



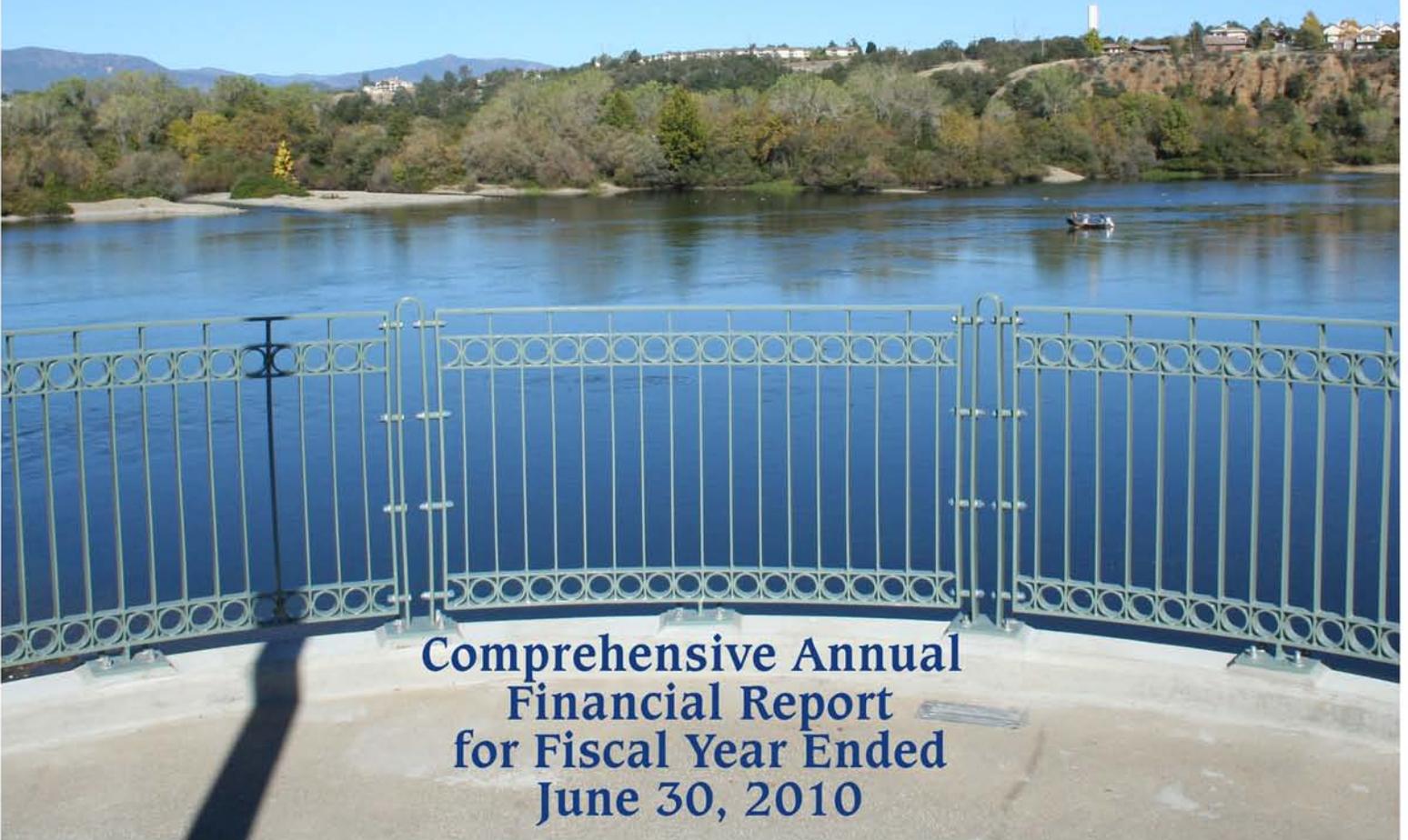
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Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2010

City of Redding

Redding, California



Comprehensive Annual Financial Report

For the Year ended June 30, 2010

ISSUED BY FINANCE DIVISION

STEPHEN W. STRONG
DIRECTOR OF FINANCE

City of Redding
Comprehensive Annual Financial Reports
For the year ended June 30, 2010
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INTRODUCTORY SECTION



CITY OF REDDING

ADMINISTRATIVE SERVICES DEPARTMENT

FINANCE DIVISION

777 Cypress Avenue, Redding, CA 96001-2718

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

530.225.4079 FAX 530.225-4324

December 9, 2010

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, 2010. 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, Inc., a division of Marcum LLP, a firm of licensed certified public accountants has issued an unqualified ("clean") opinion on the City of Redding's financial statements for fiscal year ended June 30, 2010.

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 91,561 and encompasses approximately 60 square miles within the corporate limits. Extracting timber and the processing of wood by products along with agriculture, tourism and government have historically been the pillars of the local economy. Over the past few decades, there has been a general shift toward a service-based economy.

REPORTING ENTITY AND ITS SERVICES

This report includes all of the funds of the City. Financial information for separate legal entities related to the City of Redding includes the Redding Housing Authority, Redding 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, library, airports, convention and auditorium facility, utilities (electric, water, wastewater, storm drainage, and solid waste collection and disposal), and general administrative services.

LOCAL ECONOMY

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

Population Characteristics - The City was one of the fastest growing cities in California between 1970 and 1990, growing to 66,462 residents in 1990 from 16,659 in 1970. However, lately the City's population growth has slowed. From 2000 to 2005 the City's population grew by an average of 1.84 percent. Since then the City's population growth has only averaged .69 percent. The City's population of 91,561 has increased 13.2% 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 2010:

Year	City of Redding		Shasta County	
	Population	Annualized Percent Change over Interval	Population	Annualized Percent Change over Interval
1970	16,659	---	77,640	---
1980	41,995	9.69%	119,449	4.40%
1990	66,432	4.69%	147,036	2.10%
2000	80,865	1.99%	163,256	1.05%
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	90,192	0.57%	181,622	0.53%
2009	90,931	0.82%	183,095	0.81%
2010	91,561	0.69%	184,247	0.63%

Source: 1970-2000 data from U.S. Census; 2001-2010 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 8,638 an increase of approximately 9.4%. 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 2010:

Region	Median Home Price
Redding	\$192,000
Sacramento	\$155,000
Los Angeles County	\$335,000
Orange County	\$442,000
San Francisco	\$670,000

Source: California Association of Realtors

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

The major non-local government employers in the City and the County include those in medical services, and retail services. Major employers in the City of Redding, their products or services, and the approximate number of their respective full time employees as of June 2010 are listed in the following table:

<u>Employer</u>	<u>Product/Services</u>	<u>Employees</u>
Shasta County (*)	County Services	1924
Mercy Medical Center	Medical Facilities/Services	1,600
City of Redding (**)	City Services	822
Shasta Community College	Education	700
Shasta Regional Medical Center	Medical Facilities/Services	600
Blue Shield of California	Health Care Insurance	470
Wal Mart	Retail	400
Redding Rancheria	Casino/Redding Rancheria	310
United States Post Office	Postal Service	300
Shasta Head Start	Early Childhood Education	250

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

(**) Full-time budgeted positions. In 2009-10 there were 860 full-time and 319 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 15.3 percent on June 30, 2010. 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 2001 through June 2010:

<u>Fiscal Year</u>		<u>Unemployment</u>	
<u>Ending June 30</u>	<u>Labor Force</u>	<u>Number</u>	<u>Rate</u>
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	84,000	5,300	6.3%
2007	83,900	5,900	7.0%
2008	* 83,500	7,700	9.2%
2009	* 85,400	12,600	14.7%
2010	85,900	13,100	15.3%

Source: State Department of Employment (*Years 2008-2009 Revised)

Construction Activity - For the past ten calendar years ending December 2009, the City issued building permits valued at a total of \$1,447,717,619. New construction over the ten-year period represents 72.50% of the total construction activity. For the 2009 calendar year 2,665 building permits were issued, with a total permit valuation of \$58,940,655. Over the past four years permit activity has declined. Following overall statewide trends, year 2009 saw another downturn in permit and related construction activity. These trends are expected to continue in the current calendar year.

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

	2006	2007	2008	2009
Value Single Family*	\$55,897,416	\$41,725,144	\$38,725,138	\$17,937,903
Number of Permits	287	204	190	94
Value Multi-dwellings	\$12,019,895	\$15,488,613	\$9,401,692	\$1,455,742
Number of Permits(1)	37	22	5	8
Number of Units	131	195	214	21
Value Business	\$38,299,649	\$31,378,290	\$21,086,685	\$19,730,416
Number of Permits	63	50	31	17
Value Total all Permits	\$170,142,515	\$124,086,638	\$103,108,670	\$58,940,655
Total Permits**	3,885	3,380	3,146	2,665

* Value of new construction only.

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

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

Source: City of Redding Development Services Department

Commerce - The City is a regional center of commerce for several Northern California counties. This is evidenced by its many shopping centers and malls. Support for retail sales is derived from a retail trade area population of approximately 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 \$1.6 billion in calendar year 2009, a 12.7% decrease over the same period for 2008.

Year	Taxable Transactions (In Thousands)	Taxable Transactions Percentage Increase (Decrease)
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%
2008	1,835,601	-7.5%
2009	1,603,079	-12.7%

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.

Redding Area Bus Authority (RABA) is the City's multi-bus transportation system and offers thirteen different fixed routes, rural service and demand response (curb-to-curb) services. RABA had an average total monthly ridership of approximately 60,200 for fiscal year 2009-10.

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 41 elementary schools, 8 middle/junior high schools, 11 charter schools, 1 regional occupation program and 15 high schools. There are several higher educational institutions in the immediate area

offering bachelor and master's degrees: Chico State University Center for Regional and Continuing Education (located in the Health Science & University Center, downtown Redding), National University, Simpson University, and Shasta Bible College & Graduate School. Shasta Community College, a two-year institution, offers both day and evening courses to approximately 15,400 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 over 590 developed acres. Included in this total acreage are 198 acres of natural area parks (improved open space), and 62 miles of trails. In addition, the City has 15 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 Redding Soccer Park; the Senior Citizens Center; the Benton Dog Park; 3 boat ramp facilities that provide access to the Sacramento River; and various community centers and special event venues such as the Martin Luther King, Jr. 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 largest hospitals have a total of 510 beds and employ approximately 2,200 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 Airport Road.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

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

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

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

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

FEDERAL GRANTS SINGLE AUDIT APPROACH

The City of Redding is required to undergo a single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. This report has been prepared under the "single audit" concept. Under this approach, one agency is recognized as the cognizant agency or oversight agency of the Office of Management and Budget. In the case of the City of Redding, the 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, 2010 provided no instances of material weaknesses in the internal control structure or significant violation of applicable laws and regulations.

CERTIFICATE OF ACHIEVEMENT

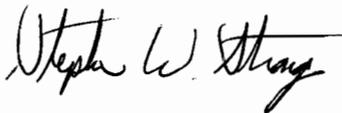
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redding for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the 26th consecutive 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.

A handwritten signature in black ink, reading "Stephen W. Strong". The signature is written in a cursive style with a long horizontal stroke at the end.

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, 2009

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.



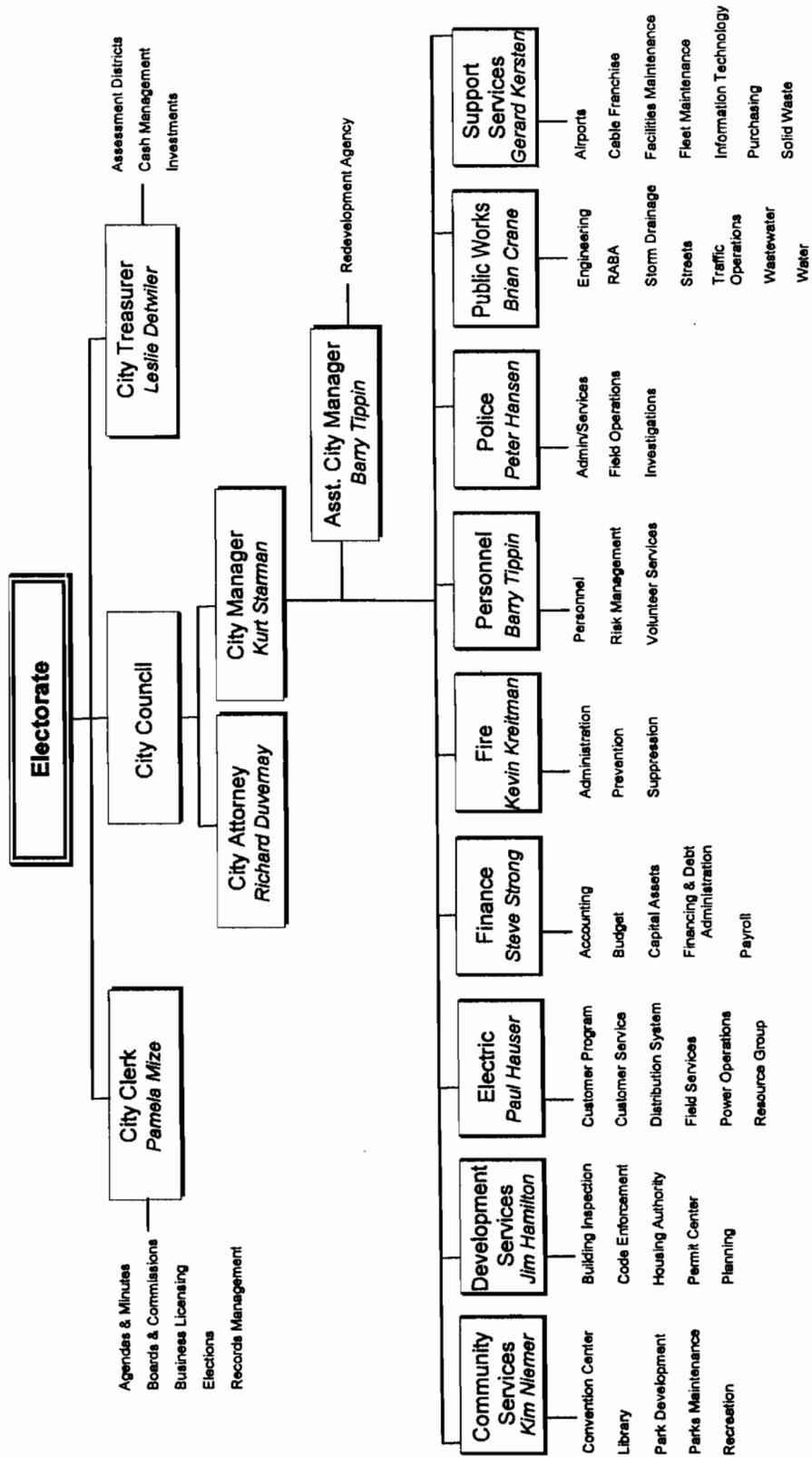
A stylized handwritten signature in black ink, appearing to be "JHR".

President

A handwritten signature in black ink that reads "Jeffrey R. Enos".

Executive Director

City of Redding Organization Chart



MUNICIPAL OFFICIALS

City Council

Mayor..... Patrick H. Jones
Vice Mayor Missy McArthur
Council Member..... Rick Bosetti
Council Member..... Dick Dickerson
Council Member..... Mary Stegall

Administrative Personnel

City Manager..... Kurt Starman
Assistant City Manager..... Barry Tippin
City Attorney..... Richard Duvernay
City Clerk..... Pam Mize
City Treasurer..... Leslie Detwiler
Director of Community Services..... Kim Niemer
Director of Development Services..... Jim Hamilton
Director of Electric..... Paul Hauser
Director of Finance Steve Strong
Director of Personnel Barry Tippin
Director of Public Works Brian Crane
Director of Support Services..... Gerard Kersten
Fire Chief..... Kevin Kreitman
Police Chief Peter Hansen

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FINANCIAL SECTION



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

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, 2010, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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, 2010, 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 of America.

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 9, 2010 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, budgetary comparison information and other information as listed in the table of contents, 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 Required Supplementary Information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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, is 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.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
December 9, 2010

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, 2010. 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 41).

FINANCIAL HIGHLIGHTS

- The City's net assets increased by \$4.5 million. The governmental net assets increased by \$6.8 million and the business-type net assets decreased by \$2.3 million
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$106 million, a decrease of \$14.6 million in comparison with the prior year. Approximately 37.9% of this total amount, \$40.3 million, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$7.5 million, or 11.3% of the total General Fund expenditures. This is a \$2.3 million increase from the prior year.
- The City's total debt decreased by \$9 million (net of bond premiums, discounts and unamortized losses on defeased debt) during the year ending June 30, 2010. The decrease is primarily due to \$16 million in regular scheduled debt payments. In addition, the City initiated a early bond call of \$1.5 million on the Reassessed Assessment District. The decrease was partially offset by an increase in state loans of \$5 million for waste water infrastructure. In addition, \$0.8 million of bond premiums, discounts, and losses on defeased debt were amortized.

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 44-47 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 51-57 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 59-69 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 73 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 75-126 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 2010, net assets changed as follows (all amounts are in thousands):

	Government Activities	Business Activities	Total
Beginning Net Assets	\$336,149	\$360,792	\$696,941
Increase net assets	6,818	(2,303)	\$4,515
Ending net assets	<u>\$342,967</u>	<u>\$358,489</u>	<u>\$701,456</u>

The City’s total net assets increased by .7% from a year ago, increasing from \$696 million to \$701 million. Net assets from governmental activities increased by 2% while net assets from business activities decreased by .6%. The \$6.8 million increase in net assets from governmental activities is primarily due to revenues earned that are restricted and can only be used for capital assets. Therefore, these revenues do not have an offsetting expense in the current year government-wide

financial statements.

The \$2.3 million decrease in net assets from business-type activities is primarily due to the planned draw down of Electric reserves offset by funds being accumulated for current and future capital projects in other funds.

The following schedule displays a summary breakdown of the City's net assets as of June 30, 2010 and 2009:

	Net Assets (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$156,427	\$164,023	\$165,352	\$197,017	\$321,779	\$361,040
Capital Assets, net	327,389	314,314	476,264	452,847	803,653	767,161
Total Assets	<u>483,816</u>	<u>478,337</u>	<u>641,616</u>	<u>649,864</u>	<u>1,125,432</u>	<u>1,128,201</u>
Current Liabilities	26,457	28,124	39,886	39,125	66,343	67,249
Long Term Liabilities	114,392	114,316	243,241	249,694	357,633	364,010
Total Liabilities	<u>140,849</u>	<u>142,440</u>	<u>283,127</u>	<u>288,819</u>	<u>423,976</u>	<u>431,259</u>
Net Assets:						
Invested in capital assets, net of related debt	216,040	215,774	267,710	271,839	483,750	487,613
Restricted	49,613	46,969	11,982	13,641	61,595	60,610
Unrestricted	77,314	73,406	78,797	75,312	156,111	148,718
Total Net Assets	<u>\$342,967</u>	<u>\$336,149</u>	<u>\$358,489</u>	<u>\$360,792</u>	<u>\$701,456</u>	<u>\$696,941</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$701 million at the June 30, 2010. Most of the City's net assets (69%) 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 \$156.1 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 \$77.3 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	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for service	\$ 11,338	\$ 11,597	\$ 207,600	\$ 211,371	\$ 218,938	\$ 222,968
Operating grants	17,731	17,411	5,319	4,800	23,050	22,211
Capital grants and contributions	20,955	52,891	10,686	10,277	31,641	63,168
General Revenues						
Sales Tax	18,481	19,376			18,481	19,376
Property Tax	33,540	34,820			33,540	34,820
Investment earnings	1,285	4,065	3,399	6,273	4,684	10,338
Other	5,762	5,974	-	1	5,762	5,975
Total Revenues	<u>109,092</u>	<u>146,134</u>	<u>227,004</u>	<u>232,722</u>	<u>336,096</u>	<u>378,856</u>
Expenses:						
General Government	6,383	7,726			6,383	7,726
Police	27,497	28,282			27,497	28,282
Fire	17,077	17,190			17,077	17,190
Public Works	10,448	12,754			10,448	12,754
Planning	4,435	5,634			4,435	5,634
Recreation and Culture	11,470	11,598			11,470	11,598
Community Development	24,738	20,804			24,738	20,804
Interest on Long-Term Debt	4,761	5,169			4,761	5,169
Electric			161,101	173,452	161,101	173,452
Water			14,575	12,647	14,575	12,647
Wastewater			15,075	13,686	15,075	13,686
Storm Drainage			2,355	2,499	2,355	2,499
Solid Waste			18,497	18,229	18,497	18,229
Transportation			10,037	10,340	10,037	10,340
Convention Center			3,132	2,967	3,132	2,967
Total Expenses	<u>106,809</u>	<u>109,157</u>	<u>224,772</u>	<u>233,820</u>	<u>331,581</u>	<u>342,977</u>
Increase in net assets before transfers	2,283	36,977	2,232	(1,098)	4,515	35,879
Transfers	4,535	2,422	(4,535)	(2,422)		
Increase in net assets	6,818	39,399	(2,303)	(3,520)	4,515	35,879
Net assets July 1	336,149	296,750	360,792	364,313	696,941	661,063
Net assets June 30	<u>\$ 342,967</u>	<u>\$ 336,149</u>	<u>\$ 358,489</u>	<u>\$ 360,793</u>	<u>\$ 701,456</u>	<u>\$ 696,942</u>

Governmental Activities

The governmental activities program expenses exceed program revenues by \$56.8 million; however, general revenues and transfers were \$63.6 million resulting in an increase in governmental activities net assets of \$6.8 million. This increase accounted for 151% of the total growth in the net assets of the City.

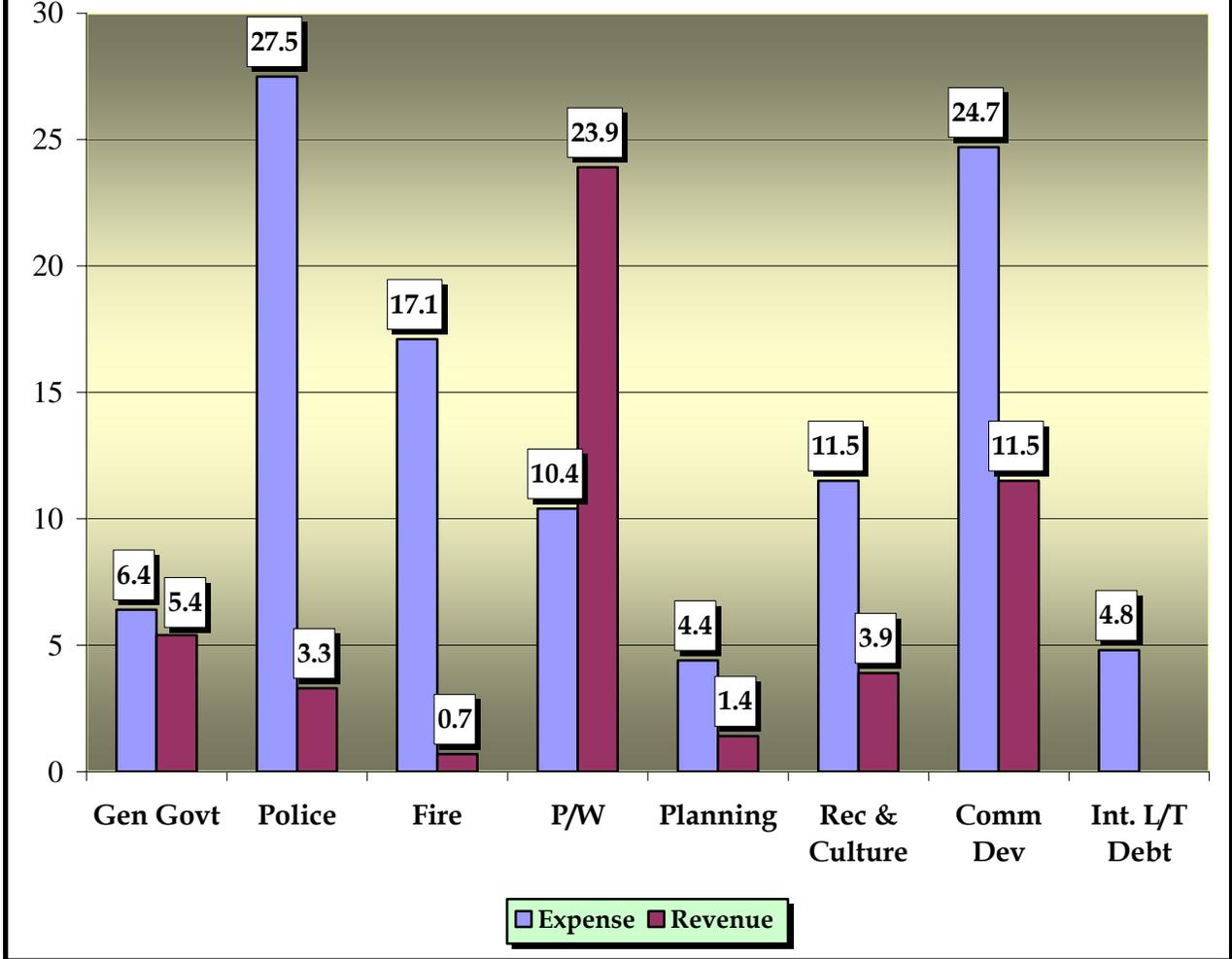
Taxes decreased by 4.1% from the prior year. This decrease is due to further declines in sales tax due to the severe economic recession as well as a decrease in the overall tax value (as determined by California law) of real property. Tax rates were not changed during the year.

Community Development expense increased by \$3.9 million due primarily due to the following reason:

The Redevelopment Agency expended an additional \$5.5 million in pass-through payments of which, \$5.1 million pertained to Supplemental Educational Revenue Augmentation Fund (SERAF) to the State of California. The California Redevelopment Association (CRA) filed a lawsuit in October 2009. In May 2010, the Sacramento Supreme Court upheld the legality of ABX4-26 which CRA has subsequently appealed.

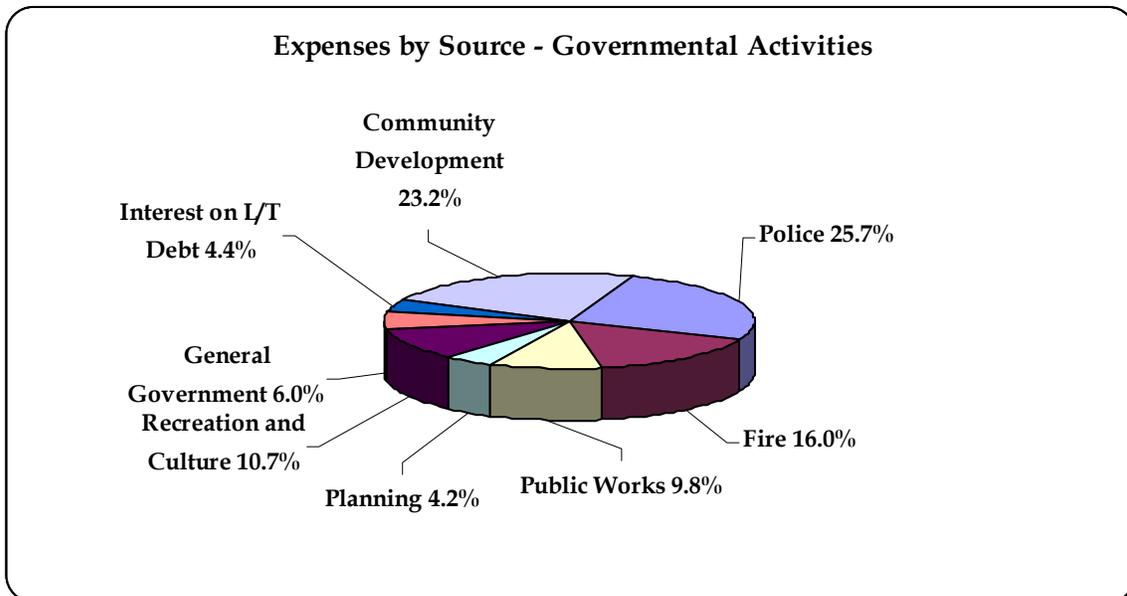
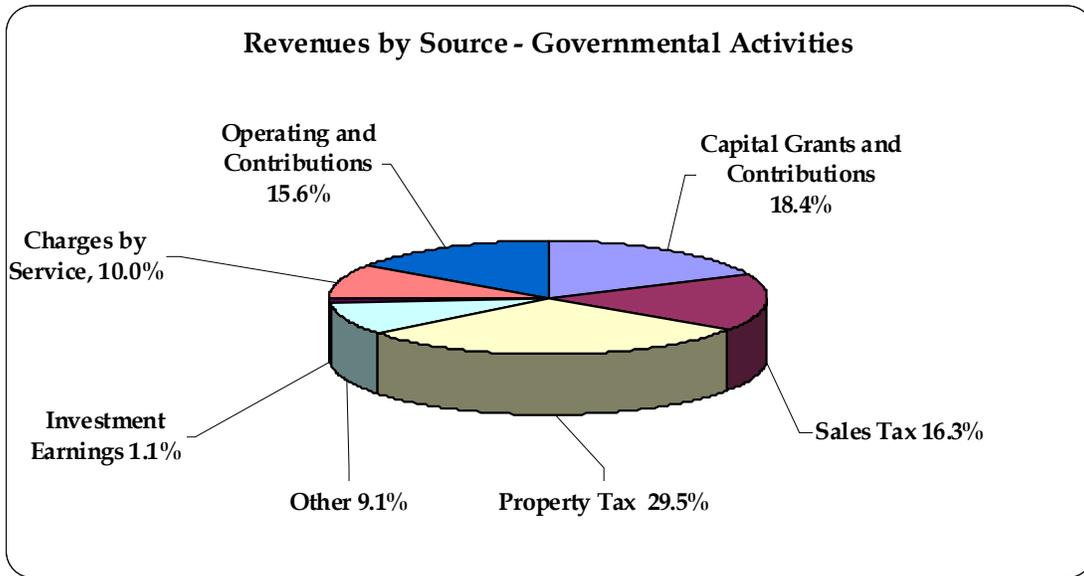
Public Works expenses decreased by \$2.3 million due to decreased street maintenance work.

Expenses and Program Revenues - Governmental Activities
(in millions)



As shown in the expenses and program revenue graph above, Public Works revenues exceeded program expenses by \$13.5 million. The reason for revenues exceeding expenses is that program revenues from Public Works include \$19.3 million in capital grants and contributions. The capital grants and contributions were used for capital assets as they could not be used to cover operating expenses.

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



Business-Type Activities

Business-type activities decreased the City's net assets by \$2.3 million. Key elements of this decrease are as follows:

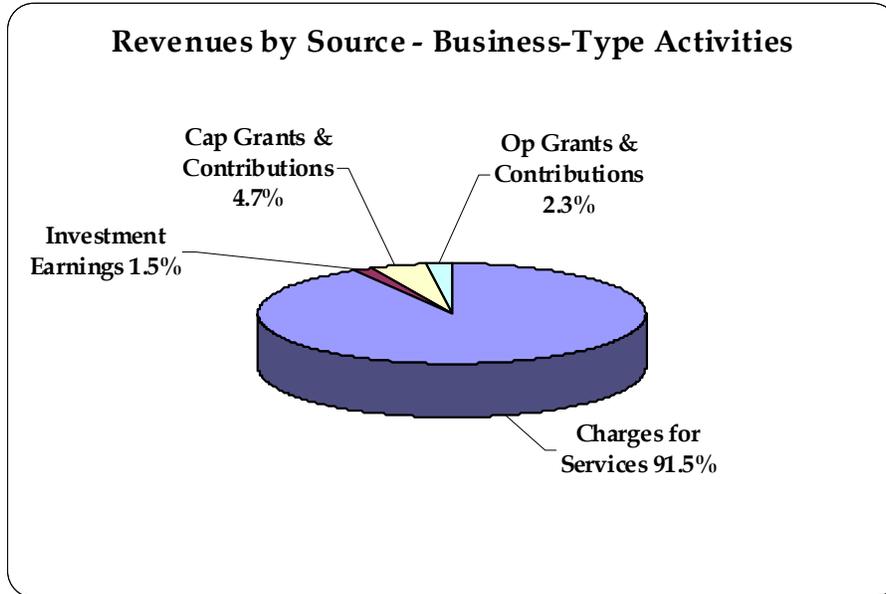
- Revenues exceed expenses for water and wastewater as funds are being accumulated for current and future capital projects. The increase was offset by a planned reduction in electric reserves.

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

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

	Revenue		Expense		Changes in net assets	
	2010	2009	2010	2009	2010	2009
Electric	\$153,878	\$157,800	\$161,101	\$173,452	(\$7,223)	(\$15,652)
Water	15,758	16,172	14,575	12,647	1,183	3,525
Wastewater	22,446	20,635	15,075	13,686	7,371	6,949
Storm Drainage	1,741	1,610	2,355	2,499	(614)	(889)
Solid Waste	17,874	17,958	18,497	18,229	(623)	(271)
Transportation	11,154	11,302	10,037	10,341	1,117	961
Convention Center	754	970	3,132	2,966	(2,378)	(1,996)
Investment Earnings	3,399	6,273			3,399	6,273
Transfers	(4,535)	(2,422)			(4,535)	(2,422)
Other	-	1			0	1
Total	222,469	230,299	224,772	233,820	(2,303)	(3,521)

The Electric Utility change in net assets increased \$8.4 million from the prior year primarily due to a rate increase of 7.84% which resulted in a 5.4% increase in retail electric sales even though retail sales were lower than projected, primarily due to mild weather which reduced the electric load need.



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 (91.5%) 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, 2010, the City's governmental funds reported combined ending fund balances of \$106 million, a decrease of \$14.6 million in comparison to June 30, 2009. Approximately 37.9% of this total (\$40.3 million) is considered unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for 1) non current advances and notes receivable (\$35.9 million), 2) to pay debt service (\$9.1 million), 3) for capital projects (\$17.7 million), or 4) miscellaneous other items.

The General Fund is the chief operating fund of the City. At June 30, 2010, unreserved fund balance was \$7.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11.3% of the total General Fund expenditures, while total fund balance represents 17.1% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$1.2 million during the year ended June 30, 2010.

General Fund revenues decreased \$3.6 million, while expenditures decreased by \$9.8 million from FYE 2009 to 2010. The decrease in revenue was due primarily to a decrease in taxes of \$2.1 million (5.2%) primarily due to lower sales taxes due to the global recession. Property tax revenues decreased \$.6 million due to decreased property values. Tax rates were not changed during the year. Charges for services were \$0.5 million lower than the prior year due to decreased building related activity. Interest revenue was \$0.3 million lower than the prior year due to lower interest rates and lower reserves.

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

Due to the weak economy the City was forced to make \$8.4 million in reductions to the General Fund. The reductions included furloughs, outsourcing, eliminating positions, union concessions and reductions in operating costs. The reductions affected all the General Fund and Internal Service Fund departments.

\$2.5 million decrease in street related expenditures, primarily covered by gas taxes or grants.

Other financing sources increased by \$4.7 million. The increase is due primarily to an increase in property sales (\$1.6 million) and a decrease in transfers out of \$2.7 million. In the prior year the General Fund made a one time \$2.4 million transfer to the Parks Development Fund to assist in the development of future parks.

The Capital Project Fund accounts for the financing and construction activities of the City. At June 30, 2010, unreserved fund balance was \$5.3 million. Unreserved fund balance represents 24% of the total Capital Project Funds expenditures, while total fund balance represents 92.9% of the total Capital Project Fund expenditures.

The fund balance of the City's Capital Project Fund decreased \$8.1 million during the year ended June 30, 2010.

Capital Project Fund revenues decreased \$16 million and expenditures decreased \$16 million. The decrease in revenue was primarily due to reduced revenues from grants.

The \$14.7 million decrease in expenditures is due to the completion or near completion of the South Bonnyview Road widening project and the Cypress Bridge project.

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, 2009	Changes in Net Assets	Net Assets June 30, 2010
Electric Utility	\$120,358	(11,349)	\$109,009
Water Utility	\$75,292	1,677	\$76,969
Wastewater Utility	\$93,768	7,742	\$101,510
Solid Waste Collection/Disposal	\$30,164	482	\$30,646

Net Assets - Restricted and Unrestricted
Major Proprietary Funds as of June 30, 2010
(in thousands)

	Invested in Capital Assets, Net of Related Debt	Restricted Net Assets	Unrestricted Net Assets	Total Net Assets
Electric Utility	\$68,639	-	40,370	\$109,009
Water Utility	\$59,602	389	16,978	\$76,969
Wastewater Utility	\$76,574	9,008	15,928	\$101,510
Solid Waste Collection/Disposal	\$16,097	-	14,549	\$30,646

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, 2010 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	\$ 6,124	\$ 6,022	\$ (102)
Public Safety:			
Police	25,838	27,372	1,534
Fire Safety	16,345	16,437	92
Public Works	10,416	10,754	338
Planning	4,882	4,486	(396)
Recreation and culture	5,288	4,938	(350)
Principal payments	1,281	1,446	165
Interest payments and bond costs	1,756	1,602	(154)
Total Expenditures	<u>\$ 71,930</u>	<u>\$ 73,057</u>	<u>\$ 1,127</u>

As shown in the previous table, the General Fund's original budget was increased by \$1.1 million or approximately 1.6%. The reasons for this increase are as follows:

- The Police budget increased by \$1.5 million due, the increase is due to grants and grant type agreements approved and received after the budget was originally adopted. It is the City policy not to include grant expenditures in the original adopted budget if grant approval has not been finalized. These grants were for drug enforcement, traffic enforcement and school resource officers along with other Police related activities. The City does not include rolling stock appropriations in its original budget. The Police department budget increased by \$0.2 million due to rolling stock. It is a Council policy to maintain a rolling stock fund separate from the General Fund which departments, with the City Manager approval can transfer funds to the General Fund and amend the adopted budget for the transfers.
- Public Works' budget increased by \$.6 million due to grants and grant type expenditures that were approve after the budget was adopted. The funds were used for street maintenance and improvement. The Public Works' budget also increased by \$0.2 million for rolling stock.
- During the year positions were eliminated to help deal with the effects of the severe global recession, which resulted in \$0.2 million higher unemployment insurance costs than originally anticipated. All increased cost were budgeted in the Non Departmental budget, which is included in general government, regardless of the function

- Fire budget increased by \$0.7 to cover additional overtime. The additional overtime was due to assistance provided to other agency within the State and for coverage within the City. Fire's budget was also increased by \$0.4 million for rolling stock as described above.
- Due to the global recession and decrease in City revenues the City reduced its General Fund budget by \$2.5 million during the year to keep the General Fund Ten Year Plan in balance with a minimum 5% reserve in all years of the Plan. The reductions affected all departments in the General Fund.

During the year revenues were less than budgetary, thus requiring 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, 2010, totaled \$804 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 \$36.5 million (a 4.2% increase for governmental activities and 5.2% for business-type activities).

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

- Developers added an estimated \$3.1 million of water, wastewater, electric, storm drainage improvements, streets, sidewalks and traffic signals.
- Electric Utility spent \$21.2 million in the current year on the new generation plant project.
- The City spent \$16 million in the current year on the \$72 million Cypress Bridge Project.
- \$10.5 million was spent on the Clear Creek Wastewater expansion project.
- \$1.4 million was spent on the Stillwater Wastewater expansion project.
- \$2.7 million was spent on the Stillwater Business Park project.
- \$1 million was spent on the Oasis Road interchange.
- \$1.1 million was spent on the Redding Municipal Airport's terminal remodel.

The next two pages show changes to Capital Assets in governmental and business-type activities.

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	\$ 29,583	\$ 106	\$ (1,538)	\$ -	\$ 28,151
Construction in process	72,831	24,067	-	(17,457)	79,441
Total capital assets, not being depreciated	102,414	24,173	(1,538)	(17,457)	107,592
Capital assets, being depreciated:					
Buildings	56,796	-	-	-	56,796
Improvements other than buildings	98,045	11	-	983	99,039
Infrastructure	140,091	1,175	-	16,420	157,686
Automotive equipment	10,564	222	(246)	451	10,991
Furnishings and equipment	7,995	495	(680)	83	7,893
Assets under capital lease:					
Furnishings and equipment	290	-	-	-	290
Automotive equipment	1,461	-	-	(381)	1,080
Total capital assets, being depreciated	315,242	1,903	(926)	17,556	333,775
Less accumulated depreciation for:					
Buildings	(17,397)	(1,739)	-	-	(19,136)
Improvements other than buildings	(29,194)	(4,171)	-	-	(33,365)
Infrastructure	(44,112)	(3,732)	-	-	(47,844)
Automotive equipment	(7,329)	(806)	229	(278)	(8,184)
Furnishings and equipment	(4,569)	(614)	462	(5)	(4,726)
Assets under capital lease:					
Furnishings and equipment	(275)	(8)	-	-	(283)
Automotive equipment	(466)	(196)	-	222	(440)
Total accumulated depreciation	(103,342)	(11,266)	691	(61)	(113,978)
Total capital assets, being depreciated, net	211,900	(9,363)	(235)	17,495	219,797
Governmental activities capital assets, net	\$ 314,314	\$ 14,810	\$ (1,773)	\$ 38	\$ 327,389

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	\$ 17,790	\$ 56	\$ -	\$ -	\$ 17,846
Construction in progress	95,550	41,593	(9)	(44,830)	92,304
Total capital assets, not being depreciated	<u>113,340</u>	<u>41,649</u>	<u>(9)</u>	<u>(44,830)</u>	<u>110,150</u>
Capital assets, being depreciated:					
Utility plants	539,357	3,804	(926)	38,716	580,951
Buildings	44,603	-	-	2,183	46,786
Improvements other than buildings	35,149	69	(5)	3,958	39,171
Automotive equipment	29,171	2,278	(1,057)	(70)	30,322
Furnishings and equipment	14,029	355	(944)	19	13,459
Assets under capital lease:					
Furnishings and equipment	634	-	-	(75)	559
Total capital assets, being depreciated	<u>662,943</u>	<u>6,506</u>	<u>(2,932)</u>	<u>44,731</u>	<u>711,248</u>
Less accumulated depreciation for:					
Utility plants	(246,751)	(17,992)	500	-	(264,243)
Buildings	(24,151)	(1,290)	-	-	(25,441)
Improvements other than buildings	(24,332)	(2,102)	5	(64)	(26,493)
Automotive equipment	(15,827)	(2,111)	901	99	(16,938)
Furnishings and equipment	(11,835)	(574)	928	5	(11,476)
Assets under capital lease:					
Furnishings and equipment	(540)	(67)	-	64	(543)
Total accumulated depreciation	<u>(323,436)</u>	<u>(24,136)</u>	<u>2,334</u>	<u>104</u>	<u>(345,134)</u>
Total capital assets, being depreciated, net	<u>339,507</u>	<u>(17,630)</u>	<u>(598)</u>	<u>44,835</u>	<u>366,114</u>
Business-type activities capital assets, net	<u>\$ 452,847</u>	<u>\$ 24,019</u>	<u>\$ (607)</u>	<u>\$ 5</u>	<u>\$ 476,264</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, 2009	Additional Transfers	Reductions	Balance June 30, 2010
Governmental Activities:				
Capital leases Payable	\$ 558		\$ 181	\$ 377
Lease Revenue Bonds	47,838		2,510	45,328
Redevelopment Bonds	49,475		2,015	47,460
Special assessment debt	3,452		1,791	1,661
Loan	-	663	262	401
State Loans	15	-	15	-
Total Government Activities	101,338	663	6,774	95,227
Business-Type Activities				
State Loan Payable	35,900	5,042	1,233	39,709
Revenue Bonds	31,532		2,899	28,633
Certificates of participation	188,285		4,995	183,290
Capital leases	256		57	199
Total Business-Type Activities	255,973	5,042	9,184	251,831
Total outstanding long-term debt	\$ 357,311	\$ 5,705	\$ 15,958	\$ 347,058

The City's total debt decreased by \$10.3 million during the year ended June 30, 2010. The decrease is due primarily to regular scheduled debt payments. In addition, the City called bonds early on the Reassessed Assessment District of \$1.5 million and issued \$5 million in State loans for wastewater treatment plant upgrades.

Currently, the City's legal debt margin is \$293 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 9 on pages 103-110 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City of Redding has experienced an increase in population since 2006 of less than one percent per year while the unemployment rate has increased from 6.3% in 2006 to 15.3% in 2010.
- Inflationary trends in the region compare favorably to national indices.
- Overall tax revenue for the City's General Fund decreased by 4.1% during the year. This was primarily due to lower sales taxes due to the poor economy. Property and other taxes were also lower than in the prior year. Tax rates were not changed. The City expects sales tax has reached its low point and will increase by 4% in fiscal year 2010-11. It is expected property tax will decrease by 4.4% in fiscal year 2010-11.
- Building activity in the City continued to decline in fiscal year 2010 and the City expects it to remain below the historical average during the fiscal year 2010-11.
- The economy will remain slow in fiscal year 2011.

All of these factors will be considered in preparing the City's budget for 2010-11 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$7.5 million. The City anticipates spending approximately \$1.6 million of this amount in the 2010-11 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 a 5% cash reserve in all years.

The utilities had planned the following rate increases when their biennial budgets were built: Electric - 7.8%, Water - 6.0%, Wastewater - 9.4% and Solid Waste - 3%. Rate increases for all Utilities have been approved, except for Electric.

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Redding
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 67,885,200	\$ 100,087,425	\$ 167,972,625
Receivables:			
Interest	2,340,801	508,868	2,849,669
Accounts, net	932,250	20,759,500	21,691,750
Taxes	5,476,988	-	5,476,988
Current intergovernmental	9,361,625	1,512,443	10,874,068
Notes	32,030,926	-	32,030,926
Special assessments	1,614,065	-	1,614,065
PacifiCorp Energy	-	2,343,425	2,343,425
Other	1,082,620	-	1,082,620
Internal balances	8,511,078	(8,511,078)	-
Inventories	393,496	8,684,635	9,078,131
Prepaid items	1,208,475	1,690,955	2,899,430
Assets held for sale	2,275,884	-	2,275,884
Restricted assets:			
Cash and investments	20,079,483	31,673,794	51,753,277
Interest receivable	30,413	4,576	34,989
Taxes receivable	1,205,436	-	1,205,436
Power acquisition costs, net	-	1,260,100	1,260,100
Prepaid purchase cost	-	3,440,000	3,440,000
Long-term receivable	222,722	-	222,722
Financing costs, net	1,775,563	775,326	2,550,889
Capital assets:			
Land and construction in progress	107,592,641	110,149,896	217,742,537
Other capital assets, net of depreciation	219,796,492	366,113,638	585,910,130
Investment in JPA	-	1,122,348	1,122,348
Total assets	483,816,158	641,615,851	1,125,432,009

(Continued)

See accompanying Notes to Basic Financial Statements.

City of Redding
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 4,635,490	\$ 8,613,330	\$ 13,248,820
Accrued liabilities	3,180,436	2,161,948	5,342,384
Intergovernmental payable	2,240,511	4,495,499	6,736,010
Accrued interest payable	1,238,723	1,104,264	2,342,987
Unearned revenue	1,466,112	5,444,784	6,910,896
Deposits	135,547	4,634,752	4,770,299
Accounts payable from restricted	131,758	2,265,043	2,396,801
Arbitrage payable	32,455	-	32,455
Landfill closing costs, due within one year	-	100,000	100,000
Claims and judgements payable, due within one year	4,754,167	-	4,754,167
Compensated absences, due within one year	3,427,290	1,765,391	5,192,681
Long-term debt, due within one year	5,214,511	9,300,606	14,515,117
Landfill closing costs, due in more than one year	-	1,406,705	1,406,705
Claims and judgements payable, due in more than one year	7,379,993	-	7,379,993
Accrued compensated absences, due in more than one year	7,717,591	4,443,161	12,160,752
Accrued liabilities, due in more than one year	9,934,145	7,106,315	17,040,460
Long-term debt, due in more than one year	89,360,562	230,285,116	319,645,678
Total liabilities	140,849,291	283,126,914	423,976,205
NET ASSETS			
Invested in capital assets, net of related debt	216,040,038	267,709,679	483,749,717
Restricted for:			
Capital outlay	-	11,981,816	11,981,816
Debt service	775,731	-	775,731
Housing	26,750,413	-	26,750,413
Community development	20,144,162	-	20,144,162
Public works	1,942,472	-	1,942,472
Unrestricted	77,314,051	78,797,442	156,111,493
Total net assets	\$ 342,966,867	\$ 358,488,937	\$ 701,455,804

(Concluded)

City of Redding
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

Functions / Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 6,383,391	\$ 5,211,415	\$ 217,747	\$ -	\$ 5,429,162
Police	27,497,342	1,198,654	2,006,047	49,049	3,253,750
Fire	17,076,785	414,873	50,000	213,584	678,457
Public works	10,447,617	939,201	3,671,625	19,291,298	23,902,124
Planning	4,434,756	1,415,218	-	-	1,415,218
Recreation and culture	11,470,482	2,112,759	380,241	1,400,903	3,893,903
Community development	24,737,850	45,784	11,405,374	-	11,451,158
Interest on long-term debt	4,760,944	-	-	-	-
Total governmental activities	106,809,167	11,337,904	17,731,034	20,954,834	50,023,772
Business-type activities:					
Electric	161,100,955	152,499,576	920,323	457,631	153,877,530
Water	14,574,967	13,968,396	-	1,790,126	15,758,522
Wastewater	15,075,253	18,287,784	-	4,158,092	22,445,876
Storm drainage	2,354,882	1,387,014	-	353,539	1,740,553
Solid waste	18,497,103	17,614,327	16,277	243,803	17,874,407
Transportation	10,037,079	3,114,393	4,382,412	3,657,121	11,153,926
Convention center	3,131,705	728,369	-	25,560	753,929
Total business-type activities	224,771,944	207,599,859	5,319,012	10,685,872	223,604,743
Total primary government	\$ 331,581,111	\$ 218,937,763	\$ 23,050,046	\$ 31,640,706	\$ 273,628,515

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

Gain on sale of asset

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
\$ (954,229)	\$ -	\$ (954,229)
(24,243,592)	-	(24,243,592)
(16,398,328)	-	(16,398,328)
13,454,507	-	13,454,507
(3,019,538)	-	(3,019,538)
(7,576,579)	-	(7,576,579)
(13,286,692)	-	(13,286,692)
(4,760,944)	-	(4,760,944)
<u>(56,785,395)</u>	<u>-</u>	<u>(56,785,395)</u>
-	(7,223,425)	(7,223,425)
-	1,183,555	1,183,555
-	7,370,623	7,370,623
-	(614,329)	(614,329)
-	(622,696)	(622,696)
-	1,116,847	1,116,847
-	<u>(2,377,776)</u>	<u>(2,377,776)</u>
<u>-</u>	<u>(1,167,201)</u>	<u>(1,167,201)</u>
<u>(56,785,395)</u>	<u>(1,167,201)</u>	<u>(57,952,596)</u>
15,359,965	-	15,359,965
18,180,323	-	18,180,323
3,497,627	-	3,497,627
18,480,866	-	18,480,866
268,465	-	268,465
888,406	-	888,406
931,504	-	931,504
<u>57,607,156</u>	<u>-</u>	<u>57,607,156</u>
1,284,562	3,398,687	4,683,249
100,000	315	100,315
76,085	-	76,085
4,535,210	(4,535,210)	-
<u>63,603,013</u>	<u>(1,136,208)</u>	<u>62,466,805</u>
6,817,618	(2,303,409)	4,514,209
<u>336,149,249</u>	<u>360,792,346</u>	<u>696,941,595</u>
<u>\$ 342,966,867</u>	<u>\$ 358,488,937</u>	<u>\$ 701,455,804</u>

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FUND FINANCIAL STATEMENTS

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

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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, 2010

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 4,930,630	\$ 16,549,823	\$ 36,614,702	\$ 58,095,155
Interest receivable	40,437	80,482	2,175,815	2,296,734
Accounts receivable, net	879,824	-	30,933	910,757
Intergovernmental receivable	1,199,390	6,613,027	1,549,208	9,361,625
Taxes receivable	4,989,568	-	710,142	5,699,710
Other receivable	1,056,263	-	26,357	1,082,620
Due from other funds	272,251	-	-	272,251
Prepaid items	757,016	-	26,838	783,854
Inventories	279,823	-	-	279,823
Restricted assets:				
Cash and investments	2,320,661	6,633,499	11,102,914	20,057,074
Interest receivable	-	579	29,834	30,413
Taxes receivable	-	-	1,205,436	1,205,436
Interfund receivable	550,000	201,373	401,168	1,152,541
Assets held for sale	-	-	2,275,884	2,275,884
Advances to other funds	2,485,800	261,407	1,760,965	4,508,172
Special assessments receivable	-	-	1,614,065	1,614,065
Notes receivable	-	-	32,030,926	32,030,926
Total assets	\$ 19,761,663	\$ 30,340,190	\$ 91,555,187	\$ 141,657,040

(Continued)

See accompanying Notes to Basic Financial Statements.

City of Redding
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 847,864	\$ 2,888,607	\$ 238,072	\$ 3,974,543
Accrued liabilities	2,578,568	42,784	140,483	2,761,835
Intergovernmental payable	64,706	-	2,164,384	2,229,090
Due to other funds	-	-	83,637	83,637
Accounts payable from restricted assets	-	131,758	-	131,758
Interfund payable	58,146	39,666	1,056,842	1,154,654
Deferred revenues	4,685,695	6,628,218	6,160,482	17,474,395
Deposits	7,515	290	126,434	134,239
Advances from other funds	253,663	-	7,022,092	7,275,755
Total liabilities	8,496,157	9,731,323	16,992,426	35,219,906
Fund Balances:				
Reserved for:				
Prepaid items	757,016	-	26,838	783,854
Inventories	279,823	-	-	279,823
Assets held for resale	-	-	2,275,884	2,275,884
Noncurrent advances	2,485,800	261,407	1,737,861	4,485,068
Debt service	-	-	9,130,845	9,130,845
Capital projects	272,434	15,023,260	2,433,675	17,729,369
Noncurrent notes receivable	-	-	31,427,429	31,427,429
Unreserved, designated for:				
Encumbrances	784,082	5,324,200	-	6,108,282
Rolling stock	609,965	-	-	609,965
Future expenditures/contingencies	1,540,000	-	-	1,540,000
Reported in:				
Special revenue	-	-	7,258,582	7,258,582
Capital projects	-	-	12,304,200	12,304,200
Unreserved, undesignated reported in:				
General fund	4,536,386	-	-	4,536,386
Special revenue funds	-	-	6,802,994	6,802,994
Capital projects fund	-	-	2,361,163	2,361,163
Debt service funds	-	-	(1,196,710)	(1,196,710)
Total fund balances	11,265,506	20,608,867	74,562,761	106,437,134
Total liabilities and fund balances	\$ 19,761,663	\$ 30,340,190	\$ 91,555,187	\$ 141,657,040

(Concluded)

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City of Redding
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010

Total Fund Balances - Total Governmental Funds	\$ 106,437,134
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.	425,344,599
Accumulated depreciation has not been included in the governmental fund financial statements.	(103,664,000)
Financing costs net of amortization	1,775,563
Long-term debt that has not been included in the governmental fund activity.	(94,575,073)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(1,238,723)
The net other post employment benefit obligation has not been reported in the governmental funds.	(8,414,773)
Revenue reported as deferred revenue in the governmental funds was recorded as revenue in the statement of activities.	16,211,845
Internal service fund net assets included in the governmental activities on the statement of activities.	11,167,551
Business portion of operating transfer from Internal Service Funds.	29,238
Arbitrage payable that has not been included in the governmental funds.	(32,455)
Accrued vacation and other leave not reported in governmental funds, but recorded as expense in the Statement of Activities.	(10,074,039)
Net Assets of Governmental Activities	\$ 342,966,867

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, 2010

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 15,266,757	\$ -	\$ 18,180,323	\$ 33,447,080
Sales and use taxes	17,810,778	-	272,517	18,083,295
Other taxes	5,317,537	-	-	5,317,537
Special assessments	8,332	-	788,546	796,878
Licenses and permits	841,879	-	62,370	904,249
Intergovernmental revenues	2,804,985	11,329,646	16,157,229	30,291,860
Charges for services	2,038,258	-	1,180,068	3,218,326
Fines, forfeitures, and penalties	1,110,691	-	284,832	1,395,523
Use of money and property	6,014,191	1,450	200	6,015,841
Interest revenue	5,920	380,716	620,822	1,007,458
Other	652,342	1,933,873	459,620	3,045,835
Total revenues	51,871,670	13,645,685	38,006,527	103,523,882
EXPENDITURES:				
Current:				
General government	5,490,413	-	305,009	5,795,422
Community development	-	-	25,226,846	25,226,846
Public safety:				
Police	25,725,935	-	183,423	25,909,358
Fire	16,270,421	-	-	16,270,421
Public works	4,497,749	77,900	455,566	5,031,215
Planning	4,172,970	-	-	4,172,970
Recreation and culture	4,682,068	137,418	2,069,771	6,889,257
Capital outlay	2,142,534	19,858,084	2,230,437	24,231,055
Debt service:				
Principal	1,432,311	1,536,732	3,806,000	6,775,043
Interest and fiscal charges	1,608,507	577,039	2,596,261	4,781,807
Total expenditures	66,022,908	22,187,173	36,873,313	125,083,394
REVENUES OVER (UNDER) EXPENDITURES	(14,151,238)	(8,541,488)	1,133,214	(21,559,512)
OTHER FINANCING SOURCES (USES):				
Sale of assets	1,843,031	-	(38,379)	1,804,652
Long-term debt issued	-	662,993	-	662,993
Transfers in	16,001,044	-	1,189,828	17,190,872
Transfers out	(2,472,074)	(271,198)	(9,949,724)	(12,692,996)
Total other financing sources (uses)	15,372,001	391,795	(8,798,275)	6,965,521
Net change in fund balances	1,220,763	(8,149,693)	(7,665,061)	(14,593,991)
FUND BALANCES:				
Beginning of year	10,044,743	28,758,560	82,227,822	121,031,125
End of year	\$ 11,265,506	\$ 20,608,867	\$ 74,562,761	\$ 106,437,134

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, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (14,593,991)
---	------------------------

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.	24,355,921
--	------------

Transfers of capital assets from Enterprise Funds to governmental funds.	53,250
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In the Statement of Activities, donated assets are reported as a capital contribution.	1,552,504
--	-----------

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.	(10,049,734)
--	--------------

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. - Net book value of the assets disposed	(1,728,567)
--	-------------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	4,711,818
---	-----------

In the Statement of Activities, the net other post employment benefit obligation has been accrued.	(2,460,098)
--	-------------

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.	6,775,043
---	-----------

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.	(84,949)
---	----------

Compensated absences in the Statement of Activities is reported as an expense but is not reported in the governmental funds.	(303,222)
--	-----------

Loan proceeds provided current financial resources to governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.	(662,993)
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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.	(776,602)
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Business portion of operating transfer from Internal Service Funds.	29,238
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Change in Net Assets of Governmental Activities	\$ 6,817,618
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See accompanying Notes to Basic Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

Major Enterprise Funds:

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

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

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

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

Internal Service Funds:

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

City of Redding
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
ASSETS			
Current assets:			
Cash and investments	\$ 33,082,975	\$ 16,763,872	\$ 24,912,719
Interest receivable	179,640	88,566	120,712
Accounts receivable, net	15,512,843	1,567,980	1,776,146
Prepaid items	1,457,123	39,133	50,802
Intergovernmental receivable	-	-	175,418
Inventories	7,865,256	651,594	39,818
Interfund receivable	-	-	90,000
Pacificorp Energy receivable	2,343,425	-	-
Total current assets	60,441,262	19,111,145	27,165,615
Noncurrent assets:			
Restricted assets:			
Cash and investments	29,278,744	1,209,857	-
Interest receivable	4,576	-	-
Total restricted assets	29,283,320	1,209,857	-
Capital assets:			
Land	4,233,039	409,110	2,828,757
Construction in progress	69,603,063	2,906,119	15,804,131
Utility plants	285,086,729	101,021,290	169,753,496
Buildings	4,585,086	3,637,250	2,613,886
Improvements other than buildings	2,893,543	-	185,670
Automotive equipment	4,726,150	2,079,719	1,487,085
Furnishings and equipment	6,579,333	579,761	1,113,628
Assets under capital lease	-	-	-
Total capital assets	377,706,943	110,633,249	193,786,653
Less: accumulated depreciation	(165,041,155)	(43,183,897)	(65,093,811)
Net capital assets	212,665,788	67,449,352	128,692,842
Other assets:			
Power acquisition costs, net	1,260,100	-	-
Prepaid purchase cost	3,440,000	-	-
Advances to other funds	1,084,782	-	852,516
Financing costs, net	323,391	168,497	183,268
Investment in JPA	1,122,348	-	-
Total other assets	7,230,621	168,497	1,035,784
Total noncurrent assets	249,179,729	68,827,706	129,728,626
Total assets	309,620,991	87,938,851	156,894,241

See accompanying Notes to Basic Financial Statements.

Solid Waste Collection/ Disposal	Enterprise Funds		Activities
	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 19,741,818	\$ 5,586,041	\$ 100,087,425	\$ 9,812,454
102,231	17,721	508,870	44,066
1,650,643	251,888	20,759,500	21,493
108,880	35,017	1,690,955	424,621
8,690	1,328,335	1,512,443	-
-	127,967	8,684,635	113,673
-	-	90,000	248,762
-	-	2,343,425	-
<u>21,612,262</u>	<u>7,346,969</u>	<u>135,677,253</u>	<u>10,665,069</u>
904,849	280,344	31,673,794	-
-	-	4,576	-
<u>904,849</u>	<u>280,344</u>	<u>31,678,370</u>	<u>-</u>
1,571,091	8,803,507	17,845,504	110,810
419,831	3,571,248	92,304,392	-
-	25,090,374	580,951,889	-
14,141,504	21,807,405	46,785,131	-
1,165,324	34,926,108	39,170,645	2,384,243
13,992,236	8,036,558	30,321,748	10,991,531
2,694,637	2,491,301	13,458,660	1,456,977
-	559,209	559,209	1,079,539
<u>33,984,623</u>	<u>105,285,710</u>	<u>821,397,178</u>	<u>16,023,100</u>
<u>(15,714,462)</u>	<u>(56,100,319)</u>	<u>(345,133,644)</u>	<u>(10,314,566)</u>
<u>18,270,161</u>	<u>49,185,391</u>	<u>476,263,534</u>	<u>5,708,534</u>
-	-	1,260,100	-
-	-	3,440,000	-
-	-	1,937,298	6,603,640
79,569	20,601	775,326	-
-	-	1,122,348	-
<u>79,569</u>	<u>20,601</u>	<u>8,535,072</u>	<u>6,603,640</u>
<u>19,254,579</u>	<u>49,486,336</u>	<u>516,476,976</u>	<u>12,312,174</u>
<u>40,866,841</u>	<u>56,833,305</u>	<u>652,154,229</u>	<u>22,977,243</u>

City of Redding
Statement of Net Assets
Proprietary Funds, Continued
June 30, 2010

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	\$ 5,088,884	\$ 150,787	\$ 1,486,486
Accrued liabilities	1,184,128	183,077	228,808
Accrued interest payable	713,416	35,558	267,898
Claims and judgements payable	-	-	-
Intergovernmental payable	4,377,559	40,130	2,448
Due to other funds	-	-	-
Interfund payables	77,018	55,597	55,993
Deferred revenues	3,008,375	193,949	-
Deposits	2,514,644	7,180	-
Accrued compensated absences, due with in one year	1,051,565	170,751	138,954
Landfill closure costs, due with in one year	-	-	-
Capital leases, due with in one year	-	-	-
Long-term debt, due with in one year	4,617,842	726,539	1,230,124
State loan, due with in one year	-	-	1,879,526
Total current liabilities (payable from current assets)	22,633,431	1,563,568	5,290,237
Current liabilities (payable from restricted assets):			
Accounts payable	2,265,043	-	-
Total current liabilities (payable from restricted assets)	2,265,043	-	-
Long-term liabilities:			
Accrued compensated absences, due in more than one year	2,548,916	454,520	328,269
Landfill closure costs, due in more than one year	-	-	-
Advances from other funds	-	119,328	120,945
Accrued liabilities, due in more than one year	4,268,189	500,879	635,470
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	168,896,256	8,331,932	11,985,865
State loan, due in more than one year	-	-	37,023,840
Total long-term liabilities	175,713,361	9,406,659	50,094,389
Total liabilities	200,611,835	10,970,227	55,384,626
NET ASSETS			
Invested in capital assets, net of related debt	68,639,100	59,601,811	76,573,487
Restricted for:			
Capital projects	-	388,772	9,008,432
Unrestricted	40,370,056	16,978,041	15,927,696
Total net assets	\$ 109,009,156	\$ 76,968,624	\$ 101,509,615

See accompanying Notes to Basic Financial Statements.

Solid Waste Collection/ Disposal	Enterprise Funds		Activities		
	Non-Major Enterprise Funds	Total	Internal Service Funds		
\$ 746,889	\$ 1,140,284	\$ 8,613,330	\$ 660,948		
348,504	217,431	2,161,948	418,601		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.
70,789	16,603	1,104,264	-		
-	-	-	4,754,167		
70,918	4,444	4,495,499	11,421		
-	188,614	188,614	-		
9,574	138,467	336,649	-		
36,992	2,205,468	5,444,784	203,562	Proprietary Funds total net assets	\$ 363,865,051
1,934,029	178,899	4,634,752	1,308	Less business-type portion of the	
305,643	98,478	1,765,391	306,404	Internal Service Fund	<u>(5,376,114)</u>
100,000	-	100,000	-		
-	45,814	45,814	-		
697,699	47,456	7,319,660	-	Statement of Activities:	
-	55,606	1,935,132	-	Change in Net Assets	<u>\$ 358,488,937</u>
<u>4,321,037</u>	<u>4,337,564</u>	<u>38,145,837</u>	<u>6,356,411</u>		
-	-	2,265,043	-		
-	-	2,265,043	-		
850,914	260,542	4,443,161	764,438		
1,406,705	-	1,406,705	-		
15,851	4,380,877	4,637,001	1,136,354		
1,245,638	456,139	7,106,315	1,519,372		
-	-	-	7,379,993		
-	153,355	153,355	-		
2,380,731	762,820	192,357,604	-		
-	750,317	37,774,157	-		
<u>5,899,839</u>	<u>6,764,050</u>	<u>247,878,298</u>	<u>10,800,157</u>		
<u>10,220,876</u>	<u>11,101,614</u>	<u>288,289,178</u>	<u>17,156,568</u>		
16,097,381	46,797,900	267,709,679	5,708,534		
-	2,584,612	11,981,816	-		
<u>14,548,584</u>	<u>(3,650,821)</u>	<u>84,173,556</u>	<u>112,141</u>		
<u>\$ 30,645,965</u>	<u>\$ 45,731,691</u>	<u>\$ 363,865,051</u>	<u>\$ 5,820,675</u>		

(Concluded)

City of Redding
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2010

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
OPERATING REVENUES:			
User fees and charges	\$ 91,215,729	\$ 13,732,639	\$ 18,267,376
Wholesale power sales	55,407,093	-	-
Rental charges	-	-	-
Other operating revenue	6,496,525	15,860	13,305
Total operating revenues	153,119,347	13,748,499	18,280,681
OPERATING EXPENSES:			
Cost of power, water, and transportation	83,773,530	554,305	-
Maintenance, operations, and administration	59,570,786	10,190,079	9,853,542
Depreciation and amortization	12,062,057	3,300,595	4,361,325
Total operating expenses	155,406,373	14,044,979	14,214,867
OPERATING INCOME (LOSS)	(2,287,026)	(296,480)	4,065,814
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	1,652,892	479,524	649,482
Interest expense	(5,407,728)	(513,905)	(843,505)
Intergovernmental revenues	236,706	64,566	2,000,000
Gain (loss) on disposal of assets	(9,094)	12,526	(7,882)
Other non-operating revenues (expenses)	63,847	1,514,240	1,719,579
Total nonoperating revenues (expenses)	(3,463,377)	1,556,951	3,517,674
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(5,750,403)	1,260,471	7,583,488
Capital contributions	457,631	431,217	440,665
Transfers in	-	-	-
Transfers out	(6,055,950)	(15,157)	(282,510)
Change in net assets	(11,348,722)	1,676,531	7,741,643
NET ASSETS:			
Beginning of year	120,357,878	75,292,093	93,767,972
End of year	\$ 109,009,156	\$ 76,968,624	\$ 101,509,615

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 16,114,269	\$ 2,539,009	\$ 141,869,022	\$ 54,857,019
-	-	55,407,093	-
-	1,327,269	1,327,269	-
1,498,156	1,133,533	9,157,379	28,648
17,612,425	4,999,811	207,760,763	54,885,667
-	3,099,220	87,427,055	-
15,940,752	8,097,917	103,653,076	55,603,362
1,669,151	4,085,158	25,478,286	1,216,390
17,609,903	15,282,295	216,558,417	56,819,752
2,522	(10,282,484)	(8,797,654)	(1,934,085)
519,943	96,848	3,398,689	337,821
(220,740)	(114,711)	(7,100,589)	(37,342)
16,277	4,407,972	6,725,521	-
7,614	(75,345)	(72,181)	(22,322)
160,204	408,784	3,866,654	(53,762)
483,298	4,723,548	6,818,094	224,395
485,820	(5,558,936)	(1,979,560)	(1,709,690)
-	3,806,841	5,136,354	227,217
-	2,009,857	2,009,857	39,377
(3,500)	(183,000)	(6,540,117)	(6,993)
482,320	74,762	(1,373,466)	(1,450,089)
30,163,645	45,656,929	365,238,517	7,270,764
\$ 30,645,965	\$ 45,731,691	\$ 363,865,051	\$ 5,820,675

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 \$ (1,373,466)

Add internal Service Funds income - business-type activity (929,943)

Statement of Activities:
Change in Net Assets \$ (2,303,409)

City of Redding
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2010

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 146,713,557	\$ 13,740,311	\$ 18,054,999
Cash paid to suppliers	(123,155,947)	(7,505,434)	(5,980,231)
Cash paid to employees	(21,011,229)	(2,827,838)	(3,669,172)
Other income received	6,496,525	15,860	13,305
Net cash provided (used) by operating activities	9,042,906	3,422,899	8,418,901
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Intergovernmental revenue received	892,700	-	-
Advances from other funds	-	-	-
Repayment of advances from other funds	-	-	-
Advances to other funds	(40,017)	-	(25,365)
Repayment of advances to other funds	1,499,515	-	45,000
Transfers in	-	-	-
Transfers out	(6,055,950)	-	-
Other revenue	-	219,436	3,799
Net cash provided (used) by noncapital financing activities	(3,703,752)	219,436	23,434
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grant received	-	-	1,824,582
Proceeds from sale of assets	429,762	12,526	1,000
Purchase of capital assets	(24,967,971)	(2,385,900)	(14,530,043)
Interest paid	(8,798,632)	(457,488)	(1,107,701)
Proceeds from long-term debt	-	-	4,734,430
Principal paid on long-term debt	(4,995,000)	(765,000)	(2,513,612)
Principal paid on capital leases	-	-	-
Cash collected for future capital outlay	36,224	1,294,804	1,720,730
Net cash provided (used) by capital and related financing activities	(38,295,617)	(2,301,058)	(9,870,614)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment revenue received	1,744,186	510,370	743,378
Net cash provided (used) by investing activities	1,744,186	510,370	743,378
Net increase (decrease) in cash and cash equivalents	(31,212,277)	1,851,647	(684,901)
CASH AND CASH EQUIVALENTS:			
Beginning of year	93,573,996	16,122,082	25,597,620
End of year	\$ 62,361,719	\$ 17,973,729	\$ 24,912,719
Reconciliation to statement of net assets			
Cash and cash equivalents	\$ 33,082,975	\$ 16,763,872	\$ 24,912,719
Restricted cash and cash equivalents	29,278,744	1,209,857	-
	\$ 62,361,719	\$ 17,973,729	\$ 24,912,719

Enterprise Funds			Governmental Activities
Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 18,951,406	\$ 4,962,323	\$ 202,422,596	\$ 54,685,715
(11,330,338)	(8,085,527)	(156,057,477)	(45,009,261)
(6,697,299)	(2,596,539)	(36,802,077)	(7,855,236)
1,498,156	315	8,024,161	132
<u>2,421,925</u>	<u>(5,719,428)</u>	<u>17,587,203</u>	<u>1,821,350</u>
46,140	4,344,081	5,282,921	-
-	126,994	126,994	-
-	(609,034)	(609,034)	(250,000)
-	-	(65,382)	(3,309,239)
-	-	1,544,515	695,604
-	1,741,074	1,741,074	-
-	(183,000)	(6,238,950)	(39,242)
2,651	(24,132)	201,754	-
<u>48,791</u>	<u>5,395,983</u>	<u>1,983,892</u>	<u>(2,902,877)</u>
-	4,301,510	6,126,092	340
12,995	35,380	491,663	7,270
(978,730)	(3,560,814)	(46,423,458)	(119,765)
(183,826)	(113,860)	(10,661,507)	(37,342)
-	-	4,734,430	-
(720,000)	(133,496)	(9,127,108)	-
-	(57,190)	(57,190)	-
-	432,917	3,484,675	-
<u>(1,869,561)</u>	<u>904,447</u>	<u>(51,432,403)</u>	<u>(149,497)</u>
566,379	112,152	3,676,465	392,073
<u>566,379</u>	<u>112,152</u>	<u>3,676,465</u>	<u>392,073</u>
1,167,534	693,154	(28,184,843)	(838,951)
<u>19,479,133</u>	<u>5,173,231</u>	<u>159,946,062</u>	<u>10,651,405</u>
<u>\$ 20,646,667</u>	<u>\$ 5,866,385</u>	<u>\$ 131,761,219</u>	<u>\$ 9,812,454</u>
\$ 19,741,818	\$ 5,586,041	\$ 100,087,425	\$ 9,812,454
904,849	280,344	31,673,794	-
<u>\$ 20,646,667</u>	<u>\$ 5,866,385</u>	<u>\$ 131,761,219</u>	<u>\$ 9,812,454</u>

(Continued)

City of Redding
Statement of Cash Flows
Proprietary Funds, Continued
For the year ended June 30, 2010

	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)	\$ (2,287,026)	\$ (296,480)	\$ 4,065,814
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	12,062,057	3,300,595	4,361,325
(Increase) decrease in accounts receivable	90,735	7,672	(212,377)
(Increase) decrease in intergovernmental receivable	-	42,900	-
(Increase) decrease in inventories	(712,268)	(44,453)	1,872
(Increase) decrease in prepaid items	(19,187)	9,736	6,365
(Increase) decrease in investment in JPA	(473,428)	-	-
Increase (decrease) in accounts payable	(2,208,470)	29,658	77,829
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in accrued liabilities	110,988	24,432	15,591
Increase (decrease) in claims and judgements payable	-	-	-
Increase (decrease) in deposits	(196,646)	7,180	-
Increase (decrease) in intergovernmental payable	2,105,109	(4,296)	578
Increase (decrease) in deferred revenues	(888,092)	-	-
Increase (decrease) in accrued compensated absences	210,553	175,471	(122,152)
Increase (decrease) in accrued landfill closure costs	-	-	-
Increase (decrease) in claims and judgements payable long-term	-	-	-
Increase (decrease) in accrued liabilities long-term	1,248,581	170,484	224,056
Total adjustments	11,329,932	3,719,379	4,353,087
Net cash provided (used) by operating activities	\$ 9,042,906	\$ 3,422,899	\$ 8,418,901
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Plant contributed from developers	\$ 457,631	\$ 431,217	\$ 440,665
Capitalized interest	3,575,211	-	746,954
Non-cash change in deposits	-	-	-
Purchase of equipment on account (interfund)	77,018	174,925	176,938
Equipment transfers	-	(15,157)	(282,510)
Total non-cash capital and related financing activities	\$ 4,109,860	\$ 590,985	\$ 1,082,047

See accompanying Notes to Basic Financial Statements.

Solid Waste Collection/ Disposal	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 2,522	\$ (10,282,484)	\$ (8,797,654)	\$ (1,934,085)
1,669,151	4,085,158	25,478,286	1,216,390
(74,409)	(40,393)	(228,772)	14,446
-	-	42,900	-
-	33,933	(720,916)	(1,505)
16,603	8,608	22,125	127,599
-	-	(473,428)	-
21,685	90,319	(1,988,979)	124,482
-	160,067	160,067	-
39,823	25,522	216,356	(96,765)
-	-	-	1,131,109
373,131	139,034	322,699	190
(6,528)	3,801	2,098,664	(26,408)
-	(17,440)	(905,532)	(214,265)
56,250	(70,800)	249,322	(226,305)
(96,577)	-	(96,577)	-
-	-	-	1,213,542
420,274	145,247	2,208,642	492,925
<u>2,419,403</u>	<u>4,563,056</u>	<u>26,384,857</u>	<u>3,755,435</u>
<u>\$ 2,421,925</u>	<u>\$ (5,719,428)</u>	<u>\$ 17,587,203</u>	<u>\$ 1,821,350</u>

\$ -	\$ 353,539	\$ 1,683,052	\$ -
-	-	4,322,165	44,377
(158,303)	-	(158,303)	200,704
25,425	8,475	462,781	-
(3,500)	268,783	(32,384)	44,377
<u>\$ (136,378)</u>	<u>\$ 630,797</u>	<u>\$ 6,277,311</u>	<u>\$ 289,458</u>

(Concluded)

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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.

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City of Redding
Statement of Agency Net Assets
Agency Funds
June 30, 2010

ASSETS

Cash and cash equivalents	\$	1,288,154
Accounts receivable		119,258
Interest receivable		15,255
Total assets	\$	1,422,667

LIABILITIES

Deposits	\$	1,422,667
Total liabilities	\$	1,422,667

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

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

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

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

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

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

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

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 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.

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

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

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 Department of the City at 777 Cypress Avenue, Redding, California 96001.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 included among program revenues are reported instead as general revenues.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property taxes as available if they are collected within sixty days of the end of the current fiscal period. A ninety day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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 City'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.

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 GASB pronouncements, and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement Number 20.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Basis of Presentation, Continued

Internal Service Funds - account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. Internal service funds used by the City are:

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

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

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

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

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

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.

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.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Basis of Presentation, Continued

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 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 non-operating revenues and expenses.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. Cash deposits are stated at cost, which approximates fair value. Investments are stated at fair value in accordance with 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.

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

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, 2010

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 life 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	5-10
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, 2010

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, 2010

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.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2010, are as follows:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental Activities	Business Activities	Total	Statement of Net Assets	Total
Cash and investments	\$ 67,885,200	\$ 100,087,422	\$ 167,972,622	\$ 1,288,154	\$ 169,260,776
Restricted cash and investments	\$ 20,079,483	\$ 31,673,794	\$ 51,753,277	\$ -	\$ 51,753,277

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

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

Deposits - At June 30, 2010, the carrying amount of the City's deposits was \$15,279,204, of which \$3,062,347 was restricted and \$12,216,857 was unrestricted. The bank balance was \$14,098,501. Of the bank balance, \$300,000 was covered by Federal depository insurance, and \$13,798,501 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 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 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, 2010, 5.42% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

At June 30, 2010, the City's investments and deposits were as follows:

	Cash and Investments		
	Fair Value		Total
	Unrestricted	Restricted	
Deposits	\$ 12,216,857	\$ 3,062,347	\$ 15,279,204
Medium Term Corporate Notes	3,081,500	14,972,197	18,053,697
Federal Agency Bonds	97,646,831	9,081,473	106,728,304
U.S. Treasury Notes	1,556,250	-	1,556,250
Local Agency Investment Fund	54,464,773	9,962,315	64,427,088
Guaranteed investment agreement	-	-	-
Mutual Funds	294,565	14,674,945	14,969,510
Total Investments	157,043,919	48,690,930	205,734,849
Total Cash and Investments	\$ 169,260,776	\$ 51,753,277	\$ 221,014,053

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 throughout the five-year maturity period. The investments with maturities greater than 5 years pertain to investment agreements within the bond issues. These agreements afford the City long-term fixed interest rates for the duration of the bond issue, with the option to utilize those funds for debt service payments and at the City's option replenish those funds at the fixed rate until the maturity of the investment agreements. The City has no formal policy regarding interest rate risk.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

As of June 30, 2010, 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	\$ 3,081,500	\$ 1,033,420	\$ 2,048,080	\$ -	\$ -
Federal Agency Bonds	97,646,831	3,624,700	7,297,190	51,149,950	35,574,991
U.S. Treasury Notes	1,556,250	-	1,556,250	-	-
Investment in State Treasurer's Investment Pool	-	-	-	-	-
Guaranteed investment agreement	54,464,773	54,464,773	-	-	-
Mutual Funds	294,565	294,565	-	-	-
Total	\$ 157,043,919	\$ 59,417,458	\$ 10,901,520	\$ 51,149,950	\$ 35,574,991

Restricted:	Investments Maturities (in Years)			
	Fair Value	Less Than 1	1-5	More Than 5
Investment Type				
Medium Term Corporate Notes	\$ 14,972,197	\$ 14,972,197	\$ -	\$ -
Federal Agency Bonds	9,081,473	8,102,063	979,410	-
U.S. Treasury Notes	-	-	-	-
Investment in State Treasurer's Investment Pool	9,962,315	9,962,315	-	-
Guaranteed investment agreement	-	-	-	-
Mutual Funds	14,674,945	14,674,945	-	-
Total	\$ 48,690,930	\$ 47,711,520	\$ 979,410	\$ -

Credit Risk - As of June 30, 2010, 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 Aa2 by Moody's Investors Service. Investments in LAIF are not rated as LAIF is a State sponsored investment pool. The City policy limits the percentage invested in various instruments by category.

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds, and medium-term notes (issued by U.S. Corporations) of a maximum of five years with a minimum rating category of "A" by a nationally recognized rating service, notes, bonds, or other obligations secured by a valid first priority security interest, and the State Treasurer's Investment Pool (LAIF). Reverse repurchase agreements may be made only when prior approval of the City Council has been given.

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, 2010.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. INTERFUND ACTIVITIES

Due To Other Funds	Due From Other Funds	
	General Fund	Total
Governmental Funds:		
Nonmajor Governmental Funds	\$ 83,637	\$ 83,637
Enterprise funds:		
Nonmajor Enterprise Funds	188,614	188,614
Total	\$ 272,251	\$ 272,251

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

Interfund Payable	Interfund Receivable					Total
	General Fund	Nonmajor Governmental Funds	General Capital Projects Fund	Wastewater Utility Fund	Internal Service Funds	
Governmental Funds:						
General Fund	\$ -	\$ 58,146	\$ -	\$ -	\$ -	\$ 58,146
Nonmajor Governmental Funds	550,000	343,022	-	-	163,820	1,056,842
General Capital Projects Fund	-	-	-	-	39,666	39,666
Enterprise Funds:						
Electric Utility	-	-	77,018	-	-	77,018
Water Utility	-	-	55,597	-	-	55,597
Wastewater Utility	-	-	55,993	-	-	55,993
Solid Waste Utility	-	-	9,574	-	-	9,574
Nonmajor Enterprise funds	-	-	3,191	90,000	45,276	138,467
Total	\$ 550,000	\$ 401,168	\$ 201,373	\$ 90,000	\$ 248,762	\$ 1,491,303

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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	General Capital Projects Fund	Electric Utility	Waste Water Utility	Internal Service Funds	
Governmental funds:							
General Fund	\$ -	\$ 253,663	\$ -	\$ -	\$ -	\$ -	\$ 253,663
General Capital Projects Fund	-	-	-	-	-	-	-
Nonmajor Governmental Funds	2,485,800	1,507,302	-	1,084,782	-	1,944,208	7,022,092
Enterprise funds:							
Electric Utility	-	-	-	-	-	-	-
Water Utility	-	-	119,328	-	-	-	119,328
Wastewater Utility	-	-	120,945	-	-	-	120,945
Solid Waste Utility	-	-	15,851	-	-	-	15,851
Enterprise Funds	-	-	5,283	-	852,516	3,523,078	4,380,877
Internal Service Funds	-	-	-	-	-	1,136,354	1,136,354
Total	\$ 2,485,800	\$ 1,760,965	\$ 261,407	\$ 1,084,782	\$ 852,516	\$ 6,603,640	\$ 13,049,110

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 Agency's Midtown Project Fund was approved by City Council on August 25, 1972, and the Electric Fund advanced funds to the Midtown Project Fund.

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 \$585,398, 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 \$499,384.
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 \$612,202, of which \$580,522 is classified as long-term at year-end. 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 transferred to the Risk Management Fund during the year and had a balance of \$398,277 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 \$6,947,394 to date. The remaining balance of \$1,969,660 was transferred to the Risk Management Fund during the year, of which \$1,924,384 is classified as long-term.
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 \$325,840 to date. During the year the remaining balance of \$785,007 was transferred to the Risk Management Fund.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

4. ADVANCES TO AND FROM OTHER FUNDS, Continued

6. 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 \$942,516, is to be repaid including interest at the City's average earnings on its pooled cash accounts. Of this amount, \$852,516 is long-term at year-end.
7. The Risk Management Fund advanced funds to the Airport Fund to acquire property. There was a balance of \$129,300 at year-end.
8. The Risk Management Fund advanced funds to the Convention Center Fund to finance additional improvements. At year-end the balance was \$684,387.
9. The City and the Agency entered into a repayment agreement executed on May 18, 1999, for the SHASTEC 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 SHASTEC Redevelopment project. The year-end balance owed was \$1,709,751, of which \$1,545,931 was classified as long-term at year-end.
10. In 2005 the Agency and the 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 \$311,810, of which \$253,663 was classified as long-term.
11. 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 \$1,136,354.
12. The General Capital Projects Fund financed the acquisition of its new Integrated Land Management System. The majority of the system is being paid for by the City's utilities. The General Capital Projects Fund has recorded a receivable from the utilities to cover their portion of the capital project. At year-end the remaining balance was \$462,780, of which \$261,407 was long-term.
13. In 2009 the City and the Agency entered into reimbursement agreements whereby pass-through payments that the City had previously elected not to receive from the Agency will be paid back over time. The Agency agreed to make annual payments of principal starting in fiscal year 2009-10. The total amount to be repaid is \$4,835,800. The balance at year-end was \$3,035,800 of which \$2,485,800 was classified as long-term.
14. The Canby-Hilltop-Cypress Capital Project Fund advanced funds in the amount of \$1,600,000 to the Market Street Capital Project Fund to finance the Downtown Mall roof removal project. The balance at year-end was \$1,238,122, of which \$926,780 is long-term.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. CAPITAL ASSETS

Changes in capital assets consisted of the following:

	Balance July 1, 2009	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2010
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 29,582,760	\$ 106,102	\$ (1,537,535)	\$ -	\$ 28,151,327
Construction in process	72,831,472	24,067,384	-	(17,457,542)	79,441,314
Total capital assets, not being depreciated	102,414,232	24,173,486	(1,537,535)	(17,457,542)	107,592,641
Capital assets, being depreciated:					
Buildings	56,796,533	-	-	-	56,796,533
Improvements other than buildings	98,044,820	10,795	-	983,014	99,038,629
Infrastructure	140,090,954	1,175,052	-	16,419,563	157,685,569
Automotive equipment	10,564,413	222,217	(246,166)	451,067	10,991,531
Furnishings and equipment	7,994,497	494,940	(679,523)	83,465	7,893,379
Assets under capital lease:					
Furnishings and equipment	289,878	-	-	-	289,878
Automotive equipment	1,460,557	-	-	(381,018)	1,079,539
Total capital assets, being depreciated	315,241,652	1,903,004	(925,689)	17,556,091	333,775,058
Accumulated depreciation:					
Buildings	(17,396,733)	(1,738,569)	-	-	(19,135,302)
Improvements other than buildings	(29,194,359)	(4,170,944)	-	-	(33,365,303)
Infrastructure	(44,111,720)	(3,732,096)	-	-	(47,843,816)
Automotive equipment	(7,329,166)	(805,793)	228,427	(278,425)	(8,184,957)
Furnishings and equipment	(4,568,903)	(614,317)	462,118	(5,050)	(4,726,152)
Assets under capital lease:					
Furnishings and equipment	(274,593)	(7,976)	-	-	(282,569)
Automotive equipment	(466,298)	(196,429)	-	222,260	(440,467)
Total accumulated depreciation	(103,341,772)	(11,266,124)	690,545	(61,215)	(113,978,566)
Total capital assets, being depreciated, net	211,899,880	(9,363,120)	(235,144)	17,494,876	219,796,492
Total governmental activities	\$ 314,314,112	\$ 14,810,366	\$ (1,772,679)	\$ 37,334	\$ 327,389,133

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. CAPITAL ASSETS, Continued

Depreciation expense was charged to governmental activities as follows:

Program	Depreciation
General government	\$ 1,468,473
Police	519,791
Fire	388,256
Public works	4,383,853
Recreation and culture	4,439,666
Community development	66,085
Total depreciation - governmental functions	<u>\$ 11,266,124</u>

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

	Balance July 1, 2009	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2010
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 17,789,769	\$ 55,734	\$ -	\$ -	\$ 17,845,503
Construction in progress	95,549,914	41,593,071	(8882)	(44,829,710)	92,304,393
Total capital assets, not being depreciated	<u>113,339,683</u>	<u>41,648,805</u>	<u>(8882)</u>	<u>(44,829,710)</u>	<u>110,149,896</u>
Capital assets, being depreciated:					
Utility plants	539,357,491	3,803,630	(925,526)	38,716,294	580,951,889
Buildings	44,602,534	-	-	2,182,597	46,785,131
Improvements other than buildings	35,149,179	69,126	(5,620)	3,957,960	39,170,645
Automotive equipment	29,170,729	2,278,032	(1,056,964)	(70,049)	30,321,748
Furnishings and equipment	14,028,640	354,862	(944,203)	19,361	13,458,660
Assets under capital lease:					
Furnishings and equipment	634,209	-	-	(75,000)	559,209
Total capital assets, being depreciated	<u>662,942,782</u>	<u>6,505,650</u>	<u>(2,932,313)</u>	<u>44,731,163</u>	<u>711,247,282</u>
Less accumulated depreciation for:					
Utility plants	(246,751,009)	(17,992,097)	500,004	-	(264,243,102)
Buildings	(24,150,760)	(1,290,502)	-	-	(25,441,262)
Improvements other than buildings	(24,331,891)	(2,101,961)	4,947	(64,063)	(26,492,968)
Automotive equipment	(15,827,440)	(2,110,961)	900,946	98,935	(16,938,520)
Furnishings and equipment	(11,834,537)	(574,054)	927,935	5,050	(11,475,606)
Assets under capital lease:					
Furnishings and equipment	(539,391)	(66,858)	-	64,063	(542,186)
Total accumulated depreciation	<u>(323,435,028)</u>	<u>(24,136,433)</u>	<u>2,333,832</u>	<u>103,985</u>	<u>(345,133,644)</u>
Total capital assets, being depreciated, net	<u>339,507,754</u>	<u>(17,630,783)</u>	<u>(598,481)</u>	<u>44,835,148</u>	<u>366,113,638</u>
Total business-type activities	<u>\$ 452,847,437</u>	<u>\$ 24,018,022</u>	<u>\$ (607,363)</u>	<u>\$ 5,438</u>	<u>\$ 476,263,534</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. CAPITAL ASSETS, Continued

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

	Depreciation Expense
Electric	\$ 10,773,872
Water	3,287,292
Wastewater	4,336,046
Storm drainage	1,147,555
Solid waste	1,655,702
Transportation	2,771,668
Convention center	164,298
Total depreciation expense business-type activities	<u>\$ 24,136,433</u>

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 REU’s internal electric 115kv transmission grid and the surrounding WAPA 230kv transmission grid. REU paid WAPA to build the Airport Road Substation to affect this connection and convert the 230kv surrounding power to 115kv for use on REU’s lines. After completion, REU gained title to the 115kv side of the substation, while WAPA retained ownership of the 230kv side. Since REU paid for the construction of the 230kv side and benefits from its presence, the cost of this has been set up as an asset and is being amortized over the 34 year useful life of the substation.

	June 30, 2010
Power Acquisition Cost	\$ 3,470,314
Less: Amortization	(2,210,214)
Power Acquisition Cost, Net	<u>\$ 1,260,100</u>

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. 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 any of the insurance

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. SELF-INSURANCE, Continued

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, 2009 and prior at June 30, 2010, has been included as an accrued liability in the risk management internal service fund.

Workers' Compensation Insurance is administered as a co-insurance plan. The City is self-insured up to \$750,000 with an insurance company co-insuring claims from \$750,001 to \$50,000,000. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience and salary costs. The interfund charges are reported as an expense or expenditure in the fund at risk. The estimated liability for pending and incurred but not reported claims at June 30, 2010, has been included in the Risk Management Fund's claims payable amount as of June 30, 2010.

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, 2010.

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, 2010.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. SELF-INSURANCE, Continued

The following is a reconciliation of changes in claims liability amounts for fiscal years ended June 30, 2010:

<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
2008	\$ 8,221,070	\$ 1,897,145	\$ (1,611,815)	\$ 8,506,400	\$ 2,346,525
2009	8,506,400	872,542	(1,303,342)	8,075,600	2,753,636
2010	8,075,600	3,012,698	(1,591,098)	9,497,200	2,586,093

<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
2008	\$ 1,070,560	\$ 747,975	\$ (520,335)	\$ 1,298,200	\$ 609,967
2009	1,298,200	884,083	(528,883)	1,653,400	808,913
2010	1,653,400	1,380,068	(434,018)	2,599,450	2,130,564

<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
2008	\$ 471,391	\$ 15,665,397	\$ (16,069,889)	\$ 66,899	\$ 66,899 (1)
2009	66,899	16,858,537	(16,864,927)	60,509	60,509 (2)
2010	60,509	16,873,310	(16,896,309)	37,510	37,510 (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, 2010

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 most all Power Agency activities is as follows: Modesto Irrigation District - 50%; City of Santa Clara - 35%; and City of Redding - 15%. In recent renewable activities members percentageships have varied based on each member's individual utilities needs.

The activities of M-S-R consist of a 28.8% ownership interest in a 498-megawatt coal-fire electricity generating plant located in New Mexico (the "San Juan" plant) and ownership of capacity on the Southwest Transmission Project. The San Juan plant began commercial operation in 1982 and is owned jointly by the Public Service Company of New Mexico (38.5%), M-S-R (28.8%), and four other municipal power entities (32.7%). 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. The initial activity of MSR was the 28% interest in San Juan.

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

8. JOINT VENTURES, Continued

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

Summary audited financial information of the M-S-R Public Power Agency as of and for the year ended December 31, 2009, is as follows (in thousands):

Total Assets	\$ 259,913	Total revenues	\$ 124,878
	<u> </u>	Total expenses	<u>(111,580)</u>
Total liabilities	\$ 419,638		
Total members' deficit	<u>(159,725)</u>	Net income	13,298
		Members' deficit, January 1, 2009 - restated	(173,005)
Total liabilities & members' deficit	<u>\$ 259,913</u>	Member distributions	<u>-</u>
		Members' deficit, December 31, 2009	<u>\$ (159,707)</u>

The debt of the Power Agency is comprised entirely of revenue bonds totaling \$381 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 \$23.96 million at December 31, 2009. 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, 2010, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in operating expenses.

M-S-R Energy Authority

The Modesto Irrigation District, the City of Santa Clara, and the City of Redding formed M-S-R Energy Authority for the principal purpose to acquire, construct, maintain, operate and finance projects for the benefit of any one or more of the Members. On September 10, 2009, the Authority entered into a series of thirty-year prepaid gas contracts with Citigroup Energy, Inc., which are financed by non-recourse revenue bonds. The M-S-R Energy Authority also entered into matching Natural Gas Supply

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

8. JOINT VENTURES, Continued

Agreements (“Supply Agreements”) whereby each member is obligated to purchase the natural gas from the Authority at a discount from the Index Price. The Supply Agreements will continue in effect until September 30, 2039, unless terminated earlier due to certain defaults, as set forth therein, or the termination of the matching prepaid gas contract. If the M-S-R Energy Authority fails on any day to deliver the quantity of natural gas required to be delivered pursuant to a Supply Agreement, the member will have no obligation for any of the natural gas supply that was not delivered as a result of such delivery default.

The equity of the M-S-R Energy Authority is split between the members based on the revenues and expenses applicable to each individual member’s Supply Agreement. Redding’s equity in the M-S-R Energy Authority’s net losses exceeds its investment and, therefore, the equity method of accounting has been suspended. As of December 31, 2009, the District’s unrecognized share of member’s deficit of the M-S-R Energy Authority was \$4,207.

The long term debt of the M-S-R Energy Authority totaled \$901,620 at December 31, 2009. The M-S-R Energy Authority did not make any principal or interest payments in 2009.

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 8.41% ownership interest in TANC. The first transmission construction project undertaken by TANC was the development of the California-Oregon Transmission Project (COTP). The project is a 339 mile long, 500 kilovolt alternating current transmission project between southern Oregon and central California. In 2009, TANC purchased an additional 121 megawatts (MW) of COTP transfer capability from the City of Vernon. TANC’s new ownership share of COTP transfer capability is 1367 MW and TANC pays 87% of the operating costs. The City’s share of the project is 115 MW.

Also TANC receives from PG&E 300 MW of bi-directional transmission service over PG&E’s system between the Tesla and Midway Substations. The City’s share of this South of Tesla agreement is 10.33% at June 30, 2010.

Summarized financial information of TANC as of and for the year ended June 30, 2010, is as follows (in thousands):

Total assets	<u>\$ 492,061</u>
Total liabilities	\$ 481,180
Total net assets	<u>10,881</u>
Total liabilities and net assets	<u>\$ 492,061</u>
Net increase (decrease) in net assets	<u>\$ 7,205</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

8. JOINT VENTURES, Continued

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

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 was contingently liable for long-term debt as follows:

	<u>Total Debt</u>	<u>City of Redding's Participating Share</u>	<u>City of Redding's Continget liability</u>
M-S-R	\$ 380,580,000	15.00%	\$ 57,087,000
TANC	<u>417,088,667</u>	8.28%	<u>34,534,942</u>
Total	<u><u>\$ 797,668,667</u></u>		<u><u>\$ 91,621,942</u></u>

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. LONG-TERM DEBT

The following is a summary of long-term obligations of the City at June 30, 2010.

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within One Year
Governmental Activities:					
Long-term debt:					
Redevelopment bonds	\$ 49,475,000	\$ -	\$ 2,015,000	\$ 47,460,000	\$ 2,100,000
Special assessment debt					
with governmental commitment	3,452,000	-	1,791,000	1,661,000	282,000
Revenue bonds	47,838,016	-	2,510,428	45,327,588	2,608,592
Loan	-	662,993	261,732	401,261	92,599
State loans	15,504	-	15,504	-	-
Capital lease payable	558,506	-	181,378	377,128	143,585
Long-term debt before unamortized amounts	101,339,026	662,993	6,775,042	95,226,977	5,226,776
Unamortized loss on defeasance of debt	(1,013,838)	-	(69,430)	(944,408)	(69,429)
Bond premiums	710,516	-	75,435	635,081	75,435
Bond discount	(360,848)	-	(18,272)	(342,576)	(18,271)
Total governmental activities long-term debt	100,674,856	662,993	6,762,775	94,575,074	5,214,511
Business-type activities:					
Long-term debt:					
Revenue bonds	31,531,984	-	2,899,572	28,632,412	2,991,408
State loans payable	35,899,593	5,042,230	1,232,535	39,709,288	1,935,131
Capital leases payable	256,359	-	57,190	199,169	45,814
Certificates of participation	188,285,000	-	4,995,000	183,290,000	5,130,000
Long-term debt before unamortized amounts	255,972,936	5,042,230	9,184,297	251,830,869	10,102,353
Unamortized deferred loss on defeasance of debt	(20,188,792)	-	(1,163,644)	(19,025,148)	(1,163,640)
Bond premium	7,141,894	-	361,893	6,780,001	361,893
Total business-type activities long-term debt	242,926,038	5,042,230	8,382,546	239,585,722	9,300,606
Total long-term debt	\$ 343,600,894	\$ 5,705,223	\$ 15,145,321	\$ 334,160,796	\$ 14,515,117

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. 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.	\$ 3,310,000	\$ -
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.	22,340,000	-
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.	4,075,000	-
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 SHASTEK Redevelopment Area. Payable from tax increment of the SHASTEK Redevelopment Area.	14,235,000	-
Total Redevelopment Agency Bonds outstanding	<u>\$ 47,460,000</u>	<u>\$ -</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. 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.	\$ 1,661,000	\$ -
Total 1915 Act Assessment District Bonds	<u>\$ 1,661,000</u>	<u>\$ -</u>
<u>Revenue Bonds:</u>		
2003 Water Revenue Bonds Series A:		
The 2003 Water Revenue Bonds were issued to refinance the 1993 Water Revenue Bonds. The 1993 Water Revenue Bonds were originally issued to finance capital improvements to the City's water system. Serial Bonds of \$11,135,000 bear interest from 2.0% to 5.0%, payable on December 1 and June 1; maturities are payable June 1 in annual redemptions from \$250,000 to \$1,055,000; final payment due June 1, 2018. Two term bonds totaling \$4,225,000 were issued. The first bond bears interest at 5.0% and matures on June 1, 2021 in the amount of \$2,400,000; and the second bond bears interest at 4.65% and matures on June 1, 2023 in the amount of \$1,825,000. Payable from the operating revenues of the Water Utility Fund.	\$ -	\$ 9,760,000
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.	-	14,695,000
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, 2010

9. LONG-TERM DEBT, Continued

	Government Activities	Business-Type Activities
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Revenue Bonds, Continued

2003 Lease Revenue Bond, Series A and Series B (Continued):

Series A, Serial/Term Bonds:

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.

	\$ 4,202,588	\$ 857,412
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Series B, Serial/Term Bonds:

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.

	2,450,000	-
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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.

Series A, Serial/Term Bonds:

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.

	7,580,000	3,320,000
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Series B, Serial/Term Bonds:

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.

	11,940,000	-
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City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. 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.	\$ 19,155,000	\$ -
Total Revenue Bonds	<u>\$ 45,327,588</u>	<u>\$ 28,632,412</u>
 <u>Loans</u>		
Development Services - Integrated Land Management System (ILMS)		
Original loan amount was \$662,993. \$200,000 down payment with monthly installments of \$7,717, interest free, maturity payable on November 6, 2014.	\$ 401,260	\$ -
Total Loans	<u>\$ 401,260</u>	<u>\$ -</u>
 <u>State Loans:</u>		
1985 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.	\$ -	\$ 1,345
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.	-	9,571
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.	-	18,609

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. 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.	\$ -	\$ 776,397
State Water Resources Control Board Interceptor Loan		
Westside Interceptor		
The total loan amount was for \$15,344,784. Annual installments ranging from \$610,061 to \$1,086,907 plus interest at 2.6% payable February 20, maturity payable on February 20, 2023.	-	12,168,939
Clear Creek Interceptor (Phase I)		
The total loan amount was for \$4,378,396. Annual installments of \$272,605, including interest at 2.2% payable September 30, maturity payable on September 30, 2027.	-	4,015,941
Clear Creek Interceptor (Phase II)		
The total loan was for \$5,021,835. In 2010, withdrawals were taken in the amount of \$223,214 to construct Phase II of the Clear Creek Wastewater Interceptor. Annual installments of \$319,677, including interest at 2.4% payable October 31, maturity payable on October 31, 2028.	-	4,832,044
Clear Creek Interceptor (Phase III)		
The total of this loan is unknown at this time. In 2010, withdrawals were taken in the amount of \$4,806,573 to construct Phase III of the Clear Creek Wastewater Interceptor. Withdrawals will continue to take place as the project progresses. When the project is complete, any accrued interest (currently at 2.6%) 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.	-	17,873,999
Clear Creek Interceptor (Phase VI)		
The total of this loan is unknown at this time. In 2010, withdrawals were taken in the amount of \$12,443 to construct Phase VI of the Clear Creek Wastewater Interceptor. Withdrawals will continue to take place as the project progresses. When the project is complete, any accrued interest (currently at 1%) 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.		12,443
Total State Loans	\$ -	\$ 39,709,288

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. LONG-TERM DEBT, Continued

	Government Activities	Business-Type Activities
<u>Capital Leases Payable</u>		
The capital leases payable from governmental activities were \$377,128 for fiscal year ended June 30, 2010.	\$ 377,128	\$ -
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, 2010, the capital leases in the enterprise funds were \$199,169.	-	199,169
Total Capital Leases Payable	<u>\$ 377,128</u>	<u>\$ 199,169</u>
<u>Certificates of Participation</u>		
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 1. Bonds are payable through June 1, 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 1 and semi-annual interest installments of \$269,750 to \$3,813,557, payable on December 1. Bonds payable through June 1, 2030, interest accrues at 3.0% to 5%. Original issue \$157,965,000. Payable from the operating revenues of the Electric Utility.		152,590,000
Total Certificates of Participation	<u>\$ -</u>	<u>\$ 183,290,000</u>
Summary of Outstanding Debt:		
Total Outstanding Debt	\$ 95,226,976	\$ 251,830,869
Add: Bond Premiums	635,081	6,780,001
Less: Bond Discounts	(342,576)	-
Less: Unamortized deferred loss on defeased debt	(944,408)	(19,025,148)
Total Outstanding Debt, net of premiums, discounts, unamortized deferred loss	<u>\$ 94,575,073</u>	<u>\$ 239,585,722</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. LONG-TERM DEBT (Continued)

Current year amortization expense for bond premiums, discounts and deferred loss on defeased debt was \$12,266 for the governmental activities and \$801,749 for the business-type activities.

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

	Original Amount	2009-2010 Additions	Total Amortization	Net
Governmental Activities	\$ 2,582,156	\$ -	\$ 806,593	\$ 1,775,563
Business-Type Activities	1,194,887	-	419,561	775,326
	<u>\$ 3,777,043</u>	<u>\$ -</u>	<u>\$ 1,226,154</u>	<u>\$ 2,550,889</u>

Current year amortization expense recorded in the governmental activities was \$129,097 and in the business-type activities was \$69,785.

The annual requirements to amortize all debt outstanding as of June 30, 2010, 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
2011	\$ 5,226,776	\$ 4,658,463	\$ 10,102,353	\$ 10,858,007	\$ 15,329,129	\$ 15,516,470
2012	5,376,421	4,451,294	10,332,767	10,459,124	15,709,188	14,910,418
2013	5,577,101	4,229,823	10,636,426	10,143,002	16,213,527	14,372,825
2014	5,782,631	3,974,047	10,978,337	9,803,527	16,760,968	13,777,574
2015	5,881,061	3,713,421	10,519,866	9,435,475	16,400,927	13,148,896
2016-2020	26,194,012	15,058,199	57,196,902	40,564,954	83,390,914	55,623,153
2021-2025	23,323,974	9,047,839	60,463,840	27,721,293	83,787,814	36,769,132
2026-2030	7,260,000	6,406,930	67,475,378	13,376,265	74,735,378	19,783,195
2031-2035	10,605,000	7,432,770	14,125,000	2,187,500	24,730,000	9,620,270
Total	<u>\$ 95,226,976</u>	<u>\$ 58,972,786</u>	<u>\$ 251,830,869</u>	<u>\$ 134,549,147</u>	<u>\$ 347,057,845</u>	<u>\$ 193,521,933</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

10. 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
2011	\$ 214,890
2012	180,561
2013	156,952
2014	69,189
2015	13,037
Total minimum lease payments	634,629
Less amount representing interest	(58,332)
Present value of minimum lease payments	<u>\$ 576,297</u>

Debt service for the present value (discounted at rates ranging between 3.47% - 13.011%) of minimum lease payments will be provided from the following funds:

General	\$ 410,019
Convention Center	199,169
Electric Utility	25,441
Total debt service	<u>\$ 634,629</u>

Assets acquired with the above leases were as follows:

	Government Activities	Business Activities	Total
Asset:			
Furnishings and equipment	\$ 289,878	\$ 559,209	\$ 849,087
Automotive equipment	1,079,539	-	1,079,539
Less: Accumulated depreciation	(723,036)	(542,186)	(1,265,222)
Net capital assets	<u>\$ 646,381</u>	<u>\$ 17,023</u>	<u>\$ 663,404</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

11. PLEDGED REVENUE

Revenue Pledged	Borrowing Fund/Entity	Bond/Loan	Use of Funds	Year of Loan or Year Repayments and/or Interest Payments Began	Original Issue/Loan Amount	Payments Amortized Thru
Tax Increment	RRA - (Canby-Hilltop-Cypress)	Bond	Housing projects	2001	\$9,500,000	2015
Tax Increment	RRA - (Canby-Hilltop-Cypress)	Bond	Infrastructure	2003	28,935,000	2023
Tax Increment	RRA - (Market Street)	Bond	Infrastructure	2003	5,185,000	2023
Tax Increment	RRA - (SHASTECC)	Bond	Infrastructure	2006	15,000,000	2036
Net Revenues	Water Utility	Bond	Refund prior debt issues.	2003	15,360,000	2023
Net Revenues	Wastewater Utility	Bond	Refund prior debt issues.	2002	23,575,000	2018
Net Revenues	Wastewater Utility	SRF Loan*	Westside Interceptor	2006	17,024,044	2023
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWIP Ph I	2009	4,378,396	2027
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWIP Ph II	N/A**	5,021,835	2029
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWIP Ph III	N/A**	17,873,999	2030
Net Revenues Plus Reserves	Electric Utility	COPs***	Infrastructure	2005	30,700,000	2035
Net Revenues Plus Reserves	Electric Utility	COPs***	Refund prior debt and finance Unit 6	2009	157,965,000	2030

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

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

*** Certificates of Participation. Current year principal and interest payments include payments made out of bond proceeds.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

Estimated % of Pledged Revenue Required for Debt Service	Estimated % of Pledged Revenue Plus Reserves Required for Debt Service	Remaining Principal & Interest	Current Year Principal & Interest Paid	Current Year Pledged Revenue Available	Reserve Balance
36%		\$9,953,625	\$771,695	\$2,127,661	
26%		32,722,155	2,211,383	8,510,646	
11%		6,193,690	416,808	3,640,848	
45%		26,452,242	944,821	2,121,084	
24%		13,116,791	1,222,488	5,062,445	
18%		17,315,853	1,928,625	10,534,068	
11%		14,497,169	1,115,167	10,534,068	
3%		4,906,891	272,605	10,534,068	
3%		6,073,858	304,915	10,534,068	
0%		23,148,485	-	10,534,068	
15%	3%	60,505,100	1,507,475	9,755,031	\$33,562,914
126%	27%	240,489,725	12,286,156	9,755,031	33,562,914

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

12. COMPENSATED ABSENCES

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

The City's changes in compensated absences for the year ended June 30, 2010 were as follows:

	Balance July 1, 2009	Additions	Deletions	Balance July 1, 2010	Due within One Year
Governmental activities	\$ 11,067,966	\$ 3,592,586	\$ 3,515,671	\$ 11,144,881	\$ 3,427,290
Business-type activities	5,959,230	2,583,680	2,334,358	6,208,552	1,765,391
Total compensated absences	<u>\$ 17,027,196</u>	<u>\$ 6,176,266</u>	<u>\$ 5,850,029</u>	<u>\$ 17,353,433</u>	<u>\$ 5,192,681</u>

13. INDIVIDUAL FUND DISCLOSURES

Parking Special Revenue Fund - The deficit of \$249,097 in this fund arose from operational losses which have been covered by the General Fund. This project is being financed by parking meter funds, parking fines and property tax increment payments. The deficit will take a number of years to eliminate.

Midtown Project Debt Service Fund - The deficit of \$1,196,710 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.

Market Street Capital Project Fund - The deficit of \$322,342 in this fund is the result of a reimbursement agreement between the Agency and the City to partially reimburse the City for the previous transfers for fiscal years 1984-85 through 2008-09 that the City had previously elected to forego in order to support the Agency.

Convention Center Enterprise Fund - The deficit of \$1,554,771 in this fund is the result of expenses exceeding revenue. The City has adopted a 5 year plan to provide for a positive net income to the fund.

Information Technology - The deficit of \$238,377 in this fund results from the City funding Internal Service Funds on a cash flow basis. Until the City funds the Other Post Employment Benefit (OPEB) this fund will continue to have a deficit balance.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

14. RETIREMENT PLANS

Information for the year ended June 30, 2010, 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, 2010 was not available. Therefore, PERS information has been prepared using information for the year ended June 30, 2008. Public Agency Retirement Services (PARS) has been prepared using information as of January 1, 2009.

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 95811.

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 2009/10 was 13.491%. 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.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

14. RETIREMENT PLANS, Continued

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 2009/10 was 29.483%. 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 2009/10 ranged from 6.86% to 12.7%.

Annual Pension Cost

For fiscal year 2009/10 the City's annual pension cost was \$8,529,910 for the Miscellaneous Plan and \$6,515,938 for the Safety Plan. The City made all of the employer contributions to the Safety Plan in July of 2009. If contributions to the Safety Plan had been made on a bi-weekly basis, the pension cost would have been \$6,832,595. The City agreed with CalPERS to make these contributions at the beginning of the year resulting in savings of \$316,657 for the Safety Plan. The required contributions for fiscal year 2009/10 were determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. For fiscal year 2009/10 the City's annual pension cost to PARS was \$4,272,732. 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 closed 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, 2010

14. 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>
6/30/08	\$ 8,348,702	100%	\$ -
6/30/09	8,832,912	100%	-
6/30/10	8,529,910	100%	-

CALIFORNIA PUBLIC EMPLOYEE RETIREMENT SYSTEM SCHEDULE OF FUNDING 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>
6/30/09	\$ 272,828,828	\$ 226,202,324	\$ 46,626,504	82.91%	\$ 42,838,614	108.84 %

**Additional detail is provided in the required supplemental section.*

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

14. RETIREMENT PLANS, Continued

THREE-YEAR TREND INFORMATION FOR PERS
Safety Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$ 5,808,690	100%	\$ -
6/30/09	6,278,467	100%	-
6/30/10	6,515,938	100%	-

CALIFORNIA PUBLIC EMPLOYEE RETIREMENT SYSTEM SCHEDULE OF FUNDING
PROGRESS
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
6/30/09	\$ 186,921,835	\$ 139,901,543	\$ 47,020,292	74.84%	\$ 17,544,041	268.01%

**Additional detail is provided in the required supplemental section.*

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

14. RETIREMENT PLANS, Continued

THREE-YEAR TREND INFORMATION FOR PARS
Miscellaneous Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$ 3,294,956	100%	\$ -
6/30/09	3,882,314	100%	-
6/30/10	4,272,732	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
9/30/08	\$ 37,032,204	\$ 8,140,579	\$ 28,891,625	21.98%	\$ 43,682,550	66.14%

**Additional detail is provided in the required supplemental section.*

15. 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 2010, 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, 2010, was \$4,659,679 of which the retirees contributed \$2,280,202.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

15. 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 closed period not to exceed thirty years. The following table show the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the City of Redding PARS Post-Retirement Health Care Plan:

Annual required contribution	\$ 8,031,000
Interest on net OPEB obligation	555,000
Adjustment to annual required contribution	(901,000)
Annual OPEB cost (expense)	<u>7,685,000</u>
Contributions made	<u>(2,280,202)</u>
Increase in net OPEB obligation	5,404,798
Net OPEB obligation - beginning of year	<u>11,635,662</u>
Net OPEB obligation - end of year	<u><u>\$ 17,040,460</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is as follows:

For the Years Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 7,685,000	29.7%	\$ 17,040,460

Funded Status and Funding Progress. As of January 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$82.6 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$82.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$55.4 million, and the ratio of the UAAL to the covered payroll was 149%.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

15. 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, 2009, 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 9 percent, reduced by decrements to an ultimate rate of 4.8 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, 2010, was twenty-seven years.

16. POSTCLOSURE CARE COSTS

State and federal laws and regulations required the City to place a final cover on Benton Landfill, which closed in 1990. The City has completed the final cover and other closure items required. The City is also required under state and federal laws and regulations to perform certain maintenance and monitoring functions at the landfill site for the next 15 years. The remaining estimated liability for landfill postclosure care cost was \$1,506,705 as of June 30, 2010 as shown in the table below. The total estimated cost of the landfill postclosure care is based on the amount that would be paid if all services required to monitor and maintain the landfill were acquired as of June 30, 2010. There is no requirement to currently fund this amount. The cost for postclosure care at the landfill and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) will be covered by charges to Solid Waste rate payers.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

16. POSTCLOSURE CARE COSTS, Continued

Changes in postclosure care costs for the year ended June 30, 2010, were as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within One Year
Postclosure care liability	\$ 1,603,282	\$ -	\$ 96,577	\$ 1,506,705	\$ 100,000

17. COMMITMENTS AND CONTINGENCIES

- A. A number of construction contracts existed at June 30, 2010. The unexpended authorized amount of \$34,377,544 represents a commitment by the City.
- B. 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, 2010

17. COMMITMENTS AND CONTINGENCIES, Continued

E. REU is contractually committed to purchase natural gas in the 2011 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.

	2011	2012	2013	2014	2015	2016	2017
Purchase Cost \$ (million)	\$15.6	\$15.4	\$13.2	\$14.5	\$14.7	\$8.7	\$8.7
% of Expected Yearly Minimum Operating Requirement	100%	100%	100%	100%	100%	100%	100%

F. REU entered into a natural gas storage contract with Wild Goose Gas Storage from April 1, 2008, through March 31, 2011, at an annual cost of approximately \$800,000. REU has the right to store up to 400,000 Dth at one time. REU has entered into a long-term arrangement with Gill Ranch Storage. Under the Agreement REU will lease cushion gas to Gill Ranch and Gill Ranch will provide REU with Approximately 600,000 Dth of natural gas storage.

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 \$13,600,000 annual expected expense. The wind based energy from this contract is a major source of eligible renewable energy with the associated environmental attributes available to meet REU’s renewable resource portfolio requirements. M-S-R has completed an amendment to the Pacific Northwest Wind Contract which addresses financial responsibility for the Bonneville Power Administration’s (BPA) Wind Integration Charge (WIC). M-S-R assumes responsibility for the first \$1.2 per kw-mo, Iberdrola Renewable assumes responsibility for the next \$1.20 per kw-mo. The contract term is extended 5 years with certain adjustments in pricing and delivery. Currently, the WIC is approximately \$1.23 per kw-mo.

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 2012, and provide approximately 60,000 MWH per year. The 15 year contract has an expected \$4,000,000 annual expense.

I. Work is in process on an additional unit at Redding Power, Unit No. 6. In June 2008, 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 December 2010 at a cost of approximately \$69 million. At June 30, 2010, there was approximately \$13 million in costs remaining.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

17. COMMITMENTS AND CONTINGENCIES, Continued

Conduit Debt

In 2001 the 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, 2010, the total outstanding principal on the bonds was \$4,605,000.

West Central Landfill

In 1990 the City entered into an agreement with Shasta County to operate West Central Landfill (the landfill). Under the agreement, the City is obligated to operate the landfill at least until there are no bonds or contracts outstanding. The current 1997 refunding bonds expired July 1, 2010 and the bonds were paid off. The City records the activity and net 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, 2010, were \$5,751,286.

19. TRANSFERS

The following operating transfers were made during the fiscal year ended June 30, 2010:
(The reasons for these transfers are set forth below)

Transfers Out	Transfers In				Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise funds	Internal Service funds	
Governmental Funds:					
Major Funds:					
General Fund	\$ -	\$ 731,000	\$ 1,741,074	\$ -	\$ 2,472,074
General Capital Projects Fund	252,198	19,000	-	-	271,198
Nonmajor Governmental Funds	9,509,896	439,828	-	-	9,949,724
Enterprise Funds:					
Major Enterprise Funds:					
Electric	6,055,950	-	-	-	6,055,950
Solid Waste	-	-	-	3,500	3,500
Water	-	-	-	15,157	15,157
Wastewater	-	-	268,783	13,727	282,510
Nonmajor Enterprise Funds	183,000	-	-	-	183,000
Internal Service Funds	-	-	-	6,993	6,993
Total	\$ 16,001,044	\$ 1,189,828	\$ 2,009,857	\$ 39,377	\$ 19,240,106

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

18. TRANSFERS, continued

- 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 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 Agency debt service and Agency capital projects.
- A transfer was recorded, from the Agency to the General Fund, for the entire amount of prior pass-through funds that will be repaid in the coming years (including cash transferred in the current fiscal year and interfund payables and receivables balances at year-end).

19. ASSETS HELD FOR RESALE

Assets held for resale activity for the year ended June 30, 2010, was as follows. The intention is to sell these properties to further the City's affordable housing programs.

Property	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
931 Parkview Avenue	\$ 101,908	\$ -	\$ 101,908	\$ -
2550 Lanning	84,000	-	84,000	-
657 Parkview Avenue	36,000	-	36,000	-
901 Grange	225,000	-	-	225,000
1081 Lake Boulevard	435,000	-	-	435,000
825 Parkview Avenue	49,000	-	-	49,000
815 Parkview Avenue	49,000	-	-	49,000
2955 Leland Avenue	81,700	-	-	81,700
1313 Rose Lane	289,928	-	-	289,928
850 Quartz Hill Road	814,783	-	-	814,783
2968 Leland Avenue	-	40,000	-	40,000
2982 Leland Avenue	-	40,000	-	40,000
2996 Leland Avenue	-	40,000	-	40,000
1613 Pine Street	-	211,473	-	211,473
Total	\$ 2,166,319	\$ 331,473	\$ 221,908	\$ 2,275,884

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

**20. PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE
ENHANCEMENT ACCOUNT (PTMISEA) GRANT INFORMATION**

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

During fiscal year 2009-10, RABA received an additional \$284,404 in PTMISIA Funding. During the year RABA incurred \$173,086 in qualifying expenditures and \$5,284 in interest income. The June 30, 2010, balance in PTMISEA funding was \$949,504.

Other Proposition 1B Funds

During fiscal year 2009-10 RABA received \$153,561 and spent \$7,190. Interest on the unspent funds totaled \$30.

21. PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA

Under the provision of Proposition 1A and a part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Redding was \$1,679,557.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint power authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with the cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Redding
Required Supplementary Information
For the year ended June 30, 2010

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 the 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 the fair market value adjustment required under GASB 31.
- B. The City does not budget for accounts payable or intergovernmental payables.
- C. The City does not budget for benefit accruals.
- D. The City 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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 16,950,000	\$ 14,850,000	\$ 15,266,757	\$ 416,757
Sales and use taxes	19,650,000	17,188,200	17,766,978	578,778
Other taxes	6,039,000	5,317,000	5,302,059	(14,941)
Licenses and permits	1,008,700	778,700	841,879	63,179
Intergovernmental revenues	2,052,310	4,043,470	3,589,198	(454,272)
Charges for services	2,456,100	2,096,930	1,942,447	(154,483)
Fines, forfeitures, and penalties	723,000	1,181,830	1,110,691	(71,139)
Use of money and property	6,481,230	5,955,800	5,945,131	(10,669)
Interest revenue	310,000	176,340	8,930	(167,410)
Other revenue	506,800	585,940	603,195	17,255
Total revenues	56,177,140	52,174,210	52,377,265	203,055
EXPENDITURES:				
Current:				
General government:				
City Attorney	625,820	607,105	603,786	3,319
City Clerk	603,440	581,065	544,363	36,702
City Manager	1,898,985	1,900,125	1,611,104	289,021
City Treasurer	540,220	537,695	527,712	9,983
Finance	1,403,624	1,375,369	1,356,933	18,436
Personnel	575,470	554,080	543,581	10,499
Purchasing	476,350	466,450	447,640	18,810
Public safety:				
Police	25,838,595	27,371,960	26,198,609	1,173,351
Fire safety	16,344,558	16,436,948	16,337,205	99,743
Public works	10,416,030	10,754,330	6,622,285	4,132,045
Planning	4,882,230	4,485,945	4,244,259	241,686
Recreation and culture	5,287,730	4,937,905	4,803,522	134,383
Principal payments	1,281,280	1,446,300	1,432,311	13,989
Interest and fiscal charges	1,755,560	1,601,350	1,595,626	5,724
Total expenditures	71,929,892	73,056,627	66,868,936	6,187,691
REVENUES OVER (UNDER) EXPENDITURES	(15,752,752)	(20,882,417)	(14,491,671)	6,390,746
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	1,592,280	1,802,475	210,195
Transfers in	12,369,810	14,733,240	13,780,276	(952,964)
Transfers out	(3,404,350)	(4,242,970)	(4,389,042)	(146,072)
Total other financing sources (uses)	8,965,460	12,082,550	11,193,709	(888,841)
Net change in fund balances	(6,787,292)	(8,799,867)	(3,297,962)	5,501,905
BUDGETARY FUND BALANCES:				
Beginning of year	10,044,743	10,044,743	10,044,743	-
End of year	\$ 3,257,451	\$ 1,244,876	\$ 6,746,781	\$ 5,501,905

(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, 2010

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	\$	11,265,506
1. The City budgets for taxes on a cash basis.		(59,278)
2. The City budgets for grants on a cash basis.		784,028
3. Timing difference due to GASB #33.		(12,630)
4. The City does not budget for accounts payable adjustments.		561,766
5. The City does not budget for benefit accruals.		8,980
6. Financial statement only adjustment for GASB #31.		3,499
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.		(152,225)
8. The City does not budget for special assessments.		(8,332)
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.		(4,089,006)
10. The City does not budget for interest on the long-term advances.		12,880
11. Encumbrances are not included in the Statement of Revenues, Expenditures and Changes in Fund Balance.		(1,424,153)
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.		(95,811)
14. The City does not budget for interest income related to endowment cash.		20,617
		<hr/>
Budgetary Fund Balance	\$	<u>6,746,781</u>

(Concluded)

City of Redding
Schedule of Funding Progress-PERS/PARS
Required Supplementary Information
For the year ended June 30, 2010

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
6/30/07	229,332,353	197,145,240	32,187,113	85.96%	41,097,908	78.32%
6/30/08	247,845,328	213,595,769	34,249,559	86.18%	42,660,882	80.28%
6/30/09	272,828,828	226,202,374	46,626,454	82.91%	42,838,614	108.84%

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
6/30/07	154,756,055	124,027,520	30,728,535	80.14%	15,730,694	195.34%
6/30/08	170,296,547	133,197,084	37,099,463	78.21%	17,490,622	212.11%
6/30/09	186,921,835	139,901,543	47,020,292	74.84%	17,544,041	268.01%

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%
9/30/08	37,032,204	8,140,579	28,891,625	21.98%	43,682,550	66.14%

City of Redding
Schedule of Funding Progress-Healthcare Plan
Required Supplementary Information
For the year ended June 30, 2010

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%
1/1/09	-	82,616,000	82,616,000	0.00%	55,052,000	150%

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SUPPLEMENTARY INFORMATION

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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.

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NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

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

1915 Act Assessment Districts

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

Redevelopment Agency Funds:

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

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

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

SHASTEC 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.

SHASTEC Project Fund - This fund was established to account for the financing and construction activities in the SHASTEC 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, 2010

	Special Revenue				
	Parking	Street Maintenance	Community Development	Housing	General Special Revenue
ASSETS					
Cash and investments	\$ 43,640	\$ 577,880	\$ 405,408	\$ 14,252,448	\$ -
Interest receivable, unrestricted	592	-	1,106,449	1,021,894	-
Accounts receivable, net	-	-	-	30,933	-
Intergovernmental receivable	-	1,364,592	171,167	-	-
Taxes receivable	-	-	-	648,322	-
Other receivable	-	-	20,658	5,699	-
Restricted cash and investments	-	-	-	121,434	-
Restricted interest receivable	-	-	-	-	-
Restricted taxes receivable	-	-	-	-	-
Interfund receivable	31,680	-	-	36,971	-
Prepaid items	269	-	18,662	-	-
Assets held for resale	-	-	-	2,275,884	-
Advances to other funds	580,522	-	-	161,285	-
Special assessments receivable	-	-	-	-	-
Notes receivable	-	-	19,773,270	11,932,656	-
Total assets	\$ 656,703	\$ 1,942,472	\$ 21,495,614	\$ 30,487,526	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 411	\$ -	\$ 23,620	\$ 5,235	\$ -
Accrued liabilities	7,418	-	22,220	53,603	-
Intergovernmental payable	310	-	28,072	1,657,346	-
Due to other funds	-	-	-	52,633	-
Interfund payable	-	-	-	-	-
Deferred revenues	-	-	1,277,540	1,841,862	-
Deposits	-	-	-	126,434	-
Advances from other funds	897,661	-	-	-	-
Total liabilities	905,800	-	1,351,452	3,737,113	-
Fund Balances (deficit):					
Reserved for:					
Prepaid items	269	-	18,662	-	-
Assets held for resale	-	-	-	2,275,884	-
Noncurrent advances	580,522	-	-	138,181	-
Debt service	-	-	-	-	-
Capital projects	-	1,942,472	-	-	-
Notes receivable	-	-	19,546,798	11,880,631	-
Unreserved, designated for:					
Encumbrances	-	-	66,015	2,020,579	-
Housing	-	-	-	5,155,940	-
Capital projects	-	-	-	-	-
Unreserved, undesignated	(829,888)	-	512,687	5,279,198	-
Total fund balances	(249,097)	1,942,472	20,144,162	26,750,413	-
Total liabilities and fund balances	\$ 656,703	\$ 1,942,472	\$ 21,495,614	\$ 30,487,526	\$ -

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	SHASTE C Project Bonds
\$ 501,238	\$ 1,511,675	\$ 35,841	\$ 1,967,599	\$ -	\$ -	\$ -	\$ -
2,718	7,778	187	7,921	-	-	-	-
-	-	-	-	-	-	-	-
-	13,449	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	10,000	-	4,884,059	913,127	1,165,110
-	-	-	-	23	3,074	577	19,181
-	-	-	-	6,233	695,001	275,774	228,428
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
50,334	-	-	1,563,731	-	-	-	-
-	-	-	-	-	-	-	-
\$ 554,290	\$ 1,532,902	\$ 36,028	\$ 3,549,251	\$ 6,256	\$ 5,582,134	\$ 1,189,478	\$ 1,412,719
\$ 53	\$ 190,337	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,835	270	-	-	-	-	-	-
-	26	-	-	-	-	-	-
-	-	-	-	3	-	-	-
-	-	-	-	31,680	-	-	-
37,582	26,072	-	1,563,731	5,363	604,487	242,987	191,532
-	-	-	-	-	-	-	-
-	-	-	-	1,165,920	-	-	-
49,470	216,705	-	1,563,731	1,202,966	604,487	242,987	191,532
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,985,520	-	4,977,647	946,491	1,221,187
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	16,048	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
504,820	1,300,149	36,028	-	(1,196,710)	-	-	-
504,820	1,316,197	36,028	1,985,520	(1,196,710)	4,977,647	946,491	1,221,187
\$ 554,290	\$ 1,532,902	\$ 36,028	\$ 3,549,251	\$ 6,256	\$ 5,582,134	\$ 1,189,478	\$ 1,412,719

City of Redding
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Capital Project				Total Non-Major Governmental Funds
	Canby- Hilltop- Cypress Project	Market Street Project	Buckeye Project	SHASTE Project	
ASSETS					
Cash and investments	\$ 8,992,768	\$ 2,956,127	\$ 1,267,561	\$ 4,102,517	\$ 36,614,702
Interest receivable, unrestricted	17,001	4,173	1,860	5,242	2,175,815
Accounts receivable, net	-	-	-	-	30,933
Intergovernmental receivable	-	-	-	-	1,549,208
Taxes receivable	5,084	2,157	52,957	1,622	710,142
Other receivable	-	-	-	-	26,357
Restricted cash and investments	-	-	-	4,009,184	11,102,914
Restricted interest receivable	-	-	-	6,979	29,834
Restricted taxes receivable	-	-	-	-	1,205,436
Interfund receivable	332,517	-	-	-	401,168
Prepaid items	7,907	-	-	-	26,838
Assets held for resale	-	-	-	-	2,275,884
Advances to other funds	1,019,158	-	-	-	1,760,965
Special assessments receivable	-	-	-	-	1,614,065
Notes receivable	-	325,000	-	-	32,030,926
Total assets	\$ 10,374,435	\$ 3,287,457	\$ 1,322,378	\$ 8,125,544	\$ 91,555,187
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 8,587	\$ 2,632	\$ -	\$ 7,197	\$ 238,072
Accrued liabilities	34,737	4,045	815	5,540	140,483
Intergovernmental payable	-	-	18,037	460,593	2,164,384
Due to other funds	31,001	-	-	-	83,637
Interfund payable	550,000	311,342	-	163,820	1,056,842
Deferred revenues	-	325,000	44,326	-	6,160,482
Deposits	-	-	-	-	126,434
Advances from other funds	445,800	2,966,780	-	1,545,931	7,022,092
Total liabilities	1,070,125	3,609,799	63,178	2,183,081	16,992,426
Fund Balances (deficit):					
Reserved for:					
Prepaid items	7,907	-	-	-	26,838
Assets held for resale	-	-	-	-	2,275,884
Noncurrent advances	1,019,158	-	-	-	1,737,861
Debt service	-	-	-	-	9,130,845
Capital projects	491,203	-	-	-	2,433,675
Notes receivable	-	-	-	-	31,427,429
Unreserved, designated for:					
Encumbrances	102,709	-	1,041,898	1,143,453	4,390,702
Housing	-	-	-	-	5,155,940
Capital projects	5,445,100	-	169,740	4,401,300	10,016,140
Unreserved, undesignated	2,238,233	(322,342)	47,562	397,710	7,967,447
Total fund balances	9,304,310	(322,342)	1,259,200	5,942,463	74,562,761
Total liabilities and fund balances	\$ 10,374,435	\$ 3,287,457	\$ 1,322,378	\$ 8,125,544	\$ 91,555,187

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City of Redding
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2010

	Special Revenue				
	Parking	Street Maintenance	Community Development	Housing	General Special Revenue
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ 3,623,792	\$ -
Sales tax revenue	-	-	-	-	272,517
Special assessments	-	-	-	-	-
Licenses, fees and permits	62,370	-	-	-	-
Intergovernmental revenues	-	4,711,378	1,590,245	9,747,461	-
Charges for services	-	-	-	-	-
Fines, forfeitures and penalties	154,538	-	-	-	-
Use of money and property	-	-	-	133	-
Interest revenue	22,080	21,012	122,239	115,391	-
Other revenues	13,625	-	1,235	44,414	-
Total revenues	252,613	4,732,390	1,713,719	13,531,191	272,517
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Community development	-	-	753,970	11,121,320	-
Public safety	160,743	-	-	-	-
Public works	64,343	-	-	-	-
Recreation and culture	-	-	-	-	-
Capital outlay	-	-	298,314	39,725	-
Debt service:					
Principal retirement	-	-	-	380,000	-
Interest and fiscal charges	-	-	7,624	392,195	-
Total expenditures	225,086	-	1,059,908	11,933,240	-
REVENUE OVER (UNDER) EXPENDITURE	27,527	4,732,390	653,811	1,597,951	272,517
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	-	-	-	(38,379)	-
Transfers in	19,000	-	-	-	-
Transfers out	-	(4,257,276)	-	-	(272,517)
Total other financing sources (uses)	19,000	(4,257,276)	-	(38,379)	(272,517)
Net change in fund balances	46,527	475,114	653,811	1,559,572	-
FUND BALANCES:					
Beginning of year	(295,624)	1,467,358	19,490,351	25,190,841	-
End of year	\$ (249,097)	\$ 1,942,472	\$ 20,144,162	\$ 26,750,413	\$ -

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
\$ -	\$ -	\$ -	\$ -	\$ 61,361	\$ 2,657,337	\$ 493,247	\$ 1,132,346
-	-	-	-	-	-	-	-
441,093	-	-	347,453	-	-	-	-
-	-	-	-	-	-	-	-
-	108,145	-	-	-	-	-	-
-	1,180,068	-	-	-	-	-	-
3,957	126,337	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,142	34,265	2,634	34,381	297	9,968	1,864	25,902
-	47,524	20,088	-	157	-	-	-
456,192	1,496,339	22,722	381,834	61,815	2,667,305	495,111	1,158,248
-	-	-	2,219	16,336	161,355	67,776	57,323
-	-	-	-	-	-	-	-
-	-	22,680	-	-	-	-	-
391,223	-	-	-	-	-	-	-
-	2,069,771	-	-	-	-	-	-
-	91,881	-	-	-	-	-	-
-	-	-	1,791,000	-	1,170,000	200,000	265,000
-	-	-	184,589	28,341	1,042,793	215,965	680,871
391,223	2,161,652	22,680	1,977,808	44,677	2,374,148	483,741	1,003,194
64,969	(665,313)	42	(1,595,974)	17,138	293,157	11,370	155,054
-	-	-	-	-	-	-	-
-	731,000	-	-	-	-	-	-
-	-	-	-	-	(312,709)	(14,068)	(113,051)
-	731,000	-	-	-	(312,709)	(14,068)	(113,051)
64,969	65,687	42	(1,595,974)	17,138	(19,552)	(2,698)	42,003
439,851	1,250,510	35,986	3,581,494	(1,213,848)	4,997,199	949,189	1,179,184
\$ 504,820	\$ 1,316,197	\$ 36,028	\$ 1,985,520	\$ (1,196,710)	\$ 4,977,647	\$ 946,491	\$ 1,221,187

City of Redding
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2010

	Capital Project				Non-Major Governmental Funds
	Canby- Hilltop- Cypress Project	Market Street Project	Buckeye Project	SHASTE Project	
REVENUES:					
Property taxes	\$ 5,714,900	\$ 2,920,870	\$ 412,255	\$ 1,164,215	\$ 18,180,323
Sales tax revenue	-	-	-	-	272,517
Special assessments	-	-	-	-	788,546
Licenses, fees and permits	-	-	-	-	62,370
Intergovernmental revenues	-	-	-	-	16,157,229
Charges for services	-	-	-	-	1,180,068
Fines, forfeitures and penalties	-	-	-	-	284,832
Use of money and property	-	67	-	-	200
Interest revenue	125,042	30,425	11,139	53,041	620,822
Other revenues	314,870	9,811	1,498	6,398	459,620
Total revenues	6,154,812	2,961,173	424,892	1,223,654	38,006,527
EXPENDITURES:					
Current:					
General government	-	-	-	-	305,009
Community development	6,737,347	3,533,373	298,568	2,782,268	25,226,846
Public safety	-	-	-	-	183,423
Public works	-	-	-	-	455,566
Recreation and culture	-	-	-	-	2,069,771
Capital outlay	179,853	-	17,319	1,603,345	2,230,437
Debt service:					
Principal retirement	-	-	-	-	3,806,000
Interest and fiscal charges	-	1,082	-	42,801	2,596,261
Total expenditures	6,917,200	3,534,455	315,887	4,428,414	36,873,313
REVENUE OVER (UNDER) EXPENDITURE	(762,388)	(573,282)	109,005	(3,204,760)	1,133,214
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	-	-	-	-	(38,379)
Transfers in	312,709	14,068	-	113,051	1,189,828
Transfers out	(2,882,963)	(2,040,000)	(9,941)	(47,199)	(9,949,724)
Total other financing sources (uses)	(2,570,254)	(2,025,932)	(9,941)	65,852	(8,798,275)
Net change in fund balances	(3,332,642)	(2,599,214)	99,064	(3,138,908)	(7,665,061)
FUND BALANCES:					
Beginning of year	12,636,952	2,276,872	1,160,136	9,081,371	82,227,822
End of year	\$ 9,304,310	\$ (322,342)	\$ 1,259,200	\$ 5,942,463	\$ 74,562,761

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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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 67,500	\$ 67,500	\$ 62,370	\$ (5,130)
Fines, forfeitures and penalties	92,000	92,000	154,538	62,538
Interest revenue	22,700	22,700	22,316	(384)
Other revenue	34,450	-	13,625	13,625
Total revenues	216,650	182,200	252,849	70,649
EXPENDITURES:				
Current:				
Public safety	191,320	191,320	161,342	29,978
Public works	87,880	87,880	72,424	15,456
Total expenditures	279,200	279,200	233,766	45,434
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(62,550)	(97,000)	19,083	116,083
OTHER FINANCING SOURCES (USES):				
Transfers in	-	19,000	19,000	-
Total other financing sources (uses)	-	19,000	19,000	-
Net change in fund balance	(62,550)	(78,000)	38,083	116,083
FUND BALANCE:				
Beginning of year	(295,624)	(295,624)	(295,624)	-
End of year	\$ (358,174)	\$ (373,624)	\$ (257,541)	\$ 116,083

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	\$ (249,097)
1. Financial statement only adjustment per GASB #31.	237
2. The City does not budget for accounts payable adjustments.	(8,595)
3. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.	(86)
Budgetary Fund Balance	\$ (257,541)

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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 3,473,460	\$ 3,473,460	\$ 3,857,149	\$ 383,689
Interest revenues	15,000	15,000	24,959	9,959
Total revenues	3,488,460	3,488,460	3,882,108	393,648
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	3,488,460	3,488,460	3,882,108	393,648
OTHER FINANCING SOURCES (USES):				
Transfers out	(5,536,790)	(5,536,790)	(4,257,276)	1,279,514
Total other financing sources (uses)	(5,536,790)	(5,536,790)	(4,257,276)	1,279,514
Net change in fund balance	(2,048,330)	(2,048,330)	(375,168)	1,673,162
FUND BALANCE:				
Beginning of year	1,467,358	1,467,358	1,467,358	-
End of year	\$ (580,972)	\$ (580,972)	\$ 1,092,190	\$ 1,673,162

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	\$ 1,942,472
1. Financial statement only adjustment per GASB #31.	3,947
2. The City budgets for grants and taxes on a cash basis.	(854,229)
Budgetary Fund Balance	\$ 1,092,190

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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,524,640	\$ 2,673,330	\$ 1,788,887	\$ (884,443)
Interest revenue	130,000	130,000	141,962	11,962
Use of money and property	470,000	470,000	420,205	(49,795)
Other revenues	300	300	1,293	993
Total revenues	2,124,940	3,273,630	2,352,347	(921,283)
EXPENDITURES:				
Current:				
Community development	3,164,630	4,313,320	2,392,579	1,920,741
Total expenditures	3,164,630	4,313,320	2,392,579	1,920,741
Net change in fund balance	(1,039,690)	(1,039,690)	(40,232)	999,458
FUND BALANCE:				
Beginning of year	19,490,351	19,490,351	19,490,351	-
End of year	\$ 18,450,661	\$ 18,450,661	\$ 19,450,119	\$ 999,458

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	\$ 20,144,162
1. Financial statement only adjustment per GASB #31.	19,725
2. The City does not budget for accounts payable adjustments.	(52,219)
3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.	(1,207,598)
4. The City does not budget for benefit accruals.	458
5. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.	420,263
6. The City budgets for grants on a cash basis.	198,642
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.	(73,314)
Budgetary Fund Balance	\$ 19,450,119

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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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 3,649,040	\$ 3,487,490	\$ 3,623,792	\$ 136,302
Intergovernmental revenue	7,838,930	9,618,210	10,620,496	1,002,286
Use of money and property	6,000	290,920	292,232	1,312
Interest	201,250	143,050	105,520	(37,530)
Taxes and special assessments	12,050	12,500	31,803	19,303
Total revenues	11,707,270	13,552,170	14,673,843	1,121,673
EXPENDITURES:				
Current:				
Community development	20,878,320	21,953,960	16,407,587	5,546,373
Debt service:				
Principal retirement	380,000	380,000	380,000	-
Interest fiscal charges	399,500	399,500	392,195	7,305
Total expenditures	21,657,820	22,733,460	17,179,782	5,553,678
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,950,550)	(9,181,290)	(2,505,939)	6,675,351
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of asset	-	112,000	112,000	-
Transfers in	-	-	-	-
Total other financing sources (uses)	-	112,000	112,000	-
Net change in fund balance	(9,950,550)	(9,069,290)	(2,393,939)	6,675,351
FUND BALANCE:				
Beginning of year	25,190,841	25,190,841	25,190,841	-
End of year	\$ 15,240,291	\$ 16,121,551	\$ 22,796,902	\$ 6,675,351

(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, 2010

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	\$	26,750,413
1. Financial statement only adjustment per GASB #31.		(2,733)
2. The City does not budget for accounts payable or intergovernmental payable adjustments.		(55,188)
3. The City budgets for an records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.		(2,135,291)
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.		150,379
5. The City budgets for land purchases in the expenditure accounts, but adjusts the actual payment to assets held for resale for property that is to be sold.		(289,473)
6. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.		292,574
8. The City budgets for grants on a cash basis.		859,948
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.		(2,810,499)
10. The City budgets for interest income on notes receivable on a cash basis.		(7,138)
11. The City budgeted and paid rent in a prior year, but adjusts the prepayment for the current year portion.		43,910

Budgetary Fund Balance

\$ 22,796,902

(Concluded)

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, 2010

	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	272,500	272,500	272,517	17
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	272,500	272,500	272,517	17
OTHER FINANCING SOURCES (USES):				
Transfers out	(272,000)	(272,000)	(272,517)	(517)
Total other financing sources (uses)	(272,000)	(272,000)	(272,517)	(517)
Net change in fund balance	500	500	-	(500)
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ 500	\$ 500	\$ -	\$ (500)

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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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 98,950	\$ 150,390	\$ 111,119	\$ (39,271)
Charges for services	1,180,090	1,180,090	1,180,068	(22)
Fines, forfeitures and penalties	94,300	94,300	126,337	32,037
Interest revenue	10,500	10,500	24,280	13,780
Other revenues	-	16,250	82,447	66,197
Total revenues	1,383,840	1,451,530	1,524,251	72,721
EXPENDITURES:				
Current:				
Recreation and culture	2,175,034	2,247,724	2,174,515	73,209
Total expenditures	2,175,034	2,247,724	2,174,515	73,209
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(791,194)	(796,194)	(650,264)	(145,930)
OTHER FINANCING SOURCES (USES):				
Transfers in	731,000	736,000	731,000	(5,000)
Total other financing sources (uses)	731,000	736,000	731,000	(5,000)
Net change in fund balance	(60,194)	(60,194)	80,736	140,930
FUND BALANCE:				
Beginning of year	1,250,510	1,250,510	1,250,510	-
End of year	\$ 1,190,316	\$ 1,190,316	\$ 1,331,246	\$ 140,930

(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, 2010

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	\$	1,316,197
1. Financial statement only adjustment per GASB #31.		(4,008)
2. The City does not budget for accounts payable adjustments.		169,415
3. The City budgets for grants on a cash basis.		2,974
4. The City did not budget for funds received and held in trust during the year.		34,923
5. The City does not budget for interest income on rolling stock funds.		(5,977)
6. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.		(182,278)
		<hr/>
Budgetary Fund Balance	\$	<u>1,331,246</u>
		(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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 57,000	\$ 61,450	\$ 61,361	\$ (89)
Investment revenue	100	100	297	197
Other revenue	50	50	157	107
Total revenues	57,150	61,600	61,815	215
EXPENDITURES:				
Current:				
General government	4,700	16,340	16,336	4
Debt Service:				
Principal retirement	34,450	29,130	29,121	9
Interest and fiscal charges	21,000	19,100	19,098	2
Total expenditures	60,150	64,570	64,555	15
Net change in fund balance	(3,000)	(2,970)	(2,740)	230
FUND BALANCE:				
Beginning of year	(1,213,848)	(1,213,848)	(1,213,848)	-
End of year	\$ (1,216,848)	\$ (1,216,818)	\$ (1,216,588)	\$ 230
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			\$ (1,196,710)	
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.			(29,121)	
Budgetary Fund Balance			<u>\$ (1,216,588)</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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,400,100	\$ 2,400,100	\$ 2,657,337	\$ 257,237
Investment revenue	-	-	9,968	9,968
Total revenues	2,400,100	2,400,100	2,667,305	267,205
EXPENDITURES:				
Current:				
General government	170,000	170,000	161,355	8,645
Debt Service:				
Principal retirement	1,170,000	1,170,000	1,170,000	-
Interest and fiscal charges	1,056,230	1,056,230	1,042,793	13,437
Total expenditures	2,396,230	2,396,230	2,374,148	22,082
Net change in fund balance	3,870	3,870	293,157	289,287
FUND BALANCE:				
Beginning of year	4,997,199	4,997,199	4,997,199	-
End of year	\$ 5,001,069	\$ 5,001,069	\$ 5,290,356	\$ 289,287

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	\$ 4,977,647
1. The City does not budget for transfers in and out from the capital project fund.	312,709
Budgetary Fund Balance	\$ 5,290,356

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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 483,180	\$ 484,370	\$ 493,247	\$ 8,877
Investment revenue	-	-	1,864	1,864
Total revenues	483,180	484,370	495,111	10,741
EXPENDITURES:				
Current:				
General government	66,000	67,780	67,776	4
Debt Service:				
Principal retirement	200,000	200,000	200,000	-
Interest and fiscal charges	222,400	220,620	215,965	4,655
Total expenditures	488,400	488,400	483,741	4,659
Net change in fund balance	(5,220)	(4,030)	11,370	15,400
FUND BALANCE:				
Beginning of year	949,189	949,189	949,189	-
End of year	\$ 943,969	\$ 945,159	\$ 960,559	\$ 15,400

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

\$ 946,491

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

14,068

Budgetary Fund Balance

\$ 960,559

City of Redding

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

SHASTEK Debt Service

For the year ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 953,930	\$ 961,780	\$ 1,132,346	\$ 170,566
Investment revenue	45,000	45,000	25,902	(19,098)
Total revenues	998,930	1,006,780	1,158,248	151,468
EXPENDITURES:				
Current:				
General government	49,500	57,350	57,323	27
Debt Service:				
Principal retirement	265,000	265,000	265,000	-
Interest and fiscal charges	684,430	684,430	680,871	3,559
Total expenditures	998,930	1,006,780	1,003,194	3,586
Net change in fund balance	-	-	155,054	147,882
FUND BALANCE:				
Beginning of year	1,179,184	1,179,184	1,179,184	-
End of year	\$ 1,179,184	\$ 1,179,184	\$ 1,334,238	\$ 147,882
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			\$ 1,221,187	
1. The City does not budget for transfers in and out from the capital project fund.			113,051	
Budgetary Fund Balance			\$ 1,334,238	

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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental revenue	\$ -	\$ 95,910	\$ 16,974,471	\$ 16,878,561
Use of money and property	-	-	1,450	1,450
Investment revenue	520,000	520,000	392,161	(127,839)
Other	2,505,000	5,711,115	2,325,490	(3,385,625)
Total revenues	3,025,000	6,327,025	19,693,572	13,366,547
EXPENDITURES:				
Current:				
Public works	61,669,000	65,918,337	37,679,395	28,238,942
Recreation and culture	1,849,480	1,945,675	1,010,425	935,250
Debt Service:				
Principal retirement	1,342,000	2,016,384	2,016,384	-
Interest and fiscal charges	588,430	577,039	577,039	-
Total expenditures	65,448,910	70,457,435	41,283,243	29,174,192
REVENUES OVER (UNDER) EXPENDITURES	(62,423,910)	(64,130,410)	(21,589,671)	42,540,739
OTHER FINANCING SOURCES (USES):				
Transfers in	-	200,600	184,219	(16,381)
Transfers out	(118,100)	(137,100)	(271,198)	(134,098)
Total other financing sources (uses)	(118,100)	63,500	(86,979)	(150,479)
Net change in fund balance	(62,542,010)	(64,066,910)	(21,676,650)	42,390,260
FUND BALANCE:				
Beginning of year	28,758,560	28,758,560	28,758,560	-
End of year	\$ (33,783,450)	\$ (35,308,350)	\$ 7,081,910	\$ 42,390,260

(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, 2010

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	\$	20,608,867
1. Financial statement only adjustment per GASB #31.		8,129
2. The City does not budget for accounts payable adjustments.		506,711
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.		(19,540,383)
4. The City does not budget for the transfer of developer fees and interest on those fees to the related enterprise funds.		264,157
5. The City budgets for grants on a cash basis.		5,775,600
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.		(78,391)
7. The City budgets for the reimbursement from other funds for debt service, but records the payment to advances receivable long-term.		184,219
8. The City did not budget for the long-term debt proceeds.		(662,993)
9. The City did not budget for expenditures paid out of long-term debt proceeds.		15,994
Budgetary Fund Balance	\$	<u>7,081,910</u>
		(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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 6,230,300	\$ 5,730,150	\$ 5,714,900	\$ (15,250)
Other use of money and property	362,960	362,960	362,960	-
Investment revenue	150,000	150,000	125,042	(24,958)
Other revenue	226,000	268,300	314,870	46,570
Total revenues	6,969,260	6,511,410	6,517,772	6,362
EXPENDITURES:				
Current:				
General government	4,361,600	6,994,710	6,796,562	198,148
Capital outlay	3,567,330	3,567,330	1,863,414	1,703,916
Total expenditures	7,928,930	10,562,040	8,659,976	1,902,064
REVENUES OVER (UNDER) EXPENDITURES	(959,670)	(4,050,630)	(2,142,204)	(1,895,702)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(1,800,000)	(1,800,000)	-
Total other financing sources (uses)	-	(1,800,000)	(1,800,000)	-
Net change in fund balance	(959,670)	(5,850,630)	(3,942,204)	(1,895,702)
FUND BALANCE:				
Beginning of year	12,636,952	12,636,952	12,636,952	-
End of year	\$ 11,677,282	\$ 6,786,322	\$ 8,694,748	\$ (1,895,702)

(Continued)

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, 2010

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	\$	9,304,310
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.		(312,709)
3. The City does not budget for accounts payable adjustments.		8,243
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.		(88,952)
5. The City does not budget for benefit accruals.		(54)
6. Advances to other funds are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		(1,600,000)
7. Repayment of advances are included in actual revenue budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		362,960
8. The City budgets on a cash basis for the reimbursement agreement between Canby-Hilltop-Cypress Capital Project Fund and the primary government.		2,795,800
9. Payment on the reimbursement agreement are included in the actual revenue budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		(1,800,000)
Budgetary Fund Balance	\$	<u>8,694,748</u>
		(Concluded)

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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 3,127,870	\$ 2,918,480	\$ 2,920,870	\$ 2,390
Use of money and property	-	-	67	67
Investment revenue	60,000	32,000	30,425	(1,575)
Other revenue	5,000	8,460	9,811	1,351
Total revenues	3,192,870	2,958,940	2,961,173	2,233
EXPENDITURES:				
Current:				
General government	2,254,670	3,156,500	3,000,391	156,109
Capital outlay	2,518,920	2,518,920	737,994	1,780,926
Debt Service:				
Principal retirement	282,540	362,960	362,960	-
Interest and fiscal charges	80,420	-	-	-
Total expenditures	5,136,550	6,038,380	4,101,345	1,937,035
REVENUES OVER (UNDER) EXPENDITURES	(1,943,680)	(3,079,440)	(1,140,172)	(1,934,802)
OTHER FINANCING SOURCES (USES):				
Long-term debt issued	1,600,000	1,600,000	1,600,000	-
Total other financing sources (uses)	1,600,000	1,600,000	1,600,000	-
Net change in fund balance	(343,680)	(1,479,440)	459,828	1,939,268
FUND BALANCE:				
Beginning of year	2,276,872	2,276,872	2,276,872	-
End of year	\$ 1,933,192	\$ 797,432	\$ 2,736,700	\$ 1,939,268

(Continued)

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, 2010

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	\$	(322,342)
1. The City does not budget for transfers in and out from the debt service fund.		(14,068)
2. The City does not budget for accounts payable adjustments.		1,736
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.		(206,748)
4. Advances from other funds are included in actual revenue budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		1,600,000
5. Payments on advances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		(362,960)
6. The City budgets on a cash basis for the reimbursement agreement between Market Street Capital Project Fund and the primary government.		2,040,000
7. The City budgets for interest on loans on a cash basis, not accrual basis.		1,082
Budgetary Fund Balance	\$	<u>2,736,700</u>
		(Concluded)

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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 466,510	\$ 405,000	\$ 412,255	\$ 7,255
Investment revenue	20,000	12,500	11,139	(1,361)
Other revenue	500	1,200	1,498	298
Total revenues	487,010	418,700	424,892	6,192
EXPENDITURES:				
Current:				
General government	135,900	304,850	290,472	14,378
Capital outlay	1,334,120	1,253,830	1,068,831	184,999
Total expenditures	1,470,020	1,558,680	1,359,303	199,377
Net change in fund balance	(983,010)	(1,139,980)	(934,411)	205,569
FUND BALANCE:				
Beginning of year	1,160,136	1,160,136	1,160,136	-
End of year	\$ 177,126	\$ 20,156	\$ 225,725	\$ 205,569

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	\$ 1,259,200
1. The City does not budget for accounts payable adjustments.	10,496
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.	(1,043,971)
Budgetary Fund Balance	\$ 225,725

City of Redding

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

SHASTEK Capital Project Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 934,260	\$ 1,053,160	\$ 1,164,215	\$ 111,055
Investment revenue	55,000	40,000	53,041	13,041
Other revenue	2,000	5,400	6,398	998
Total revenues	991,260	1,098,560	1,223,654	125,094
EXPENDITURES:				
Current:				
General government	537,480	1,431,180	1,409,699	21,481
Capital outlay	8,350,310	8,350,310	4,087,534	4,262,776
Debt Service:				
Interest and fiscal charges	226,800	226,800	226,800	-
Total expenditures	9,114,590	10,008,290	5,724,033	4,284,257
Net change in fund balance	(8,123,330)	(8,909,730)	(4,500,379)	4,409,351
FUND BALANCE:				
Beginning of year	9,081,371	9,081,371	9,081,371	-
End of year	\$ 958,041	\$ 171,641	\$ 4,580,992	\$ 4,409,351

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	\$ 5,942,463
1. The City does not budget for accounts payable adjustments.	85,268
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.	(1,149,689)
3. The City budgets for interest expense on loans on a cash basis only.	(183,999)
4. The City does not budget for transfers in/out from the debt service fund.	(113,051)
Budgetary Fund Balance	\$ 4,580,992

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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, 2010

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
ASSETS					
Current assets:					
Cash and investments	\$ 224,856	\$ 3,026,049	\$ 2,310,846	\$ 24,290	\$ 5,586,041
Interest receivable	189	14,942	2,383	207	17,721
Accounts receivable	37,734	153,752	45,734	14,668	251,888
Prepaid items	7,573	7,796	-	19,648	35,017
Intergovernmental receivable	451,040	-	877,295	-	1,328,335
Inventories	-	10,387	117,580	-	127,967
Total current assets	721,392	3,212,926	3,353,838	58,813	7,346,969
Non-current assets:					
Restricted assets:					
Cash and investments	244,640	-	-	35,704	280,344
Total restricted assets	244,640	-	-	35,704	280,344
Capital assets:					
Land	6,317,638	909,184	1,326,685	250,000	8,803,507
Utility plants	-	25,090,374	-	-	25,090,374
Buildings	10,727,149	-	7,639,062	3,441,194	21,807,405
Improvements other than buildings	29,694,569	2,348,779	1,413,396	1,469,364	34,926,108
Automotive equipment	727,638	479,280	6,662,561	167,079	8,036,558
Furnishings and equipment	284,598	24,054	1,877,041	305,608	2,491,301
Assets under capital lease	-	-	-	559,209	559,209
Construction in progress	3,491,250	79,998	-	-	3,571,248
Total capital assets	51,242,842	28,931,669	18,918,745	6,192,454	105,285,710
Less: accumulated depreciation	(29,021,649)	(12,425,071)	(9,869,210)	(4,784,389)	(56,100,319)
Net capital assets	22,221,193	16,506,598	9,049,535	1,408,065	49,185,391
Other assets:					
Financing costs, net	12,605	-	-	7,996	20,601
Total other assets	12,605	-	-	7,996	20,601
Total non-current assets	22,478,438	16,506,598	9,049,535	1,451,765	49,486,336
Total assets	23,199,830	19,719,524	12,403,373	1,510,578	56,833,305

(Continued)

City of Redding
Combining Statement of Net Assets, Continued
Nonmajor Enterprise Funds
June 30, 2010

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
LIABILITIES					
Current liabilities (payable from current assets):					
Accounts payable	\$ 327,553	\$ 3,990	\$ 532,741	\$ 276,000	\$ 1,140,284
Accrued liabilities	37,808	23,248	11,412	144,963	217,431
Accrued interest payable	11,552	-	-	5,051	16,603
Intergovernmental payables	4,287	-	-	157	4,444
Due to other funds	-	-	28,547	160,067	188,614
Interfund payables	135,276	3,191	-	-	138,467
Deferred revenues	12,919	-	2,192,549	-	2,205,468
Deposits payable	43,085	-	-	135,814	178,899
Accrued compensated absences, due within one year	35,830	20,168	-	42,480	98,478
Capital leases, due within one year	-	-	-	45,814	45,814
Long-term debt, due within one year	28,520	-	-	18,936	47,456
State loan, due within one year	55,606	-	-	-	55,606
Total current liabilities	692,436	50,597	2,765,249	829,282	4,337,564
Long-term liabilities:					
Compensated absences, due in more than one year	111,031	60,827	-	88,684	260,542
Advances from other funds	2,906,200	5,283	-	1,469,394	4,380,877
Accrued liabilities, due in more than one year	139,407	93,842	-	222,890	456,139
Capital leases, due in more than one year	-	-	-	153,355	153,355
Long-term debt, due in more than one year	461,076	-	-	301,744	762,820
State loan, due in more than one year	750,317	-	-	-	750,317
Total long-term liabilities	4,368,031	159,952	-	2,236,067	6,764,050
Total liabilities	5,060,467	210,549	2,765,249	3,065,349	11,101,614
NET ASSETS					
Invested in capital assets, net of related debt	20,317,847	16,506,598	9,049,535	923,920	46,797,900
Restricted for capital projects	-	2,584,612	-	-	2,584,612
Unrestricted	(2,178,484)	417,765	588,589	(2,478,691)	(3,650,821)
Total net assets	\$ 18,139,363	\$ 19,508,975	\$ 9,638,124	\$ (1,554,771)	\$ 45,731,691

(Concluded)

City of Redding
Combining Statement of Activities and Changes in Net Assets
Nonmajor Enterprise Funds
For the year ended June 30, 2010

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
OPERATING REVENUES:					
User Fees and Charges	\$ 198,400	\$ 1,157,914	\$ 930,131	\$ 252,564	\$ 2,539,009
Rental fees	1,200,326	-	-	126,943	1,327,269
Other operating revenue	784,366	315	-	348,852	1,133,533
Total operating revenues	2,183,092	1,158,229	930,131	728,359	4,999,811
OPERATING EXPENSES:					
Cost of power, water, and transportation	-	-	3,099,220	-	3,099,220
Maintenance, operations, and administration	1,993,565	1,258,612	1,960,415	2,885,325	8,097,917
Depreciation and amortization	1,945,381	1,147,555	827,289	164,933	4,085,158
Total operating expenses	3,938,946	2,406,167	5,886,924	3,050,258	15,282,295
Operating income (loss)	(1,755,854)	(1,247,938)	(4,956,793)	(2,321,899)	(10,282,484)
NONOPERATING REVENUE (EXPENSES):					
Interest revenue	1,298	84,731	10,819	-	96,848
Interest expense	(97,418)	-	-	(17,293)	(114,711)
Intergovernmental revenues	263,729	-	4,118,683	25,560	4,407,972
Gain (loss) on disposal of assets	76	12,600	(88,031)	10	(75,345)
Other non-operating revenues (expenses)	204,988	229,100	-	(25,304)	408,784
Total nonoperating revenues (expenses)	372,673	326,431	4,041,471	(17,027)	4,723,548
Income (loss) before operating transfers and capital contributions	(1,383,181)	(921,507)	(915,322)	(2,338,926)	(5,558,936)
Capital contributions	2,278,791	353,539	1,174,511	-	3,806,841
Transfers in	-	268,783	-	1,741,074	2,009,857
Transfers out	(115,000)	-	-	(68,000)	(183,000)
Change in net assets	780,610	(299,185)	259,189	(665,852)	74,762
NET ASSETS:					
Beginning of year	17,358,753	19,808,160	9,378,935	(888,919)	45,656,929
End of year	\$ 18,139,363	\$ 19,508,975	\$ 9,638,124	\$ (1,554,771)	\$ 45,731,691

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City of Redding
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the year ended June 30, 2010

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 2,175,252	\$ 1,150,788	\$ 922,592	\$ 713,691	\$ 4,962,323
Cash paid to suppliers	(1,280,170)	(767,041)	(5,103,789)	(934,527)	(8,085,527)
Cash paid to employees	(754,064)	(473,290)	-	(1,369,185)	(2,596,539)
Other operating revenue	-	315	-	-	315
Net cash provided (used) by operating activities	141,018	(89,228)	(4,181,197)	(1,590,021)	(5,719,428)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Intergovernmental revenue received	313,584	-	4,004,937	25,560	4,344,081
Advances from other funds	25,365	-	28,547	73,082	126,994
Repayment of advances to other funds	(354,021)	-	(99,173)	(155,840)	(609,034)
Transfers in	-	-	-	1,741,074	1,741,074
Transfers out	(115,000)	-	-	(68,000)	(183,000)
Other non-operating revenues (expenses)	1,172	-	-	(25,304)	(24,132)
Net cash provided (used) by noncapital financing activities	(128,900)	-	3,934,311	1,590,572	5,395,983
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital grants received	2,483,516	-	1,817,994	-	4,301,510
Proceeds from sale of assets	76	12,600	22,694	10	35,380
Purchases of capital assets	(2,262,747)	(168,708)	(1,056,277)	(73,082)	(3,560,814)
Interest paid	(97,375)	-	-	(16,485)	(113,860)
Proceeds from long-term debt	-	-	-	-	-
Principal paid on long-term debt	(114,258)	-	-	(19,238)	(133,496)
Principal paid on capital leases	(13,797)	-	-	(43,393)	(57,190)
Cash collected for future capital outlay	203,817	229,100	-	-	432,917
Net cash provided (used) by capital and related financing activities	199,232	72,992	784,411	(152,188)	904,447
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment revenue received	1,392	93,718	16,964	78	112,152
Net cash provided (used) by investing activities	1,392	93,718	16,964	78	112,152
Net increase (decrease) in cash and cash equivalents	212,742	77,482	554,489	(151,559)	693,154
CASH AND CASH EQUIVALENTS:					
Beginning of year	256,754	2,948,567	1,756,357	211,553	5,173,231
End of year	\$ 469,496	\$ 3,026,049	\$ 2,310,846	\$ 59,994	\$ 5,866,385
Reconciliation to statement of net assets					
Cash and cash equivalents	\$ 224,856	\$ 3,026,049	\$ 2,310,846	\$ 24,290	\$ 5,586,041
Restricted cash and cash equivalents	244,640	-	-	35,704	280,344
	\$ 469,496	\$ 3,026,049	\$ 2,310,846	\$ 59,994	\$ 5,866,385

(Continued)

City of Redding
Combining Statement of Cash Flows
Nonmajor Enterprise Funds, Continued
For the year ended June 30, 2010

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ (1,755,854)	\$ (1,247,938)	\$ (4,956,793)	\$ (2,321,899)	\$ (10,282,484)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,945,381	1,147,555	827,289	164,933	4,085,158
Accounts receivable	(11,060)	(7,126)	(7,539)	(14,668)	(40,393)
Inventories	-	(2,016)	35,949	-	33,933
Prepaid items	2,998	471	-	5,139	8,608
Accounts payable	(41,780)	3,025	(76,480)	205,554	90,319
Due to other funds	-	-	-	160,067	160,067
Accrued liabilities	(12,439)	(39,961)	(3,623)	81,545	25,522
Deposits payable	3,220	-	-	135,814	139,034
Intergovernmental payable	3,891	-	-	(90)	3,801
Deferred revenue	(17,440)	-	-	-	(17,440)
Accrued compensated absences	(18,454)	29,476	-	(81,822)	(70,800)
Accrued liabilities long-term	42,555	27,286	-	75,406	145,247
Net cash provided (used) by operating activities	\$ 141,018	\$ (89,228)	\$ (4,181,197)	\$ (1,590,021)	\$ (5,719,428)
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Plant contributed from developers	\$ -	\$ 353,539	\$ -	\$ -	\$ 353,539
Purchase of equipment on account (interfund)	-	8,475	-	-	8,475
Transfer of capital assets	-	268,783	-	-	268,783
Total non-cash capital and related financing activities	\$ -	\$ 630,797	\$ -	\$ -	\$ 630,797

(Concluded)

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INTERNAL SERVICE FUNDS

Internal service funds are used to finance and account for special activities and services performed by a designated 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, 2010

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
ASSETS						
Current assets:						
Cash and investments	\$ 282,762	\$ 366,462	\$ 552,411	\$ 7,803,267	\$ 807,552	\$ 9,812,454
Interest receivable	1,204	1,353	2,345	36,285	2,879	44,066
Accounts receivable, net	991	-	-	20,370	132	21,493
Prepaid items	24,273	19,697	28,266	328,886	23,499	424,621
Inventories	113,673	-	-	-	-	113,673
Interfund receivable	-	-	-	248,762	-	248,762
Total current assets	422,903	387,512	583,022	8,437,570	834,062	10,665,069
Non-current assets:						
Capital assets:						
Land	-	-	110,810	-	-	110,810
Land Improvements other than buildings	2,346,746	-	37,497	-	-	2,384,243
Automotive equipment	10,672,002	-	140,854	-	178,675	10,991,531
Furnishings and equipment	684,534	514,120	227,830	-	30,493	1,456,977
Assets under capital lease	1,079,539	-	-	-	-	1,079,539
Total capital assets	14,782,821	514,120	516,991	-	209,168	16,023,100
Less: accumulated depreciation	(9,469,192)	(416,280)	(295,857)	-	(133,237)	(10,314,566)
Net capital assets	5,313,629	97,840	221,134	-	75,931	5,708,534
Other assets:						
Advances to other funds	-	-	-	6,603,640	-	6,603,640
Total other assets	-	-	-	6,603,640	-	6,603,640
Total non-current assets	5,313,629	97,840	221,134	6,603,640	75,931	12,312,174
Total assets	5,736,532	485,352	804,156	15,041,210	909,993	22,977,243
LIABILITIES						
Current liabilities:						
Accounts payable	61,597	5,583	84,924	505,037	3,807	660,948
Intergovernmental payable	-	-	10,402	759	260	11,421
Accrued liabilities	67,289	70,535	107,625	65,336	107,816	418,601
Claims and judgements payable	-	-	-	4,754,167	-	4,754,167
Deferred revenues	-	14,324	-	189,238	-	203,562
Deposits	-	-	18	1,290	-	1,308
Compensated absences - current	65,758	68,339	41,290	33,408	97,609	306,404
Total current liabilities	194,644	158,781	244,259	5,549,235	209,492	6,356,411
Long-term liabilities:						
Advances from other funds	1,136,354	-	-	-	-	1,136,354
Accrued compensated absences	129,522	195,122	122,303	73,998	243,493	764,438
Accrued liabilities	277,756	369,826	333,331	156,424	382,035	1,519,372
Claims and judgements	-	-	-	7,379,993	-	7,379,993
Total long-term liabilities	1,543,632	564,948	455,634	7,610,415	625,528	10,800,157
Total liabilities	1,738,276	723,729	699,893	13,159,650	835,020	17,156,568
NET ASSETS						
Invested in capital assets, net of related debt	5,313,629	97,840	221,134	-	75,931	5,708,534
Unrestricted	(1,315,373)	(336,217)	(116,871)	1,881,560	(958)	112,141
Total net assets	\$ 3,998,256	\$ (238,377)	\$ 104,263	\$ 1,881,560	\$ 74,973	\$ 5,820,675

City of Redding
Combining Statement of Activities and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2010

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
OPERATING REVENUES:						
User fees and charges	\$ 3,367,400	\$ 2,190,220	\$ 3,920,909	\$ 42,511,210	\$ 2,867,280	\$ 54,857,019
Other operating revenue	14,869	-	4,655	8,992	132	28,648
Total operating revenues	3,382,269	2,190,220	3,925,564	42,520,202	2,867,412	54,885,667
OPERATING EXPENSES:						
Maintenance, operations, and administration	3,065,197	2,223,244	3,794,416	43,916,324	2,604,181	55,603,362
Depreciation and amortization	1,111,111	51,506	35,181	-	18,592	1,216,390
Total operating expenses	4,176,308	2,274,750	3,829,597	43,916,324	2,622,773	56,819,752
OPERATING INCOME (LOSS)	(794,039)	(84,530)	95,967	(1,396,122)	244,639	(1,934,085)
NONOPERATING REVENUE (EXPENSES):						
Interest revenue	7,911	9,543	12,511	290,837	17,019	337,821
Interest expense	(37,342)	-	-	-	-	(37,342)
Intergovernmental revenues	-	-	-	-	-	-
Gain on disposal of capital assets	4,051	-	(26,373)	-	-	(22,322)
Other non-operating revenues(exp)	(21,513)	-	(32,249)	-	-	(53,762)
Total nonoperating expenses	(46,893)	9,543	(46,111)	290,837	17,019	224,395
Income (loss) before transfers and contributions	(840,932)	(74,987)	49,856	(1,105,285)	261,658	(1,709,690)
Capital contributions	222,217	-	-	-	5,000	227,217
Transfer in	6,227	-	-	-	33,150	39,377
Transfers out	-	(6,993)	-	-	-	(6,993)
Change in net assets	(612,488)	(81,980)	49,856	(1,105,285)	299,808	(1,450,089)
NET ASSETS:						
Beginning of year	4,610,744	(156,397)	54,407	2,986,845	(224,835)	7,270,764
End of year	\$ 3,998,256	\$ (238,377)	\$ 104,263	\$ 1,881,560	\$ 74,973	\$ 5,820,675

City of Redding
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2010

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from other funds	\$ 3,391,047	\$ 2,190,220	\$ 3,925,563	\$ 42,311,737	\$ 2,867,148	\$ 54,685,715
Cash paid to suppliers	(1,643,806)	(418,653)	(2,090,831)	(40,474,025)	(381,946)	(45,009,261)
Cash paid to employees	(1,383,277)	(1,629,858)	(1,759,735)	(835,787)	(2,246,579)	(7,855,236)
Other income received	-	-	-	-	132	132
Net cash provided (used) by operating activities	363,964	141,709	74,997	1,001,925	238,755	1,821,350
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Repayment of advances to other funds	(250,000)	-	-	-	-	(250,000)
Repayment of advances from other funds	-	-	-	695,604	-	695,604
Advances to other funds	37,343	-	-	(3,346,582)	-	(3,309,239)
Transfers out	-	(6,993)	(32,249)	-	-	(39,242)
Net cash provided (used) by noncapital financing activities	(212,657)	(6,993)	(32,249)	(2,650,978)	-	(2,902,877)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital grants received	-	340	-	-	-	340
Proceeds from sale of assets	277	6,993	-	-	-	7,270
Purchase of capital assets	(54,965)	(64,800)	-	-	-	(119,765)
Interest Paid	(37,342)	-	-	-	-	(37,342)
Net cash provided (used) by capital and related financing activities	(92,030)	(57,467)	-	-	-	(149,497)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment revenue received	11,177	15,205	18,497	330,667	16,527	392,073
Net cash provided (used) by investing activities	11,177	15,205	18,497	330,667	16,527	392,073
Net increase (decrease) in cash and cash equivalents	70,454	92,454	61,245	(1,318,386)	255,282	(838,951)
CASH AND CASH EQUIVALENTS:						
Beginning of year	212,308	274,008	491,166	9,121,653	552,270	10,651,405
End of year	\$ 282,762	\$ 366,462	\$ 552,411	\$ 7,803,267	\$ 807,552	\$ 9,812,454

(Continued)

City of Redding
Combining Statement of Cash Flows
Internal Service Funds, Continued
For the year ended June 30, 2010

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating income (loss)	\$ (794,039)	\$ (84,530)	\$ 95,967	\$ (1,396,122)	\$ 244,639	\$ (1,934,085)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	1,111,111	51,506	35,181	-	18,592	1,216,390
(Increase) decrease in accounts receivable	8,778	-	-	5,800	(132)	14,446
(Increase) decrease in inventories	(1,505)	-	-	-	-	(1,505)
(Increase) decrease in prepaid items	3,246	7,955	5,158	106,149	5,091	127,599
(Increase) decrease in accounts payable	(9,019)	2,973	13,411	116,186	931	124,482
(Increase) decrease in accrued liabilities	1,299	(5,787)	(85,239)	(10,348)	3,310	(96,765)
(Increase) decrease in claims and judgements payable	-	-	-	1,131,109	-	1,131,109
(Increase) decrease in deposits	-	-	(1)	191	-	190
(Increase) decrease in intergovernmental payable	-	-	(25,748)	(96)	(564)	(26,408)
(Increase) decrease in deferred revenues	-	-	-	(214,265)	-	(214,265)
(Increase) decrease in accrued compensated absences	(39,909)	54,782	(68,883)	(5,946)	(166,349)	(226,305)
(Increase) decrease in claims and judgements long-term	-	-	-	1,213,542	-	1,213,542
(Increase) decrease in accrued liabilities long-term	84,002	114,810	105,151	55,725	133,237	492,925
Total adjustments	1,158,003	226,239	(20,970)	2,398,047	(5,884)	3,755,435
Net cash provided (used) by operating activities	\$ 363,964	\$ 141,709	\$ 74,997	\$ 1,001,925	\$ 238,755	\$ 1,821,350
Schedule of noncash capital activities:						
Transfer of capital assets	\$ 6,227	\$ -	\$ -	\$ -	\$ 38,150	\$ 44,377
Equipment contributed from customer	200,704	-	-	-	-	200,704
Total non-cash capital and related financing activities	\$ 206,931	\$ -	\$ -	\$ -	\$ 38,150	\$ 245,081

(Concluded)

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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, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 790,258	\$ 9,703,779	\$ 9,795,247	\$ 698,790
Accounts receivable	7,759	533,610	525,301	16,068
Interest receivable	17,503	-	5,218	12,285
Total assets	\$ 815,520	\$ 10,237,389	\$ 10,325,766	\$ 727,143
Liabilities:				
Deposits	\$ 815,520	\$ 10,237,389	\$ 10,325,766	\$ 727,143
Total liabilities	\$ 815,520	\$ 10,237,389	\$ 10,325,766	\$ 727,143
<u>IPSS</u>				
Assets:				
Cash and investments	\$ 605,797	\$ 302,182	\$ 318,615	\$ 589,364
Accounts receivable	-	337,768	234,578	103,190
Interest receivable	4,763	-	1,793	2,970
Total assets	\$ 610,560	\$ 639,950	\$ 554,986	\$ 695,524
Liabilities:				
Deposits	\$ 610,560	\$ 639,950	\$ 554,986	\$ 695,524
Total liabilities	\$ 610,560	\$ 639,950	\$ 554,986	\$ 695,524
<u>Total</u>				
Assets:				
Cash and investments	\$ 1,396,055	\$ 10,005,961	\$ 10,113,862	\$ 1,288,154
Accounts receivable	7,759	871,378	759,879	119,258
Interest receivable	22,266	-	7,011	15,255
Total assets	\$ 1,426,080	\$ 10,877,339	\$ 10,880,752	\$ 1,422,667
Liabilities:				
Deposits	\$ 1,426,080	\$ 10,877,339	\$ 10,880,752	\$ 1,422,667
Total liabilities	\$ 1,426,080	\$ 10,877,339	\$ 10,880,752	\$ 1,422,667

STATISTICAL SECTION

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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.

<u>INDEX</u>	<u>Page</u>
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	190
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenues sources.	202
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.	210
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.	222
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.	224

City of Redding
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2000-01	2001-02	2002-03	2003-04
Governmental activities				
Invested in capital assets, net of related debt	\$ 94,413,778	\$ 104,205,896	\$ 113,740,928	\$ 152,599,739
Restricted	47,706,211	49,159,188	48,116,563	37,186,278
Unrestricted	9,457,948	9,443,505	16,605,960	24,216,326
Total governmental activities net assets	\$ 151,577,937	\$ 162,808,589	\$ 178,463,451	\$ 214,002,343
Business-type activities				
Invested in capital assets, net of related debt	\$ 150,896,561	\$ 163,216,577	\$ 196,489,648	\$ 200,043,626
Restricted	14,309,722	10,375,003	14,678,467	31,011,072
Unrestricted	96,236,732	109,766,473	80,121,237	77,810,482
Total business-type activities net assets	\$ 261,443,015	\$ 283,358,053	\$ 291,289,352	\$ 308,865,180
Primary government				
Invested in capital assets, net of related debt	\$ 245,310,339	\$ 267,422,473	\$ 310,230,576	\$ 352,643,365
Restricted	62,015,933	59,534,191	62,795,030	68,197,350
Unrestricted	105,694,680	119,209,978	96,727,197	102,026,808
Total primary government net assets	\$ 413,020,952	\$ 446,166,642	\$ 469,752,803	\$ 522,867,523

Source: City of Redding Comprehensive Annual Financial Report

Fiscal Year					
2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$ 160,825,551	\$ 172,814,117	\$ 188,370,460	\$ 213,545,402	\$ 215,773,740	\$ 216,040,038
40,434,959	41,537,596	46,293,480	47,999,512	46,969,131	49,612,778
26,390,155	28,543,456	37,777,707	35,204,839	73,406,378	77,314,051
<u>\$ 227,650,665</u>	<u>\$ 242,895,169</u>	<u>\$ 272,441,647</u>	<u>\$ 296,749,753</u>	<u>\$ 336,149,249</u>	<u>\$ 342,966,867</u>
\$ 220,179,734	\$ 190,161,873	\$ 238,330,630	\$ 257,415,432	\$ 271,838,921	\$ 267,709,679
34,051,195	33,452,385	15,786,725	14,417,207	13,641,495	11,981,816
63,110,632	116,877,608	102,615,412	92,480,560	75,311,930	80,377,365
<u>\$ 317,341,561</u>	<u>\$ 340,491,866</u>	<u>\$ 356,732,767</u>	<u>\$ 364,313,199</u>	<u>\$ 360,792,346</u>	<u>\$ 360,068,860</u>
\$ 381,005,285	\$ 362,975,990	\$ 426,701,090	\$ 470,960,834	\$ 487,612,661	\$ 483,749,717
74,486,154	74,989,981	62,080,205	62,416,719	60,610,626	61,594,594
89,500,787	145,421,064	140,393,119	127,685,399	148,718,308	157,691,416
<u>\$ 544,992,226</u>	<u>\$ 583,387,035</u>	<u>\$ 629,174,414</u>	<u>\$ 661,062,952</u>	<u>\$ 696,941,595</u>	<u>\$ 703,035,727</u>

City of Redding
Change in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2000-01	2001-02	2002-03	2003-04
Expenses				
Governmental Activities				
General government	\$ 4,879,222	\$ 5,614,465	\$ 6,355,591	\$ 6,460,999
Police	16,188,282	17,233,269	18,636,632	21,554,360
Fire	8,557,370	9,031,551	11,674,640	12,568,277
Public Works	8,554,010	9,238,103	9,227,910	9,616,568
Planning	3,357,226	3,196,894	3,468,665	4,202,068
Recreation and culture	3,665,398	8,534,432	7,237,374	5,732,598
Community development	8,227,515	8,479,611	8,829,726	11,707,216
Interest on long-term debt	3,318,874	3,229,379	3,452,316	3,976,239
Total governmental activities expenses	56,747,897	64,557,704	68,882,854	75,818,325
Business-Type Activities				
Electric	208,374,716	102,382,759	101,853,586	118,023,084
Water	8,744,949	9,291,738	9,424,821	10,447,116
Wastewater	9,415,315	9,805,825	10,023,354	11,743,540
Storm drainage	1,405,689	1,509,788	1,523,000	1,765,074
Solid waste	10,393,622	11,674,164	12,125,866	15,880,622
Transportation	6,504,218	6,901,577	7,680,703	8,214,988
Convention center	1,957,669	2,042,346	2,059,258	2,680,425
Total business-type activities expenses	246,796,178	143,608,197	144,690,588	168,754,849
Total primary government expenses	\$ 303,544,075	\$ 208,165,901	\$ 213,573,442	\$ 244,573,174
Program Revenues				
Governmental Activities				
Charges for services:				
General government	\$ 1,697,088	\$ 1,934,680	\$ 2,014,549	\$ 2,105,485
Public works	1,093,682	1,192,243	1,141,885	936,885
Planning	2,045,050	2,194,469	2,594,993	2,575,763
Other activities	1,590,604	1,842,303	1,803,948	2,319,156
Operating grants and contributions	14,110,520	14,410,025	13,883,419	14,347,489
Capital grants and contributions	7,120,128	8,608,113	14,922,344	39,516,056
Total governmental activities program revenues	27,657,072	30,181,833	36,361,138	61,800,834
Program Revenues				
Business-type activities				
Charges for services:				
Electric	238,633,524	104,470,688	91,766,907	124,669,322
Water	9,049,847	10,312,159	11,314,044	12,174,497
Wastewater	8,254,528	9,039,453	9,492,114	10,459,146
Solid waste	13,172,232	14,343,371	14,858,534	15,727,879
Transportation	2,016,152	2,248,135	2,116,890	2,063,966
Other activities	1,227,424	1,421,133	1,353,358	1,706,783
Operating grants and contributions	2,597,050	2,959,025	3,235,428	3,594,562
Capital grants and contributions	9,830,668	13,140,958	10,186,180	10,080,012
Total business-type activities program revenues	284,781,425	157,934,922	144,323,455	180,476,167
Total primary government program revenues	\$ 312,438,497	\$ 188,116,755	\$ 180,684,593	\$ 242,277,001
Net (Expense)/Revenue				
Governmental activities	\$ (29,090,825)	\$ (34,375,871)	\$ (32,521,716)	\$ (14,017,491)
Business-type activities	37,985,247	14,326,725	(367,133)	11,721,318
Total primary government	\$ 8,894,422	\$ (20,049,146)	\$ (32,888,849)	\$ (2,296,173)

Fiscal Year					
2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$ 7,823,328	\$ 6,043,808	\$ 5,840,837	\$ 5,168,803	\$ 7,726,275	\$ 6,383,391
22,639,639	22,938,459	24,388,239	27,716,907	28,282,449	27,497,342
13,614,525	13,896,656	14,587,056	17,618,698	17,189,677	17,076,785
8,439,622	11,350,449	11,427,486	10,339,597	12,753,802	10,447,617
4,871,248	3,894,286	4,869,938	5,750,052	5,634,317	4,434,756
9,075,527	8,390,240	8,650,759	10,964,863	11,598,055	11,470,482
15,516,690	16,349,078	13,036,414	15,160,077	20,803,513	24,737,850
3,731,476	4,110,575	4,743,424	5,367,360	5,168,490	4,760,944
<u>85,712,055</u>	<u>86,973,551</u>	<u>87,544,153</u>	<u>98,086,357</u>	<u>109,156,578</u>	<u>106,809,167</u>
133,187,082	131,048,566	139,338,821	163,293,058	173,451,814	161,100,955
9,779,384	10,878,391	12,022,834	12,570,242	12,646,773	14,574,967
10,609,067	11,718,895	12,517,219	13,378,188	13,686,453	15,075,253
1,510,206	1,846,993	2,122,729	2,563,858	2,498,787	2,354,882
14,617,316	16,433,051	17,130,494	18,702,626	18,228,705	18,497,103
8,301,803	9,172,005	9,159,483	9,838,187	10,340,798	10,037,079
2,503,314	2,578,833	2,495,721	2,952,600	2,966,577	3,131,705
<u>180,508,172</u>	<u>183,676,734</u>	<u>194,787,301</u>	<u>223,298,759</u>	<u>233,819,907</u>	<u>224,771,944</u>
<u>\$ 266,220,227</u>	<u>\$ 270,650,285</u>	<u>\$ 282,331,454</u>	<u>\$ 321,385,116</u>	<u>\$ 342,976,485</u>	<u>\$ 331,581,111</u>
\$ 2,293,668	\$ 4,669,323	\$ 5,933,921	\$ 5,215,942	\$ 5,465,585	\$ 5,211,415
1,013,954	269,504	219,567	1,279,365	492,040	939,201
3,059,516	3,204,622	2,609,623	2,900,666	1,595,092	1,415,218
2,433,455	2,064,225	2,976,895	4,153,936	4,044,057	3,772,070
16,331,121	17,524,126	18,594,929	16,262,587	17,411,451	17,731,034
11,837,627	10,834,923	18,918,861	22,032,319	52,890,580	20,954,834
<u>36,969,341</u>	<u>38,566,723</u>	<u>49,253,796</u>	<u>51,844,815</u>	<u>81,898,805</u>	<u>50,023,772</u>
127,893,208	140,336,132	133,308,642	152,834,481	157,529,886	154,079,500
11,966,513	12,540,136	14,264,218	14,550,142	14,128,755	13,968,396
11,806,688	12,709,979	15,768,736	17,128,355	17,190,847	18,287,784
15,984,667	16,608,413	17,317,785	17,985,385	17,201,828	17,614,327
2,363,703	2,558,384	2,863,235	3,037,429	3,151,051	3,114,393
1,661,984	1,660,073	1,788,340	2,202,160	2,168,958	2,115,383
4,000,415	4,152,460	5,141,381	4,311,285	4,799,554	5,319,012
17,315,640	15,773,165	17,199,684	13,702,005	10,276,508	10,685,872
<u>192,992,818</u>	<u>206,338,742</u>	<u>207,652,021</u>	<u>225,751,242</u>	<u>226,447,387</u>	<u>225,184,667</u>
<u>\$ 229,962,159</u>	<u>\$ 244,905,465</u>	<u>\$ 256,905,817</u>	<u>\$ 277,596,057</u>	<u>\$ 308,346,192</u>	<u>\$ 275,208,439</u>
\$ (48,742,714)	\$ (48,406,828)	\$ (38,290,357)	\$ (46,241,542)	\$ (27,257,773)	\$ (56,785,395)
12,484,646	22,662,008	12,864,720	2,452,483	(7,372,520)	412,723
<u>\$ (36,258,068)</u>	<u>\$ (25,744,820)</u>	<u>\$ (25,425,637)</u>	<u>\$ (43,789,059)</u>	<u>\$ (34,630,293)</u>	<u>\$ (56,372,672)</u>

City of Redding
Change in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting) (Continued)

	Fiscal Year			
	2001-02	2001-02	2002-03	2003-04
General Revenue and				
Other Changes in Net Assets				
Governmental Activities				
Taxes				
Sales taxes	\$ 16,781,979	\$ 18,004,770	\$ 19,327,138	\$ 20,297,843
Property taxes	11,018,519	12,055,646	13,275,953	16,965,869
In lieu	3,776,210	4,765,460	5,047,821	5,753,770
Transient and occupancy taxes	2,766,956	3,027,116	3,178,073	3,275,325
Motor vehicle in-lieu taxes	4,251,566	4,619,185	4,833,438	3,960,686
Franchise taxes	842,605	826,600	794,739	828,940
Other taxes	685,730	924,976	1,037,862	1,129,334
Investment earnings	4,449,915	3,572,026	3,276,758	2,031,348
Gain on sale of property	180,625	2,066,225	231,587	(337,650)
Miscellaneous	139,454	18,116	25,597	68,789
Transfers	(1,170,596)	(4,273,590)	(2,852,381)	(4,180,250)
Other items	(72,105)	-	-	-
Total governmental activities	43,650,858	45,606,530	48,176,585	49,794,004
Business-type activities				
Investment earnings	6,106,628	5,752,313	3,940,608	1,866,949
Gain on sale of property	848,775	(883,213)	(430,458)	(42,005)
Miscellaneous	-	-	250	-
Transfers	1,170,596	4,273,590	2,852,381	4,180,250
Other items	-	-	-	(150,684)
Total business activities	8,125,999	9,142,690	6,362,781	5,854,510
Total primary government	\$ 51,776,857	\$ 54,749,220	\$ 54,539,366	\$ 55,648,514
Change in Net Assets				
Governmental activities	\$ 14,560,033	\$ 11,230,659	\$ 15,654,869	\$ 35,776,513
Adjustments	6,514,300	(7)	(7)	(237,621)
Total governmental activities	21,074,333	11,230,652	15,654,862	35,538,892
Business-type activities	46,111,246	23,469,415	5,995,648	17,575,828
Adjustments - business activities	(4,150,541)	(1,554,377)	1,935,651	-
Total business activities	41,960,705	21,915,038	7,931,299	17,575,828
Total changes in net assets - primary government	\$ 63,035,038	\$ 33,145,690	\$ 23,586,161	\$ 53,114,720

Source: City of Redding Comprehensive Annual Financial Report

Fiscal Year					
2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$ 21,696,313	\$ 23,857,074	\$ 23,184,177	\$ 21,647,441	\$ 19,375,971	\$ 18,480,866
17,900,941	25,735,494	30,017,785	33,238,207	34,820,263	33,540,288
-	-	-	-	-	-
3,512,022	3,747,553	3,966,328	3,957,034	3,625,101	3,497,627
6,971,460	611,129	479,622	384,059	260,061	268,465
827,175	916,818	997,756	967,150	992,321	888,406
1,329,072	1,364,821	1,221,396	1,150,466	996,583	931,504
3,106,598	3,355,569	5,916,734	6,492,706	4,065,026	1,284,562
-	-	-	-	-	76,085
120,092	103,125	101,000	100,000	100,000	100,000
7,666,014	3,794,368	1,941,445	2,612,585	2,421,943	4,535,210
<u>63,129,687</u>	<u>63,485,951</u>	<u>67,826,243</u>	<u>70,549,648</u>	<u>66,657,269</u>	<u>63,603,013</u>
3,657,749	3,785,359	8,459,278	7,738,038	6,272,631	3,398,686
-	-	-	-	-	-
-	-	-	-	-	-
(7,666,014)	(3,794,368)	(1,941,445)	(2,612,585)	(2,421,943)	(4,535,210)
-	-	4,685	2,496	979	315
<u>(4,008,265)</u>	<u>(9,009)</u>	<u>6,522,518</u>	<u>5,127,949</u>	<u>3,851,667</u>	<u>(1,136,209)</u>
\$ 59,121,422	\$ 63,476,942	\$ 74,348,761	\$ 75,677,597	\$ 70,508,936	\$ 62,466,804
\$ 14,386,973	\$ 15,079,123	\$ 29,535,886	\$ 24,308,106	\$ 39,399,496	\$ 6,817,618
(738,651)	165,381	10,592	-	-	-
<u>13,648,322</u>	<u>15,244,504</u>	<u>29,546,478</u>	<u>24,308,106</u>	<u>39,399,496</u>	<u>6,817,618</u>
8,476,381	22,652,999	19,387,238	7,580,432	(3,520,853)	(723,486)
-	497,306	(3,146,337)	-	-	-
<u>8,476,381</u>	<u>23,150,305</u>	<u>16,240,901</u>	<u>7,580,432</u>	<u>(3,520,853)</u>	<u>(723,486)</u>
\$ 22,124,703	\$ 38,394,809	\$ 45,787,379	\$ 31,888,538	\$ 35,878,643	\$ 6,094,132

City of Redding
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2000-01	2001-02	2002-03	2003-04
General Fund				
Reserved	\$ 4,950,873	\$ 5,147,964	\$ 4,330,021	\$ 5,604,846
Unreserved	11,506,021	16,570,439	10,767,456	20,908,746
Total general fund	<u>16,456,894</u>	<u>21,718,403</u>	<u>15,097,477</u>	<u>26,513,592</u>
All Other Governmental Funds				
Reserved	\$ 16,822,908	\$ 36,372,262	\$ 38,043,606	\$ 42,922,062
Unreserved, designated for, reported in:				
Special revenue funds	339,743	769,476	698,876	4,925,613
Capital projects funds	1,992,295	15,707,201	21,637,855	15,120,183
Unreserved, undesignated, reported in:				
Special revenue funds	20,877,784	4,283,923	2,548,815	3,130,866
Capital projects funds	15,502,175	2,788,923	(593,847)	(9,839,024)
Debt service funds	(810,260)	(895,768)	9,101,683	14,674,603
Total all other governmental funds	<u>\$ 54,724,645</u>	<u>\$ 59,026,017</u>	<u>\$ 71,436,988</u>	<u>\$ 70,934,303</u>

Source: City of Redding Comprehensive Annual Financial Report

Fiscal Year					
2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$ 7,960,371	\$ 5,088,973	\$ 5,836,083	\$ 6,302,324	\$ 4,905,691	\$ 3,795,073
14,051,582	14,409,873	17,475,454	13,430,337	5,139,052	7,470,433
<u>22,011,953</u>	<u>19,498,846</u>	<u>23,311,537</u>	<u>19,732,661</u>	<u>10,044,743</u>	<u>11,265,506</u>
\$ 43,711,331	\$ 49,982,576	\$ 41,495,690	\$ 57,794,053	\$ 61,453,924	\$ 62,317,199
14,667,177	14,531,667	8,939,932	11,306,543	8,933,742	7,258,582
24,925,785	26,139,758	62,437,942	40,518,292	21,667,051	17,628,400
877,114	2,435,338	7,776,230	6,706,906	5,324,788	6,802,994
296,773	675,765	7,582,682	8,782,898	14,820,724	2,361,163
2,465,914	(1,271,925)	(1,267,509)	(1,241,046)	(1,213,848)	(1,196,710)
<u>\$ 86,944,094</u>	<u>\$ 92,493,179</u>	<u>\$ 126,964,967</u>	<u>\$ 123,867,646</u>	<u>\$ 110,986,381</u>	<u>\$ 95,171,628</u>

City of Redding
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2000-01	2001-02	2002-03	2003-04
Revenues				
Taxes	\$ 31,678,833	\$ 34,765,295	\$ 37,607,285	\$ 42,463,395
Licenses and permits	3,371,388	1,657,421	1,822,042	1,868,324
Intergovernmental revenues	19,664,597	20,029,676	24,465,420	26,857,196
Charges for services	1,426,356	1,906,412	2,128,300	2,343,447
Fines	659,359	812,678	852,813	985,786
Use of money and property	6,658,522	7,772,780	8,212,771	9,255,389
Interest revenue	3,978,977	3,140,148	2,922,392	1,833,241
Special assessments	1,703,404	1,348,315	1,599,284	1,522,665
Miscellaneous	2,454,392	4,297,682	3,845,229	5,197,696
Total revenues	71,595,828	75,730,407	83,455,536	92,327,139
Expenditures				
Community development	9,258,838	8,802,958	10,888,839	12,439,346
General government	5,060,328	5,675,997	6,339,169	6,403,628
Public safety	23,725,083	25,128,752	29,378,432	31,269,917
Public works	4,509,068	4,430,424	4,184,655	4,750,695
Planning	3,242,427	3,134,055	3,409,124	4,031,899
Recreation and culture	2,950,432	3,742,962	3,661,822	4,459,732
Midtown Mall	-	-	-	-
Capital outlay	6,643,923	17,094,408	16,912,493	21,921,650
Debt service:				
Principal retirement	2,363,166	1,962,251	2,770,161	2,016,759
Interest and fiscal charges	3,667,726	3,517,467	3,490,765	4,076,484
Bond issuance costs	11,480	-	246,818	982,578
Total expenditures	61,432,471	73,489,274	81,282,278	92,352,688
Excess of revenues over (under) expenditures	10,163,357	2,241,133	2,173,258	(25,549)

City of Redding
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2000-01	2001-02	2002-03	2003-04
Other Financing Sources (Uses)				
Sale of capital asset	260,698	1,093,768	280,637	77,735
Financing proceeds	111,356	1,094,430	235,193	-
Long-term debt issued	-	9,500,000	7,977,616	44,430,000
Bond discount	-	(92,860)	(40,250)	(51,342)
Premium on bonds issued	-	-	17,271	365,639
Proceeds of refunding bonds	-	-	-	-
Payment to refunding bond escrow agent	-	-	(2,001,298)	(29,465,181)
Transfers in	5,104,909	4,956,979	15,910,603	18,368,202
Transfers out	(6,275,505)	(9,230,569)	(18,762,985)	(22,548,453)
Total other financing sources (uses)	(798,542)	7,321,748	3,616,787	11,176,600
Net change in fund balances	\$ 9,364,815	\$ 9,562,881	\$ 5,790,045	\$ 11,151,051
Fund Balances (deficit), beginning of year, as originally stated	\$ 54,918,751	\$ 71,181,539	\$ 80,744,420	\$ 86,534,465
Prior period adjustment	1,712,194	-	-	(237,621)
Change in accounting principal	5,185,779	-	-	-
Fund Balances (deficit), beginning of year, as restated	61,816,724	71,181,539	80,744,420	86,296,844
Residual equity transfer in	-	-	-	-
Fund balances (deficit), end of year	\$ 71,181,539	\$ 80,744,420	\$ 86,534,465	\$ 97,447,895
Debt service as a percentage of noncapital expenditures*	11%	9%	10%	13%

* 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					
2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
\$ 43,856,582	\$ 55,488,972	\$ 59,524,861	\$ 60,575,049	\$ 59,231,951	\$ 56,847,912
2,159,509	2,244,909	1,589,747	1,409,549	919,484	904,249
29,538,610	20,651,015	25,835,843	32,130,286	44,205,365	30,291,860
2,698,496	3,087,242	3,730,253	4,828,400	3,693,777	3,218,326
1,063,502	800,275	926,522	1,089,317	1,333,019	1,395,523
3,679,150	5,452,555	5,639,155	6,318,669	6,434,661	6,015,841
2,854,682	3,167,557	5,526,660	6,120,195	3,624,089	1,007,459
2,887,274	1,524,188	1,464,323	1,671,937	1,684,815	796,878
6,145,044	8,676,756	6,853,688	4,936,950	6,115,887	3,045,835
<u>94,882,849</u>	<u>101,093,469</u>	<u>111,091,052</u>	<u>119,080,352</u>	<u>127,243,048</u>	<u>103,523,883</u>
14,226,661	17,004,289	14,262,851	15,625,733	6,997,295	5,795,422
6,648,418	6,994,486	7,296,375	6,926,626	21,607,335	25,226,846
35,625,481	37,684,535	38,417,064	42,538,068	44,305,381	42,179,779
5,915,842	7,690,555	5,920,843	5,878,230	7,861,504	5,031,215
4,859,683	4,392,294	4,714,858	5,419,587	5,437,393	4,172,970
5,755,954	5,051,006	5,719,996	7,418,515	7,439,993	6,889,257
-	-	-	-	-	-
13,206,504	15,007,032	26,539,273	35,872,742	50,136,882	24,231,055
4,012,357	4,562,460	4,324,708	5,533,870	5,710,487	6,775,043
3,901,201	4,133,488	4,493,534	5,473,145	5,231,749	4,781,807
349,311	-	677,851	5,650	-	-
<u>94,501,412</u>	<u>102,520,145</u>	<u>112,367,353</u>	<u>130,692,166</u>	<u>154,728,019</u>	<u>125,083,394</u>
<u>381,437</u>	<u>(1,426,676)</u>	<u>(1,276,301)</u>	<u>(11,611,814)</u>	<u>(27,484,971)</u>	<u>(21,559,511)</u>

Fiscal Year					
2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
33,058	838,344	696,456	1,851,372	233,399	1,804,652
290,891	39,878	250,000	400,000	-	-
16,970,000	-	36,415,000	-	-	662,993
-	-	(266,824)	-	-	-
611,624	-	76,427	-	-	-
-	-	-	-	-	-
(10,548,316)	-	-	-	-	-
33,800,013	15,230,516	11,213,114	11,351,753	19,768,205	17,190,872
(29,764,223)	(11,646,084)	(8,738,168)	(8,667,508)	(15,085,816)	(12,692,996)
11,393,047	4,462,654	39,646,005	4,935,617	4,915,788	6,965,521
<u>\$ 11,774,484</u>	<u>\$ 3,035,978</u>	<u>\$ 38,369,704</u>	<u>\$ (6,676,197)</u>	<u>\$ (22,569,183)</u>	<u>\$ (14,593,991)</u>
\$ 97,447,895	\$ 108,956,047	\$ 108,956,047	\$ 150,276,504	\$ 143,600,307	\$ 121,031,125
(266,332)	-	(85,225)	-	-	-
-	-	-	-	-	-
97,181,563	108,956,047	108,870,822	150,276,504	143,600,307	121,031,125
-	-	-	-	-	-
<u>\$ 108,956,047</u>	<u>\$ 111,992,025</u>	<u>\$ 147,240,526</u>	<u>\$ 143,600,307</u>	<u>\$ 121,031,124</u>	<u>\$ 106,437,134</u>
10%	10%	11%	12%	10%	11%

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
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
2008-2009	34,311	3,625	19,307	1,989	59,232
2009-2010	33,447	3,498	18,083	1,820	56,848

Source: City of Redding Comprehensive Annual Financial Report

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City of Redding
Revenue Base - Own Source Revenue
Metered Customers and MWHs Sold
Last Seven Fiscal Years*

<u>Type of Customer</u>	Fiscal Year ended June 30,			
	2004		2005	
	<u>Base rate customers</u>	<u>Electricity Sold (MWHs)</u>	<u>Base rate customers</u>	<u>Electricity Sold (MWHs)</u>
Residential	35,547	374,713	36,259	363,204
Commercial	5,324	334,195	4,948	336,012
Industrial	303	16,899	319	17,231
Other	663	43,422	808	45,594
Total	41,837	769,229	42,334	762,041

<u>Type of Customer</u>	Fiscal Year ended June 30,			
	2009		2010	
	<u>Base rate customers</u>	<u>Electricity Sold (MWHs)</u>	<u>Base rate customers</u>	<u>Electricity Sold (MWHs)</u>
Residential	36,601	386,638	36,676	381,904
Commercial	5,068	344,764	5,044	330,097
Industrial	356	14,934	359	14,127
Other	882	45,936	880	43,872
Total	42,907	792,272	42,959	770,000

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

Fiscal Year ended June 30,					
2006		2007		2008	
Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)
35,729	383,508	36,264	388,390	36,486	381,654
4,957	344,753	5,019	350,435	5,063	345,468
318	16,865	333	16,808	341	15,967
765	46,027	800	47,376	877	48,248
41,769	791,153	42,416	803,009	42,767	791,337

City of Redding
Electric Utility Rates
Last Seven 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
2009	6.86	0.1067	6.86	15.70	0.1288	0.0598
2010	7.40	0.1151	7.40	16.90	0.1288	0.0598

* 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
32.65	0.1212	0.0562	0.0475	0.0562
35.20	0.1307	0.0606	0.0606	0.0562

City of Redding
Principal Electric Utility Payers
Fiscal Years 2009-10 and 2005-06*

Utility Payer	June 30, 2010 Fiscal Year			June 30, 2006 Fiscal Year		
	2010 Utilities Paid	Rank	Percentage of City Total Utilities Paid	2006 Utilities Paid	Rank	Percentage of City Total Utilities Paid
Customer #1	\$4,328,776	1	4.68%	\$3,465,972	1	4.38%
Customer #2	1,346,582	2	1.46%	1,300,615	2	1.64%
Customer #3	1,293,805	3	1.40%	999,336	3	1.26%
Customer #4	967,147	4	1.05%	862,444	4	1.09%
Customer #5	672,801	5	0.73%			
Customer #6	616,047	6	0.67%			
Customer #7	563,106	7	0.61%	478,871	5	0.60%
Customer #8	524,232	8	0.57%	426,104	8	0.54%
Customer #9	522,602	9	0.57%	445,379	6	0.56%
Customer #10	508,261	10	0.55%	429,352	7	0.54%
Customer #11				406,238	9	0.51%
Customer #12				391,892	10	0.49%
Total	\$11,343,359		12.27%	\$9,206,203		11.63%

* Data nine years previous is not readily available

Source: City of Redding Electric Utility

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

Governmental Activities

Fiscal Year Ending	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	5,321	715
2008	50,260	51,420	34	4,393	868
2009	47,838	49,475	16	3,452	559
2010	45,328	47,460	401	1,661	377

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	287,228	10.22%	3,203
-	34,330	192,940	22,562	74	317	357,198	11.56%	3,960
-	31,532	188,285	35,940	-	256	357,352	11.38%	3,930
-	28,632	183,290	39,750	-	199	347,098	11.00%	3,791

City of Redding
Computation of Direct and Overlapping Debt
As of June 30, 2010

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Redding (4)</u>	<u>Amount Applicable to City of Redding</u>
Direct:			
City of Redding: (1)			
City of Redding 1915 Act Bonds	\$ 1,661,000	100.000%	\$ 1,661,000
Total direct debt	<u>1,661,000</u>		<u>1,661,000</u>
Overlapping:			
Redding Redevelopment Agency (1)	47,460,000	100.000%	47,460,000
County of Shasta: (2)			
Shasta Joint Powers Financing Authority	47,610,000	50.662%	24,120,178
Capital Lease Obligations	1,114,141	50.662%	564,446
Shasta County Schools: (2)			
Enterprise School District	24,059,829	99.075%	23,837,276
Shasta Union High	24,968,513	68.852%	17,191,321
Gateway School	26,750,685	40.303%	10,781,329
Redding School District	15,680,000	99.260%	15,563,968
Columbia School District	3,850,000	74.727%	2,876,990
Shasta College	30,435,000	50.813%	15,464,937
Cascade School	3,497,733	2.243%	78,454
Pacheco School	3,504,956	55.491%	1,944,935
Grant School	1,387,780	4.167%	57,829
Junction School	131,067	1.090%	1,429
Centerville (3)	136,068	23.898%	32,518
Total overlapping debt	<u>230,585,772</u>		<u>159,975,607</u>
Total direct and overlapping debt	<u>\$232,246,772</u>		<u>\$161,636,607</u>

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 2007-08 (2008-09 for Pacheco and Cascade new debt issues).

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Debt Limit	\$ 156,447	\$ 165,865	\$ 178,629	\$ 193,720	\$ 211,455
Total net debt applicable to limit	1,979	1,629	700	350	0
Legal debt margin	<u>\$ 154,468</u>	<u>\$ 164,236</u>	<u>\$ 177,929</u>	<u>\$ 193,370</u>	<u>\$ 211,455</u>
Total net debt applicable to the limit as a percentage of debt limit	1.26%	0.98%	0.39%	0.18%	0.00%

Note: Debt limit of 15% is based on assessed valuation being equivalent to 25% of full market valuation.
 In 1981-1982, assessed valuation became equal to full market valuation. As a result, 1981-1982
 and subsequent years' debt limit is computed at 1/4 of 15% or 3.75% of full market valuation.

(1) Assessed valuation includes supplemental tax rolls.

Fiscal Year				
2006	2007	2008	2009	2010
\$ 233,010	\$ 262,662	\$ 286,996	\$ 300,235	\$ 292,840
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 233,010</u>	<u>\$ 262,662</u>	<u>\$ 286,996</u>	<u>\$ 300,235</u>	<u>\$ 292,840</u>
0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2008-09

Assessed Value (1)	<u>\$ 7,809,064</u>
Debt Limit - 3.75% of Total Assessed Value	\$ 292,840
Amount of Debt Applicable to the Limit	<u>0</u>
Legal Debt Margin	<u>\$ 292,840</u>

City of Redding
Wastewater Revenue Bond Coverage
Last Ten Fiscal Years

	Fiscal Year Ending			
	2001	2002	2003	2004
Operating Revenue	8,254,527	9,039,453	9,492,114	10,459,146
Other Revenue	-	90	49,248	470
Interest Revenue	323,882	732,672	599,133	229,254
Adjusted Revenue	8,578,409	9,772,215	10,140,495	10,688,870
25% of Adjusted Revenue	2,144,602	2,443,054	2,535,124	2,672,218
Actual Connection Fees	1,664,479	1,952,468	2,615,896	2,547,755
Allowable Connection Fees	1,664,479	1,952,468	2,535,124	2,547,755
Total Revenue	10,242,888	11,724,683	12,675,619	13,236,625
Operating Expense	(7,837,138)	(8,336,914)	(8,609,979)	(10,057,528)
Add back In-Lieu	784,220	894,230	903,180	1,337,400
Add back Depreciation/ Amortization	2,799,259	2,843,330	2,957,227	3,389,830
Net Operating Expense	(4,253,659)	(4,599,354)	(4,749,572)	(5,330,298)
Net Wastewater Revenues*	5,989,229	7,125,329	7,926,047	7,906,327
Total Debt Service	2,163,110	2,164,639	1,000,984	2,916,912
Debt Coverage Ratio	2.77	3.29	7.92	2.71

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

Fiscal Year Ending					
2005	2006	2007	2008	2009	2010
11,806,688	12,700,189	15,696,939	17,108,790	17,165,662	18,280,681
-	12,459	88,188	19,663	1,151,886	2,002,152
585,167	613,530	1,473,122	1,605,727	1,266,665	649,481
<u>12,391,855</u>	<u>13,326,178</u>	<u>17,258,249</u>	<u>18,734,180</u>	<u>19,584,213</u>	<u>20,932,314</u>
3,097,964	3,331,545	4,314,562	4,683,545	4,895,958	5,167,546
2,812,014	3,458,536	2,941,713	2,933,424	1,680,074	1,717,427
<u>2,812,014</u>	<u>3,331,545</u>	<u>2,941,713</u>	<u>2,933,424</u>	<u>1,680,074</u>	<u>1,717,427</u>
<u>15,203,869</u>	<u>16,657,723</u>	<u>20,199,962</u>	<u>21,667,604</u>	<u>21,264,287</u>	<u>22,649,741</u>
(9,392,352)	(10,551,395)	(11,277,304)	(12,239,379)	(12,894,743)	(14,214,867)
1,237,100	751,380	-	-	-	-
3,488,037	3,564,164	3,488,891	3,817,656	4,021,167	4,361,325
<u>(4,667,215)</u>	<u>(6,235,851)</u>	<u>(7,788,413)</u>	<u>(8,421,723)</u>	<u>(8,873,576)</u>	<u>(9,853,542)</u>
<u>10,536,654</u>	<u>10,421,872</u>	<u>12,411,549</u>	<u>13,245,881</u>	<u>(12,390,711)</u>	<u>12,796,199</u>
<u>2,915,058</u>	<u>2,925,508</u>	<u>3,042,063</u>	<u>3,040,868</u>	<u>3,309,313</u>	<u>3,621,312</u>
<u>3.61</u>	<u>3.56</u>	<u>4.08</u>	<u>4.36</u>	<u>3.74</u>	<u>3.53</u>

City of Redding
Water Revenue Bond Coverage
Last Ten Fiscal Years

	Fiscal Year Ending			
	2001	2002	2003	2004
Operating Revenue	9,049,847	10,312,158	11,314,044	12,174,497
Other Revenue	62,249	234,782	137,302	139,532
Interest Revenue	657,277	614,900	478,117	207,585
Adjusted Revenue	<u>9,769,373</u>	<u>11,161,840</u>	<u>11,929,463</u>	<u>12,521,614</u>
25% of Adjusted Revenue	2,442,343	2,790,460	2,982,366	3,130,404
Actual Connection Fees	1,054,555	1,305,576	1,884,456	1,506,985
Allowable Connection Fees	<u>1,054,555</u>	<u>1,305,576</u>	<u>1,884,456</u>	<u>1,506,985</u>
Total Revenue	<u>10,823,928</u>	<u>12,467,416</u>	<u>13,813,919</u>	<u>14,028,599</u>
Operating Expense	(7,809,305)	(8,432,657)	(8,691,621)	(9,472,975)
Add back In-Lieu	536,040	607,830	613,900	739,850
Add back Depreciation/Amortization	1,854,238	1,924,400	1,924,183	2,073,982
Net Operating Expense	<u>(5,419,027)</u>	<u>(5,900,427)</u>	<u>(6,153,538)</u>	<u>(6,659,143)</u>
Net Water Revenues*	<u>5,404,901</u>	<u>6,566,989</u>	<u>7,660,381</u>	<u>7,369,456</u>
Total Debt Service	<u>1,697,930</u>	<u>1,662,060</u>	<u>682,851</u>	<u>1,600,112</u>
Debt Coverage Ratio	<u>3.18</u>	<u>3.95</u>	<u>11.22</u>	<u>4.61</u>

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

Fiscal Year Ending					
2005	2006	2007	2008	2009	2010
11,862,077	12,403,356	13,824,991	14,341,120	13,914,397	13,748,499
291,151	821,377	661,080	209,022	696,967	284,463
506,373	517,974	1,139,710	907,870	734,418	479,524
<u>12,659,601</u>	<u>13,742,707</u>	<u>15,625,781</u>	<u>15,458,012</u>	<u>15,345,782</u>	<u>14,512,486</u>
3,164,900	3,435,677	3,906,445	3,864,503	3,836,446	3,628,122
1,541,114	3,047,465	2,779,003	2,049,142	1,437,290	1,294,343
<u>1,541,114</u>	<u>3,047,465</u>	<u>2,779,003</u>	<u>2,049,142</u>	<u>1,437,290</u>	<u>1,294,343</u>
<u>14,200,715</u>	<u>16,790,172</u>	<u>18,404,784</u>	<u>17,507,154</u>	<u>16,783,072</u>	<u>15,806,829</u>
(9,288,618)	(10,321,364)	(11,397,057)	(12,280,801)	(12,456,147)	(14,044,979)
754,450	455,230	-	-	-	-
2,166,769	2,277,378	2,431,867	2,705,995	3,020,054	3,300,595
<u>(6,367,399)</u>	<u>(7,588,756)</u>	<u>(8,965,190)</u>	<u>(9,574,806)</u>	<u>(9,436,093)</u>	<u>(10,744,384)</u>
<u>7,833,316</u>	<u>9,201,416</u>	<u>9,439,594</u>	<u>7,932,348</u>	<u>7,346,979</u>	<u>5,062,445</u>
<u>1,602,593</u>	<u>1,206,493</u>	<u>1,217,893</u>	<u>1,228,088</u>	<u>1,224,838</u>	<u>1,222,488</u>
<u>4.89</u>	<u>7.63</u>	<u>7.75</u>	<u>6.46</u>	<u>6.00</u>	<u>4.14</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>
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	38,929,919	52,378,818
2008-2009	157,477,449	154,020,919	37,000,967	40,457,497
2009-2010	153,119,347	143,344,316	33,562,914	43,337,945

* 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>
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
9,083,139	5.77	1.48
5,067,968	7.98	0.68
10,110,131	4.29	0.97

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>
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	2,810,455	31,338	7.00
2007-2008	59.82	90,192	2,935,118	32,543	9.30
2008-2009	59.82	90,898	2,992,362	32,920	15.40
2009-2010	59.82	91,561	3,156,382	34,473	15.30

- 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

<u>Employer</u>	2010			2001		
	Employees	Rank	Percentage of Total Area Employment	Employees	Rank	Percentage of Total Area Employment
Shasta County	* 1,924	1	2.64%	1,800	1	2.54%
Mercy Medical Center	1,600	2	2.20%	1,570	2	2.21%
City of Redding	** 822	3	1.13%	749	5	1.06%
Shasta Community College	700	4	0.96%			
Shasta Regional Medical Center	600	5	0.82%			
Blue Shield of California	470	6	0.65%			
Wal Mart	400	7	0.55%			
Redding Rancheria	310	8	0.43%	425	9	0.60%
United States Post Office	300	9	0.41%			
Shascade	250	10	0.34%			
Redding Medical Center				1,209	3	1.71%
Shasta Nursery				850	4	1.20%
Sierra Pacific Industries				650	6	0.92%
J & A Food Service				600	7	0.85%
Plainwell Paper Co.				452	8	0.64%
Holiday Markets				425	9	0.60%
Total	<u>7,376</u>			<u>8,730</u>		

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

** Full-time budgeted positions.

In 2009-10 there were 822 full-time and 321 part-time/temporary positions filled.

In 2000-01 there were 749 full-time and 223 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 2001 ranking is primarily based upon what was reported in the 2001 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 Seven Fiscal Years*

<u>Function/Program</u>	Budgeted Full-time Employees						
	at June 30,						
	2004	2005	2006	2007	2008	2009	2010
General Government	109	106	106	107	106	104	90
Police	165	167	171	172	173	167	150
Fire	78	81	81	81	84	81	80
Public Works	57	64	66	61	69	69	67
Planning	47	47	47	52	52	45	39
Recreation and Culture	29	29	29	28	29	27	25
Community Development	24	24	24	24	22	23	22
Electric	162	166	168	169	174	180	183
Water	30	30	30	31	27	27	28
Wastewater	29	29	31	32	31	31	32
Storm Drainage	5	4	4	5	6	6	5
Solid Waste	73	76	77	78	80	81	81
Transportation	7	7	7	7	7	7	7
Convention Center	13	13	13	13	13	12	13
	828	843	854	860	873	860	822

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

Source: City of Redding Personnel Division

CITY OF REDDING
Capital Asset Statistics by Function/Program
Last Seven Fiscal Years*

<u>Function/Program</u>	Fiscal Year Ended June 30,						
	2004	2005	2006	2007	2008	2009	2010
Police							
Stations	1	1	1	1	1	1	1
Patrol units	38	38	38	39	40	40	38
Fire stations	7	7	8	8	8	8	8
Public works							
Streets (miles)	442.0	449.0	450.5	454.0	462.5	464.0	464.0
Streetlights	6,805	6,959	7,134	7,270	7,450	7,517	7,568
Recreation and culture							
Maintained trails (miles)	48	56	60	61	62	62	62
Parks acreage (improved)	580	582	585	588	590	593	593
Parks acreage (unimproved)	405	403	400	406	428	425	487
Electric							
Transmission system (miles)	666	680	685	697	704	704	705
Water							
Length of water mains	553.2	558.8	562.5	485	550	556	558
Wastewater							
Sewer lines (miles)	395	399	405	409	423	426	430
Solid Waste							
Collection trucks	32	32	32	32	32	32	32
Storm Drainage							
Length of system (miles)	306	356	402	413	429	433	440.5
Catch basins	5,883	7,273	8,076	8,777	9,328	10,041	10,253
Transportation							
Buses	22	21	20	19	16	17	17
Convention center							
Convention Centers	1	1	1	1	1	1	1

* Data prior to the 2003-04 fiscal year is not readily available
Source: City of Redding

City of Redding
Operating Indicators by Function/Program
Last Seven Years*

<u>Function/Program</u>	Fiscal Year-Ended June 30,		
	2004	2005	2006
Police			
Calls for service	80,378	83,601	84,380
Felony arrests	2,225	2,327	2,527
Misdemeanor arrests	4,473	4,403	4,816
Total arrests	6,698	6,730	7,343
Fire			
Fire, explosion	338	428	468
Rescue, emergency medical call	4,254	7,551	6,966
Fire safety inspections	3,130	3,210	3,038
Public Works			
Miles of roadway resurfaced	3.0	5.5	5.6
Miles of roadway slurry sealed	18.7	16.7	15.5
Planning			
Number of building permits issued	4,250	4,234	4,679
Recreation and Culture			
Recreation Division programs	1,520	1,730	2,065
Program participants	11,360	11,946	13,077
Community Development			
Number of households assisted (Rental Assistance)	1,425	1,393	1,394
Owner occupied loans made for rehabilitation/purchase	18	12	18
Rental loans/grants for rehabilitation/purchase	20	19	111
Electric			
Electric customers billed monthly	40,929	41,342	42,123
Average sustained outages per customer per year	0.50	0.28	0.28
System average retail rates	8.8	9.2	9.5
Water			
Water produced (acre ft.)	29,186	26,159	27,036
Wastewater			
Totals household equivalents served	38,085	38,413	38,725
Clear Creek dry flow	7.7	7.3	7.7
Stillwater dry flow	2.7	2.4	2.6
Storm Drains			
Percentage of inlets cleaned/maintained (annually)	2.7%	3.0%	1.4%
Solid Waste			
Total waste collected (tons)	96,858	102,703	109,143
Recyclables sales (tons)	11,031	10,424	10,936
Transportation			
Airport passenger movements/enplanements	56,244	63,503	64,197
RABA bus passengers	783,642	772,241	757,204
Convention center			
Number of shows/events	124	112	116
Annual tickets sold/attendance to shows/events	137,823	124,702	109,275

* Data prior to the 2003-04 fiscal year is not readily available
Source: *City of Redding*

2007	2008	2009	2010
85,213	84,981	85,885	84,236
2,665	2,365	2,328	2,524
5,647	6,611	6,957	8,353
8,312	8,976	9,285	10,877
520	477	454	402
9,037	9,166	9,308	9,032
2,989	2,965	3,745	4,590
2.9	0.5	8.0	2.4
11.5	0	26	0
3,887	3,380	2,819	2,634
2,789	2,803	2,807	2,800
13,191	13,547	13,682	13,597
1,364	1,394	1,546	1,470
20	32	55	22
41	6	-	29
42,639	42,810	42,910	43,035
0.35	0.18	0.28	0.43
9.6	10.3	10.9	11.8
29,390	29,486	27,446	25,818
40,506	41,207	42,079	41,523
7.6	7.3	7.5	7.2
2.6	2.5	2.6	2.6
0.9%	1.3%	1.4%	1.4%
107,228	85,305	77,944	78,868
13,760	8,581	8,486	8,447
66,307	63,394	63,205	57,105
728,614	735,568	743,455	723,452
130	135	103	158
133,450	185,926	154,915	160,359

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SUPPLEMENTAL HISTORICAL INFORMATION

CITY OF REDDING

AIRPORTS

Redding Municipal Airport

Redding Municipal Airport serves the regional area of Northern California consisting of approximately 25,000 square miles covering some eight counties. The population served is well over 245,000. Commercial, freight, and passenger services are provided by Horizon Air, United Express Airlines, 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 81,737 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 2009 calendar year, over 114,276 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.

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 99.98 percent electric service availability to its customers.

Redding is presently interconnected with the Northern California 230-kV power grid at two points - Western Area Power Administration's (Western) Keswick Switchyard and the Western/Redding Airport 230/115-kV Substation. Delivery of all power from sources outside of the City is made to Redding at the Keswick Switchyard and Airport Substation. The City owns and operates the 115-kV lines that interconnect the City's 115/12-kV distribution substations to these delivery points. This

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

Design and right-of-way acquisition for distribution service to the Stillwater Business Park was completed in FY08. The Stillwater 115-kV line termination work was completed on August 15, 2008. The 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 2009-10 was a below normal (dry) hydro year and as a result Western provided 21% 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 1996. 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 December 31, 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 July 1, 2011. 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
2006	36,063	6,060	42,123
2007	36,436	6,203	42,639
2008	36,495	6,315	42,810
2009	36,616	6,294	42,910
2010	36,762	6,273	43,035

Source: Utility Billing System Marketing Report of Quarterly NAICS Usage

The total number of electric system customer accounts increased 3 percent during the last five years. The number of residential accounts increased 2 percent, while non-residential accounts increased 4 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; 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 426 miles of interceptor and trunk sewers, seventeen 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 40 MGD, primary and secondary clarification, gravity filtration, chlorination for disinfection and sulfonation for dechlorination prior to discharge into the Sacramento River outfall via a new diffuser system. In addition, a series of eight flow equalization ponds provide raw sewage and/or primary effluent temporary flow storage should the influent flow exceed the capacity of the secondary treatment and filtration processes. Solids handling process include primary and secondary waste sludge streams being mixed, thickened and anaerobically digested. Additional solids treatment can take place in facultative sludge lagoons. 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 Bid Packages. Bid Package I began construction in the fall of 2006. Bid Package II began construction in the fall of 2007. Bid Package III began construction in the spring of 2008. Bid Package IV began construction in the fall of

2008. Bid Package V is currently being evaluated to ensure that equipment and process modification are operationally, environmentally, and fiscally sound while meeting all regulatory requirements. Bid Package VI began construction in the January 2010. This Plant expansion and upgrade is being funded by a loan from the State of California revolving Loan Fund, ARRA Stimulus funds, with repayment through a combination of new connection fee revenue and monthly service charges.

Stillwater Regional Wastewater Treatment Plant.

The 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.

Facility planning for the Plant expansion began in fiscal year 2007-08. The Plant will be expanded to treat an average dry weather flow capacity to 8 MGD and its peak wet weather flow capacity to 24 MGD. This plant expansion project is expected to begin construction in the spring of 2011. This Plant expansion is being funded by Wastewater Utility funds, and a loan from the State of California Revolving Loan Fund, with repayment through a combination of new connection fee revenue and monthly service charges.

Environmental Compliance

The present discharge requirements for the Wastewater System are established by the State of California Regional Water Quality Control Board, Central Valley Region (the "Regional Board") which administers and enforces all federal and State of California discharge requirements. The Regional Board administers regulations promulgated under the National Pollutant Discharge Elimination System by the United States Environmental Protection Agency (the "EPA"). The Clear Creek Wastewater System's present discharge permit was adopted in 2003 and is expected to be renewed in late 2010. 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, 2010. One household equivalent (HE) is the quantity of wastewater produced in the City of Redding by an average single-family residential household, which is 240 gallons per day (GPD). 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

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Residential HEs	27481	28112	29164	29669	30714	30761
Commercial/Industrial HEs	10932	10613	11342	11538	11365	11339
Total System HEs	38413	38725	40506	41207	42079	42100
Annual System Growth	0.86%	0.81%	4.6%	1.7%	2.1%	0.01%

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, 2010

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Clear Creek Plant	7.29	7.73	7.56	7.29	7.5	7.2
Stillwater Plant	2.4	2.6	2.6	2.5	2.6	2.6
Total Wastewater System	9.69	10.33	10.16	9.79	10.1	9.8

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 92,690. 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. It details Redding's principal rights to the Sacramento River. The "Sacramento River" contract permits renegotiation at any time for more or less water subject to need and availability of water in the river. Water to be diverted consists of "base 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 2009-10 delivery from that contract was 5,782 acre-feet. Water charges under this contract total \$48.80 per acre-foot (\$15.00 water cost, \$18.23 restoration fee and \$30.00 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	2005-06	2006-07	2007-08	2008-2009	2009-2010
Number of customers/services	28,301	28,614	27,907 ²	28,051	28,165
Number of new meter sets	693	313	142	154	114
Quantity of water produced (acre feet)	27,036	29,390	29,486	27,446	25,818
Percentage of days water quality met standards	100%	100%	100%	100%	100%
Number of service calls (Includes water quality)	1,479	1,218	1,624	1,333	1,639
Miles of water mains	468	485	550 ³	556	558
Number of main and water service failures/disruptions per year	259	404	346	542	526
Miles of substandard mains	71.1	69.3	44 ⁴	43	42
Number of PB ¹ service breaks	33	16	14	16	27
Number of PB scheduled replacement	86	10	12	14	4
Number of PB services remaining	1,508	1,482	1,424	1,394	1,363
Customers/service connections per employee	943	1,060	1,034	1,122	1,173

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. 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 (FWTP) 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: 1.) one 6 MG covered storage reservoir at the treatment plant--In 2006 the two 1.5 MG pre-stressed concrete reservoirs on Foothill Boulevard were demolished and replaced with a 4 MG steel reservoir with a high water surface of 743 feet; 2.) one 2.0 MG pre-stressed concrete reservoir; and 3.) 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 and in 2008 an additional 2 MGD-capacity well was added.

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 4,575 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 Public Works 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, 2009:

Workload and Performance Measures	2006-07	2007-08	2008-09	2009-10
Miles of Storm Drain Pipe	227.8	235.6	241	240.4
Miles of Channels/Ditches	184.9	193.4	195	191.1
Miles of Maintained Channels/Ditches	41.7	46.2	47	22.31
Number of Inlets	8,777	9,328	10,090	10,253
Number of Outfalls	1,355	1,545	1,665	1,719

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.). The monthly Storm Drain service fees have been frozen since 1993 and are as follows:

Commercial	\$19.07 per impervious acre
Multi-family/Mobile Home	\$0.83 per unit
Residential	\$1.32 per household

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 leadman, two equipment operators and one maintenance worker.

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, which Redding will work under.

OTHER SUPPLEMENTAL INFORMATION



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

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

To the Honorable Mayor and Members of 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, 2010, which collectively comprise the City's basic financial, and have issued our report thereon dated December 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies or material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
December 9, 2010