u>Debt Service Coverage</u>	<u>Current Debt Service Coverage*</u>
14,366,602	3.10	3.10
13,782,831	3.39	3.39
11,417,939	4.49	4.49
9,397,874	2.60	2.60
9,182,291	4.52	1.53
8,519,088	7.96	3.52
8,629,285	4.90	1.56
8,989,562	8.46	3.34
9,573,078	6.23	1.88
9,349,858	5.55	1.44

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>Unemployment Rates (4)</u>
1998-1999	59.45	78,675	1,760,353	22,375	7.00
1999-2000	60.03	79,593	1,854,915	23,305	5.80
2000-2001	60.03	82,543	2,017,599	24,443	5.70
2001-2002	59.77	84,560	2,172,093	25,687	6.90
2002-2003	59.82	85,703	2,208,823	25,773	7.50
2003-2004	59.82	87,280	2,295,813	26,304	7.50
2004-2005	59.82	88,459	2,485,963	28,103	7.10
2005-2006	59.82	89,162	2,586,590	29,010	6.30
2006-2007	59.82	89,682	2,758,798	30,762	7.10
2007-2008	59.82	90,491	2,948,378	32,582	9.20

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

Note: Per capita personal income is based on the calendar year information ending during that fiscal year.

CITY OF REDDING

Principal Employers in the City of Redding Current Year and Nine Years Ago

Employer	2008			1999		
	Employees	Rank	Percentage of Total Area Employment	Employees	Rank	Percentage of Total Area Employment
Shasta County *	1,923	1	2.42%	1,713	1	2.58%
Mercy Medical Center	1,600	2	2.02%	1,300	2	1.95%
City of Redding **	873	3	1.10%	748	5	1.12%
Shasta Regional Medical Center	700	4	0.88%			
Shasta Community College	700	5	0.88%	473	6	0.71%
Blue Shield of California	430	6	0.54%	425	7	0.64%
Wal Mart	375	7	0.47%	222	9	0.33%
Redding Rancheria	370	8	0.47%			
United States Post Office	300	9	0.38%	300	8	0.45%
Shasta Head Start	257	10	0.32%			
Redding Medical Center				1,209	3	1.82%
Shasta Paper Company				820	4	1.23%
Pacific Bell				239	10	0.36%
Total	<u>7,528</u>			<u>7,449</u>		

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

** Full-time budgeted positions.

In 2007-08 there were 840 full-time and 343 part-time/temporary positions filled.

In 1998-99 there were 748 full-time and 222 part-time/temporary positions filled.

Source: Derived from the Employment Development Department's (EDD) listing of the top 25 employers in Shasta County. The initial listing was pared down to ten, removing employers outside of the City and adding certain employers who do not report to the local EDD. The 1999 ranking is primarily based upon what was reported in the 1999 C.A.F.R. and therefore includes employers outside of the City.

CITY OF REDDING

Full-Time Budgeted City Government Employees by Function/Program Last Five Fiscal Years*

<u>Function/Program</u>	<u>Budgeted Full-time Employees</u>				
	<u>at June 30,</u>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government	109	106	106	107	106
Police	165	167	171	172	173
Fire	78	81	81	81	84
Public works	57	64	66	61	69
Planning	47	47	47	52	52
Recreation and culture	29	29	29	28	29
Community development	24	24	24	24	22
Electric	162	166	168	169	174
Water	30	30	30	31	27
Wastewater	29	29	31	32	31
Storm Drainage	5	4	4	5	6
Solid Waste	73	76	77	78	80
Transportation	7	7	7	7	7
Convention center	13	13	13	13	13
	<u>828</u>	<u>843</u>	<u>854</u>	<u>860</u>	<u>873</u>

* Data prior to the 2003-04 fiscal year is not readily available

Source: City of Redding Personnel Division

CITY OF REDDING

Operating Indicators by Function/Program

Last Five Years*

Function/Program	Fiscal Year-Ended June 30,				
	2004	2005	2006	2007	2008
Police					
Calls for service	80,378	83,601	84,380	85,213	84,981
Felony arrests	2,225	2,327	2,527	2,665	2,365
Misdemeanor arrests	4,473	4,403	4,816	5,647	6,611
Total arrests	6,698	6,730	7,343	8,312	8,976
Fire					
Fire, explosion	338	428	468	520	477
Rescue, emergency medical call	4,254	7,551	6,966	9,037	9,166
Fire safety inspections	3,130	3,210	3,038	2,989	2,965
Public Works					
Miles of roadway resurfaced	3.0	5.5	5.6	2.9	0.5
Miles of roadway slurry sealed	18.7	16.7	15.5	11.5	0
Planning					
Number of building permits issued	4,250	4,234	4,679	3,887	3,380
Recreation and Culture					
Recreation Division programs	1,520	1,730	2,065	2,789	2,803
Program participants	11,360	11,946	13,077	13,191	13,547
Community Development					
Number of households assisted (Rental Assistance)	1,425	1,393	1,394	1,364	1,394
Owner occupied loans made for rehabilitation/purchase	18	12	18	20	32
Rental loans/grants for rehabilitation/purchase	20	19	111	41	6
Electric					
Electric customers billed monthly	40,929	41,342	42,123	42,639	42,810
Average sustained outages per customer per year	0.50	0.28	0.28	0.35	0.18
System average retail rates	8.8	9.2	9.5	9.6	10.3
Water					
Water produced (acre ft.)	29,186	26,159	27,036	29,390	29,486
Wastewater					
Totals household equivalents served	38,085	38,413	38,725	40,506	41,207
Clear Creek dry flow	7.7	7.3	7.7	7.6	7.3
Stillwater dry flow	2.7	2.4	2.6	2.6	2.5
Storm Drains					
Percentage of inlets cleaned/maintained (annually)	2.7%	3.0%	1.4%	0.9%	1.3%
Solid Waste					
Total waste collected (tons)	96,858	102,703	109,143	107,228	85,305
Recyclables sales (tons)	11,031	10,424	10,936	13,760	8,581
Transportation					
Airport passenger movements/enplanements	56,244	63,503	64,197	66,307	63,394
RABA bus passengers	783,642	772,241	757,204	728,614	735,568
Convention center					
Number of shows/events	124	112	116	130	135
Annual tickets sold/attendance to shows/events	137,823	124,702	109,275	133,450	185,926

* Data prior to the 2003-04 fiscal year is not readily available

Source: City of Redding

CITY OF REDDING

Capital Asset Statistics by Function/Program

Last Five Fiscal Years*

Function/Program	Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
Police					
Stations	1	1	1	1	1
Patrol units	38	38	38	39	40
Fire stations	7	7	8	8	8
Public works					
Streets (miles)	442.0	449.0	450.5	454.0	462.5
Streetlights	6,805	6,959	7,134	7,270	7,450
Recreation and culture					
Maintained trails (miles)	48	56	60	61	62
Parks acreage (improved)	580	582	585	588	590
Parks acreage (unimproved)	405	403	400	406	428
Electric					
Transmission system (miles)	666	680	685	697	704
Water					
Length of water mains	553.2	558.8	562.5	485	550
Wastewater					
Sewer lines (miles)	395	399	405	409	423
Solid Waste					
Collection trucks	32	32	32	32	32
Storm Drainage					
Length of system (miles)	306	356	402	413	429
Catch basins	5,883	7,273	8,076	8,777	9,328
Transportation					
Buses	22	21	20	19	16
Convention center					
Convention Centers	1	1	1	1	1

* Data prior to the 2003-04 fiscal year is not readily available

Source: City of Redding

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, Federal Express, UPS, and Ameriflight. Fixed-based operations provide a wide range of services including general airplane and engine maintenance as well as avionics; charter services; facilitation of sales of used aircraft; and sales of fuels, lubricants, and accessories. A propeller service and helicopter charter, repair, and sales are also available. Currently, four car rental agencies serve the traveling public from the passenger terminal area.

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 79,200 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 2006 calendar year, over 133,400 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 omni-directional 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.

CITY OF REDDING
ELECTRIC UTILITY SYSTEM

History

Electric service in Redding was started prior to 1900 by a private utility, the Redding Electric Light and Power Company, which obtained electric power from a small hydroelectric plant on the Sacramento River near Redding. On November 28, 1901, the Keswick Electric Power Company began supplying the utility with electric power from its new Volta Hydro Plant, which had just started operation. Shortly thereafter, the Keswick Company acquired the capital stock of the Redding Electric Light and Power Company. Subsequently, on March 13, 1902, the Northern California Power Company was incorporated and proceedings were initiated to acquire control of all properties of the Keswick Company through an exchange of stock. This was succeeded in 1908 by the Northern California Power Company Consolidated, which continued operation until October 3, 1919, when it was acquired by Pacific Gas and Electric Company (PG&E) under a merger authorized by the California Railroad Commission.

Prior to the merger, a group of Redding citizens started a movement to acquire the municipal street-lighting system because of dissatisfaction with the existing system and its operation. As a result, in 1916, a municipal street-lighting system was established. Soon after the municipal street-lighting system began operation, a movement was started for the City of Redding to purchase the electric distribution system from the Northern California Power Company Consolidated, and preliminary negotiations were initiated.

During the period of negotiations between the City and the Northern California Power Company Consolidated, PG&E acquired the Northern California Power Company Consolidated. Final payment was made by the City to PG&E on December 21, 1921, on which date the property and its operations were turned over to the City. Under City ownership and operation, Redding's Electric Utility (REU) has consistently provided superior service at a competitive price, with rates well below those in the surrounding service territory in which service is provided by PG&E.

Distribution Service

The City's Electric Utility currently provides service to its customers in an area approximately 63 square miles in size, with 67.3 miles of 115-kV lines and 637 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 B Western Area Power Administration's (Western) Keswick Switchyard and the Western/Redding Airport 230/115-kV Substation. Delivery of all power from sources outside of the City is made to Redding at the Keswick Switchyard and Airport Substation. The City owns and operates the 115-kV lines that interconnect the City's 115/12-kV distribution substations to these delivery points. This

system is designed as a highly reliable looped system (there are at least two sources for every distribution substation) with state-of-the-art 115-kV circuit breakers and relay systems, which ensure that an outage or failure of any 115-kV line will not interrupt power to any City customer. All 115-kV lines in the City's electric system are in generally excellent condition. The majority were constructed after 1985.

Design and right-of-way acquisition for distribution service to the Stillwater Business Park was completed in FY08. The Stillwater 115-kV line termination work was completed on August 15, 2008. The City's current distribution system consists of eleven 115/12-kV distribution substations where power is transformed from 115-kV to 12-kV distribution voltage and connected to the service distribution transformers via the 12-kV distribution lines. The 12-kV distribution system is a very reliable radial-type system designed such that all customers can be served from another feeder if the normal source is experiencing a problem.

Power Supply

The City's retail power supply comes from a diverse portfolio. Redding typically receives about 30% of its power supply from Western in an average hydro year. FY 2007-08 was a below normal (dry) hydro year and as a result Western provided 23% of the City's retail supply portfolio. 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 at Redding Power Plant. Three combustion turbine generators totaling 70-MW were added in 1994. In June 2002, the City commissioned Unit 5, a 43-MW highly efficient combined-cycle gas turbine with a heat recovery steam generator, bringing total on site generation to 141-MW. Construction began in September 2008 on Unit 6, which is a 47-MW combined cycle gas turbine nearly identical to the existing Unit 5. Unit 6 is scheduled to be in service by June 2010. In addition, to its own generation, the City has acquired several other sources of electric power through long-term, purchase-power contracts and through its membership in a joint powers agency consisting of Modesto Irrigation District, City of Santa Clara, and City of Redding (M-S-R). Through the M-S-R joint powers agency, the City entered into a long-term power purchase agreement for 70-MW of wind generated energy, with deliveries that began October 1, 2006. Further, the City signed a long-term power purchase agreement with RLC Industries for 8-MW of biomass generated energy. Delivery of the RLC Industries power purchase agreement is projected to begin by Dec. 31, 2008. 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 applicable 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
2004	34,963	5,966	40,929
2005	35,334	6,008	41,342
2006	36,063	6,060	42,123
2007	36,436	6,203	42,639
2008	36,495	6,315	42,810

Source: Utility Billing System Marketing Report of Quarterly NAICS Usage

The total number of electric system customer accounts increased 5 percent during the last five years. The number of residential accounts increased 4 percent, while non-residential accounts increased 6 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. The City Council has authorized modifications to the Clear Creek Plant at an estimated cost exceeding \$70 million. The design is being done to allow for construction in eight phases. Phase I began construction in the fall of

2006. Phase II began construction in the fall of 2007. Phase III began construction in the spring of 2008. Phase IV is expected to begin construction in the fall of 2008. This plant upgrade is being funded by a loan from the State of California revolving Loan Fund with repayment through 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. Facility planning for the expansion began in fiscal year 2007-08. 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 2008 and will expire in 2013. The Stillwater Wastewater system permit was adopted in 2007 and will expire in 2012.

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, 2008. One household equivalent (HE) is the quantity of wastewater produced in the City of Redding by a average single-family residential household which is 240 gallons per day (GPD). Prior to 2007, this number had been calculated at 300 GPD. However, updated analysis has resulted in the modification. 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>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>
Residential HEs	27163	27481	28112	29164	29669
Commercial/Industrial HEs	10922	10932	10613	11342	11538
Total System HEs	<u>38085</u>	<u>38413</u>	<u>38725</u>	<u>40506</u>	<u>41207</u>
Annual System Growth	4.05%	0.86%	0.81%	4.6%	1.7%

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, 2008 is shown below.

Average Dry Weather Daily Flows Fiscal Years Ended June 30, 2008

	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>
Clear Creek Plant	7.73	7.29	7.73	7.56	7.29
Stillwater Plant	2.7	2.4	2.6	2.6	2.5
Total Wastewater System	<u>10.43</u>	<u>9.69</u>	<u>10.33</u>	<u>10.16</u>	<u>9.79</u>

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 90,045. 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 through March 31, 2045, details Redding's principal rights to the Sacramento River. The "Sacramento River" contract permits renegotiation at any time for more or less water subject to need and availability of water in the river. Water to be diverted consists of "base supply" and "project water supply." The Base Supply is 85 percent of the total. The Project Water Supply is 15 percent of the river water supply. The 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. 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. This contract with the Bureau of Reclamation, which runs through February 28, 2045, allows Redding to obtain 6,140 acre-feet of water per year. The 2006 delivery from that contract was 5,261 acre-feet. Water charges under this contract total \$50.16 per acre-foot (\$18.32 water cost, \$17.15 restoration fee and \$14.69 foregone power charge).

Foothill Water Treatment Plant was constructed in 1981. The plant has a rated 28 million gallons per day (MGD). 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.

Performance Measures and Workload Indicators

The Water Utility Staff has met the established goals, with the majority of the workload objectives being accomplished:

ACTIVITY	2003-04	2004-05	2005-06	2006-07	2007-08
Number of customers/services	26,619	27,354	28,301	28,614	27,907 ²
Number of new meter sets	350	686	693	313	142
Quantity of water produced (acre feet)	29,186	26,159	27,036	29,390	29,486
Percentage of days water quality met standards	100%	100%	100%	100%	100%
Number of service calls (Includes water quality)	1,125	1,053	1,479	1,218	1,624
Miles of water mains	466	467	468	485	550 ³
Number of main and water service failures/disruptions per year	655	467	259	404	346
Miles of substandard mains	73.5	72.1	71.1	69.3	44 ⁴
Number of PB ¹ service breaks	109	56	33	16	14
Number of PB scheduled replacement	114	181	86	10	12
Number of PB services remaining	1,864	1,628	1,508	1,482	1424
Customers/service connections per employee	918	911	943	1,060	1034

Notes

1. Polybutylene service lines
2. 2007-08 data is net number of customer accounts. Two prior years used total number of individual connections.
3. Prior year water main miles based on paper records. Most recent GIS inventory is basis for 2007/08 data, and is considered more complete than earlier estimates.
4. Basis for substandard classification changed to size only (<6"). Earlier years data were based on size and material type.

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 1,034 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. In 2007 the construction was completed on an expansion of the treatment plant to 14 MGD capacity. Along with the treatment plant expansion 8,000 feet of 30-inch water transmission main was installed to provide treated water to the Buckeye Pressure Zone. This treatment plant meets all the existing United States Environmental Protection Agency (USEPA) regulations, including the 1986 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. In 2006 Pump Station No. 1 Fish Screen Retrofit Project was completed to meet the requirements of the CAL-FED Anadromous Fish Screen Program. At the FWTP 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 6 MG covered storage reservoir.

Storage is provided at three locations - one 6 MG covered storage reservoir at the treatment plant. In 2006 the two 1.5 MG prestressed concrete reservoirs on Foothill Boulevard were demolished and replaced with a 4 MG steel reservoir with a high water surface of 743 feet.

One 2.0 MG prestressed concrete reservoir and one 2 MG steel reservoir 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 the 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. In 2007 another 2 MGD-capacity well was added to the Enterprise Zone.

Groundwater is treated with orthopoly 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 (Goodwater Pump), 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 4,518 services or 75 percent. 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, continual renewed investment in capital facilities such as distribution pipelines, reservoirs, and wells will be necessary to maintain the current level of service, due to the demands of population growth and aging infrastructure.

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 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 overall conveyance system is comprised of both public and private segments. The Storm Drain Utility responds to the needs of the public component of the overall conveyance system. The following table provides an overview of the storm drainage system as of June 30, 2008:

Workload and Performance Measures	2005-06	2006-07	2007-08
Miles of Storm Drain Pipe	219.8	227.8	235.6
Miles of Channels/Ditches	189.8	184.9	193.4
Miles of Maintained Channels/Ditches	45.7	41.7	46.2
Number of Inlets	8076	8777	9328
Number of Outfalls	1246	1355	1545

The Storm Drainage Utility charges are based on impervious area. An impervious area is one that prohibits the natural drainage of rainwater into the ground (i.e., building, parking lot, etc.).

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 Public Works Supervisor, one working supervisor, one leadman, one equipment operator and one maintenance man.

In 2003, the City applied for a National Pollution Discharge Elimination System (NPDES Phase II) permit that was to be implemented over the five years of the permit life. The State of California Water Quality Control Board, however, did not approve the permit and its proposed work plan until 2005. There was also no adjustment to the five year implementation schedule and, as a result, the City of Redding's implementation process has incorporated many of the plan components. Additional components will be outlined in the permit application for the 2008-13 time period. The submittal of this application update is pending due to the State of California overall permit update of which Redding will work under.