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Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2012

City of Redding

Redding, California



Comprehensive Annual Financial Report

For the Year ended June 30, 2012

ISSUED BY FINANCE DIVISION

STEPHEN W. STRONG
DIRECTOR OF FINANCE

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For the year ended June 30, 2012
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INTRODUCTORY SECTION



CITY OF REDDING

ADMINISTRATIVE SERVICES DEPARTMENT

FINANCE DIVISION

777 Cypress Avenue, Redding, CA 96001-7775

PO Box 196072, Redding, CA 96049-0072

530.225.4079 FAX 530.225.4324

December 21, 2012

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, 2012. 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.

D. H. Scott & Company, 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, 2012.

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

PROFILE OF THE CITY

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

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

Redding is the county seat for Shasta County and is located on the Sacramento River approximately 160 miles north of Sacramento, the state capital, and 150 miles east of the Pacific Ocean at the northernmost end of the Sacramento Valley. The City has an estimated population of 90,200 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. Under California State law all redevelopment agencies were dissolved as of January 31, 2012. The Redding Redevelopment Agency was dissolved on January 31, 2012 and all excess assets were transferred to a trust. Therefore, the City's Financial Statements only reflect seven months (July 2011 through January 2012) of activity for the Redding Redevelopment Agency.

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 2010 the City's population grew by an average of 1.11 percent. During the last year the City's population growth was .17 percent. The City's population of 90,200 has increased 11.5% 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 2012:

City of Redding			Shasta County	
Year	Population	Annualized Percent Change over Interval	Population	Annualized Percent Change over Interval
1970	16,659	--	77,640	---
1980	41,995	9.69%	119,449	4.40%
1990	66,432	4.69%	147,036	2.10%
2000	80,865	1.99%	163,256	1.05%
2010	89,878	1.11%	177,248	0.85%
2011	90,050	0.19%	177,516	0.15%
2012	90,200	0.17%	177,823	0.17%

Source: 1970-2010 data from U.S. Census; 2012 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 6,566 an increase of approximately 7.3%. The Redding area is expected to maintain approximately 50% of the total Shasta County population because of a variety of factors that will support urban development, including utilities (wastewater, storm drainage, water, electric, and solid waste), employment, regional shopping, transportation services, and reduced commuting.

Housing Costs - Housing in the City is less costly than in many other urban areas in the State of California and on the West Coast. The following table sets forth the median price of housing in other urban areas of California as compared to Shasta County, in which Redding is the largest city, as of June 2012:

Region	Median Home Price
Shasta County	\$177,500
Sacramento	\$172,520
Los Angeles	\$315,390
Orange County	\$567,910
San Francisco	\$741,850

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 2012 are listed in the following table:

<u>Employer</u>	<u>Product/Services</u>	<u>Employees</u>
Shasta County (*)	County Services	1,838
Mercy Medical Center	Medical Facilities/Services	1,600
City of Redding (**)	City Services	773
Shasta Regional Medical Center	Medical Facilities/Services	700
Shasta Community College	Education	650
Oakdale Heights Management	Retirement Apartments/Hotels	580
Walmart	Retail	500
Blue Shield of California	Health Care Insurance	470
Redding Rancheria	Casino/Redding Rancheria	310
United States Post Office	Postal Service	300

(*) Full –time equivalent budgeted positions. This includes employees who work outside of the City.
 (**) Full-time budgeted positions. In 2011-12 there were 701 full-time and 350 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 13.0 percent on June 30, 2012. 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 2002 through June 2012:

<u>Fiscal Year</u> <u>Ending June</u>	<u>Labor Force</u>	<u>Unemployment</u>	
		<u>Number</u>	<u>Rate</u>
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	85,300	12,400	14.5%
2010	* 85,100	12,900	15.1%
2011	* 82,800	12,400	14.9%
2012	84,700	11,100	13.0%

Source: State Department of Employment (*Years 2010-2011 Revised)

Construction Activity - For the past ten calendar years ending December 2011, the City issued building permits valued at a total of \$1,292,291,620. New construction over the ten-year period represents 68.94% of the total construction activity. For the 2011 calendar year 1,213 building permits were issued, with a total permit valuation of \$14,531,472. Over the past four years permit activity has declined. Following overall statewide trends, year 2011 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:

	2008	2009	2010	2011
Value Single Family*	\$38,725,138	\$17,937,903	\$9,037,810	\$2,263,009
Number of Permits	190	94	44	11
Value Multi-dwellings	\$9,401,692	\$1,455,742	\$2,321,578	\$1,007,088
Number of Permits(1)	5	8	30	4
Number of Units	214	21	21	12
Value Business	\$21,086,685	\$19,730,416	\$10,595,061	\$80,000
Number of Permits	31	17	12	1
Value Total all Permits	\$103,108,670	\$58,940,655	\$33,648,870	\$14,531,472
Total Permits**	3,146	2,665	1,256	1,213

* 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 \$1.7 billion in calendar year 2011, a 7.3% increase over the same period for 2010.

Year	Taxable Transactions (In Thousands)	Taxable Transactions Percentage Increase (Decrease)
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%
2010	1,614,631	0.7%
2011	1,732,786	7.3%

Source: California State Board of Equalization

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

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

Redding Area Bus Authority (RABA) is the City's multi-bus transportation system and offers thirteen different fixed routes, rural service and demand response (curb-to-curb) services. RABA had an average total monthly ridership of approximately 67,696 for fiscal year 2011-12.

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, 9 middle/junior high schools, 12 charter schools, 2 regional occupation programs and 16 high schools. There are several higher educational institutions in the immediate area offering bachelor and master's degrees: Chico State University Center for Regional and Continuing Education (located in the Health Science & University Center, downtown Redding), National University, Simpson University, and Shasta Bible College & Graduate School. Shasta Community College, a two-year institution, offers both day and evening courses to over 12,700 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 620 developed acres. Included in this total acreage are 198 acres of natural area parks (improved open space), 63.46 miles of trails, and 15 special purpose facilities. Among these special purpose facilities are the Redding 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 2,300 staff members. In addition, the City also has several specialized hospitals.

LONG-TERM FINANCIAL PLANNING

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

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

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

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

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

FEDERAL GRANTS SINGLE AUDIT APPROACH

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

As a recipient of Federal, State, and County financial assistance, the City of Redding is responsible for implementing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. The results of the City of Redding's single audit for the fiscal year ended June 30, 2012 provided no instances of material weaknesses in the internal control structure or significant violation of applicable laws and regulations.

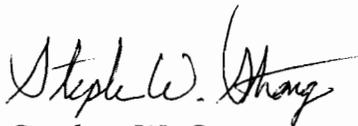
CERTIFICATE OF ACHIEVEMENT

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, 2011. This was the 28th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

I would like to take this opportunity to thank the members of the Audit Committee and the City Council for their cooperation and support in conducting the financial operations of the City in a responsible and progressive manner. Appreciation is also expressed to all City departments who contributed information provided in this financial report and the Finance Department's staff who made this presentation possible. In addition, I would like to extend a special thanks and recognition to Dennice Maxwell, Finance Officer, who was primarily responsible for the coordination of the audit and preparation of the financial report. It is the combined effort of all participants that resulted in the issuance of this document.



Stephen W. Strong
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redding
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



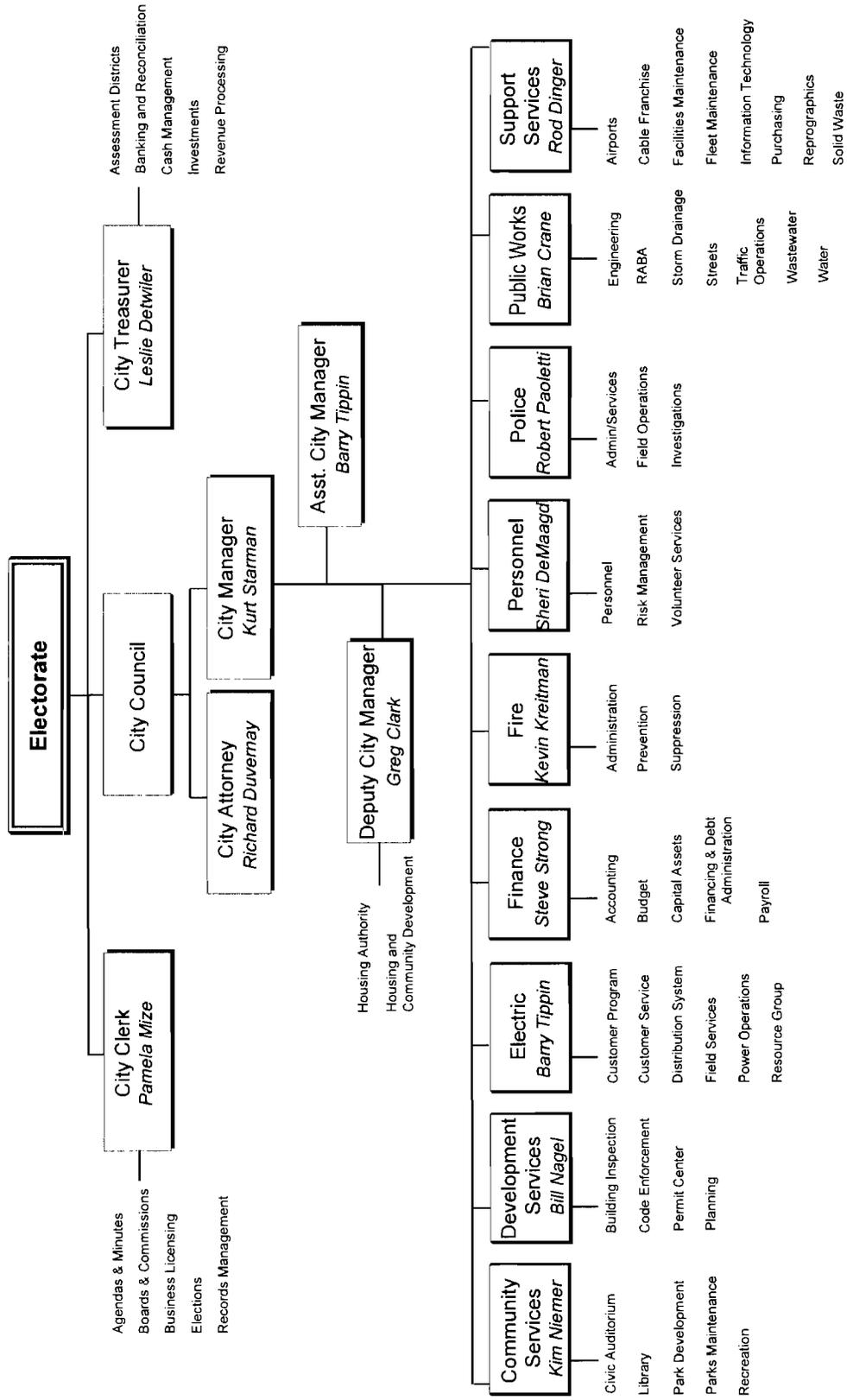
Linda C. Davison

President

Jeffrey R. Emer

Executive Director

City of Redding Organization Chart



Effective 7/10/12

MUNICIPAL OFFICIALS

City Council

Mayor..... Dick Dickerson
Vice Mayor Rick Bosetti
Council Member..... Patrick H. Jones
Council Member..... Missy McArthur
Council Member..... Francie Sullivan

Administrative Personnel

City Manager..... Kurt Starman
Assistant City Manager..... Barry Tippin
Deputy City Manager Greg Clark
City Attorney..... Richard Duvernay
City Clerk..... Pamela Mize
City Treasurer Leslie Detwiler
Director of Community Services..... Kim Niemer
Director of Development Services..... Bill Nagel
Director of Electric Barry Tippin
Director of Finance Steve Strong
Director of Personnel Sheri DeMaagd
Director of Public Works..... Brian Crane
Director of Support Services..... Rod Dinger
Fire Chief Kevin Kreitman
Police Chief Robert Paoletti

FINANCIAL SECTION

David H. Scott, CPA
a professional corporation
Keith E. Hunting, CPA
Vivian R. Piche', CPA
Paul J. Cananese, CPA, M.B.A.
a professional corporation
Larry Dahl, CPA

REPORT OF INDEPENDENT AUDITORS

Gerald R. Ladina, CPA

Honorable Mayor and Members
of the City Council
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, 2012, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 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, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 19 through 37, 137 through 139, and 156 through 177 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, statistical section and the schedule of expenditures of passenger facility charges are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of passenger facility charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

D. H. Scott & Company LLP

Redding, California
December 20, 2012

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, 2012. 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 39).

FINANCIAL HIGHLIGHTS

- The City's net assets increased by \$18.8 million. The governmental net assets increased by \$5.5 million and the business-type net assets increased by \$13.3 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$74 million, a Decrease of \$36.5 million in comparison with the prior year. Only 7.2% of this total amount, \$5.3 million, is unassigned.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$5.6 million, or 9.1% of the total General Fund expenditures. The total General Fund balance at the end of the current fiscal year was \$10.2 million, or 16.6% of total General Fund expenditures. This is a \$0.4 million increase from the prior year.
- The City's total debt decreased by \$33.8 million (net of bond premiums, discounts and unamortized losses on defeased debt) during the year ending June 30, 2012. The decrease is primarily due to the elimination of redevelopment agencies in the State, which resulted in the transfer of \$42.8 million of redevelopment debt from the City to a successor agency. In addition the City made \$16.3 million in regular scheduled debt payments. The City also incurred \$1.4 million in a loan for street improvements and issued \$23.8 million in State loans for wastewater treatment plant upgrades.

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 (all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012), 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 42-45 of this report.

Fund Financial Statements

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

Governmental Funds: These funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains nineteen individual governmental funds (eight of these funds related to the redevelopment agency of the City, which was eliminated during the year). 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 49-55 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 57-67 of this report.

Fiduciary Funds: The City maintains agency funds and a Private-purpose Trust Fund. These funds are used to account for resources held for other parties outside the government. These funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City’s own programs. Only a separate statement of net assets is presented, since assets equal liabilities.

The basic fiduciary fund financial statement can be found on pages 71-73 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 75-134 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 three 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 2012, net assets changed as follows (all amounts are in thousands):

	Governmental Activities	Business Activities	Total
Beginning Net Assets	\$359,113	\$365,007	\$724,120
Increase Net Assets	5,486	13,355	\$18,841
Ending Net Assets	<u>\$364,599</u>	<u>\$378,362</u>	<u>\$742,961</u>

The City’s total net assets increased by 2.6% from a year ago, increasing from \$724 million to \$743 million. Net assets from governmental activities increased by 1.5% and net assets from business activities increased by 3.7%. The \$5.5 million increase in net assets from governmental activities is primarily due to a \$10.4 million extraordinary gain recognized due to the elimination of redevelopment agencies.

The \$13.4 million increase in net assets from business-type activities is primarily due to funds being accumulated for current and future capital projects, especially the Waste Water Utility Fund.

The following schedule displays a summary breakdown of the City's net assets as of June 30, 2012 and 2011:

	Net Assets (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$113,811	\$154,430	\$165,633	\$145,583	\$279,444	\$300,013
Capital Assets, net	339,716	340,480	513,743	500,577	853,459	841,057
Total Assets	<u>453,527</u>	<u>494,910</u>	<u>679,376</u>	<u>646,160</u>	<u>1,132,903</u>	<u>1,141,070</u>
Current Liabilities	17,185	17,031	38,607	25,507	55,792	42,538
Long Term Liabilities	71,743	118,766	262,407	255,646	334,150	374,412
Total Liabilities	<u>88,928</u>	<u>135,797</u>	<u>301,014</u>	<u>281,153</u>	<u>389,942</u>	<u>416,950</u>
Net Assets:						
Invested in capital assets, net of related debt	303,499	303,838	263,727	266,570	567,226	570,408
Restricted	43,831	53,687	18,929	17,363	62,760	71,050
Unrestricted	17,269	1,588	95,706	81,074	112,975	82,662
Total Net Assets	<u>\$364,599</u>	<u>\$359,113</u>	<u>\$378,362</u>	<u>\$365,007</u>	<u>\$742,961</u>	<u>\$724,120</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 \$743 million at the June 30, 2012. Most of the City's net assets (76%) 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, (8%) represent resources that are subject to external restrictions as to how they may be used. The remaining balance of \$113 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 \$17.3 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	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for service	\$ 11,668	\$ 10,978	\$ 225,586	\$ 225,938	\$ 237,254	\$ 236,916
Operating grants	17,033	19,757	4,451	5,182	21,484	24,939
Capital grants and contributions	6,854	19,709	13,337	9,369	20,191	29,078
General Revenues						
Sales Tax	19,755	19,158			19,755	19,158
Property Tax	22,435	30,583			22,435	30,583
Investment earnings	821	1,102	1,251	1,150	2,072	2,252
Other	7,024	5,997	1	1	7,025	5,998
Total Revenues	<u>85,590</u>	<u>107,284</u>	<u>244,626</u>	<u>241,640</u>	<u>330,216</u>	<u>348,924</u>
Expenses:						
General Government	7,217	5,279			7,217	5,279
Police	25,838	26,270			25,838	26,270
Fire	16,780	16,236			16,780	16,236
Public Works	12,732	9,639			12,732	9,639
Planning	3,533	3,689			3,533	3,689
Recreation and Culture	10,987	10,744			10,987	10,744
Community Development	14,133	18,534			14,133	18,534
Interest on Long-Term Debt	3,459	4,900			3,459	4,900
Electric			159,457	165,228	159,457	165,228
Water			15,975	14,575	15,975	14,575
Wastewater			17,908	16,889	17,908	16,889
Storm Drainage			2,255	2,492	2,255	2,492
Solid Waste			19,954	18,877	19,954	18,877
Transportation			9,916	10,451	9,916	10,451
Convention Center			1,642	2,457	1,642	2,457
Total Expenses	<u>94,679</u>	<u>95,291</u>	<u>227,107</u>	<u>230,969</u>	<u>321,786</u>	<u>326,260</u>
Increase in net assets before transfers and extraordinary gain	(9,089)	11,993	17,519	10,671	8,430	22,664
Extraordinary gain	10,410	-	-	-	10,410	-
Transfers	4,164	4,153	(4,164)	(4,153)		
Increase in net assets	5,485	16,146	13,355	6,518	18,840	22,664
Net assets July 1	359,113	342,967	365,007	358,489	724,120	701,456
Net assets June 30	<u>\$ 364,598</u>	<u>\$ 359,113</u>	<u>\$ 378,362</u>	<u>\$ 365,007</u>	<u>\$ 742,960</u>	<u>\$ 724,120</u>

Governmental Activities

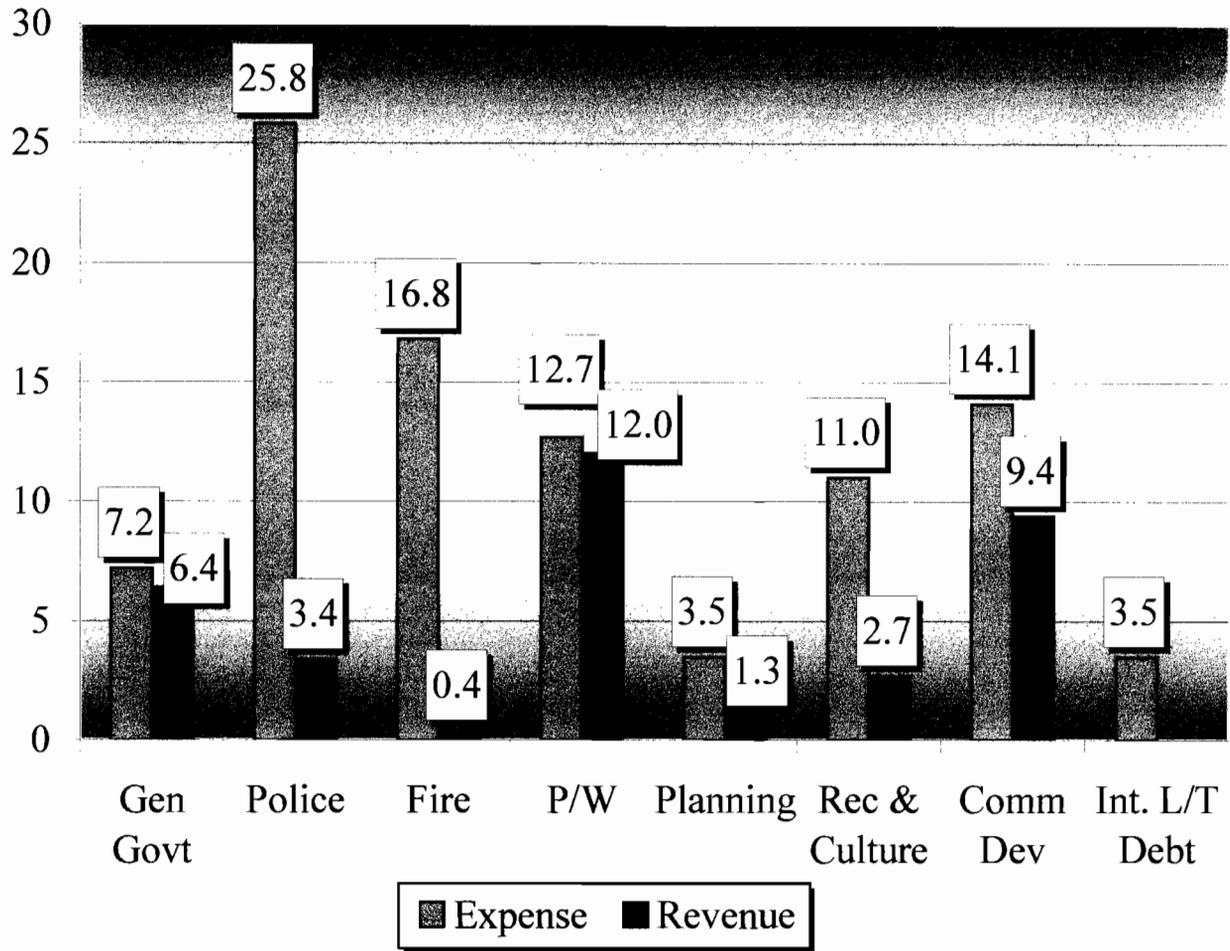
The governmental activities program expenses exceed program revenues by \$59.1 million; however, general revenues and transfers were \$64.6 million resulting in an increase in governmental activities net assets of \$5.5 million. This increase accounted for 29% of the total growth in the net assets of the City.

Property taxes decreased by 27% from the prior year. The large decrease is due to the elimination of redevelopment agencies in California as of January 31, 2012. The City of Redding has in the past and through January 31, 2012 reported a redevelopment agency within the reporting entity of the City as a blended component unit. During the fiscal year only the first installment of property tax was allocated to the City's redevelopment agency as it was received prior to January 31, 2012. The second installment (approximately \$8 million) was not due to be paid until May of 2012 and therefore was not allocated to the dissolved City's redevelopment agency, resulting in lower property taxes being received in fiscal year 2011-12. In future years neither installment related to the redevelopment agency will be received by the City.

Capital grants and contributions decreased by \$129 million primarily due to the completion in fiscal year 2011 of the Cypress Street Bridge project, which was a \$70 million, three year project primarily funded through Federal bridge funds.

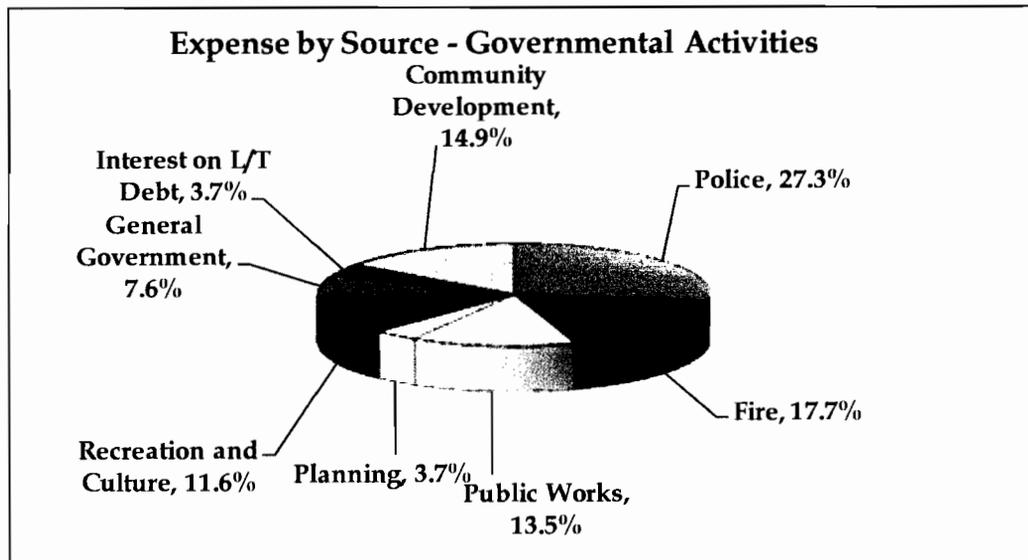
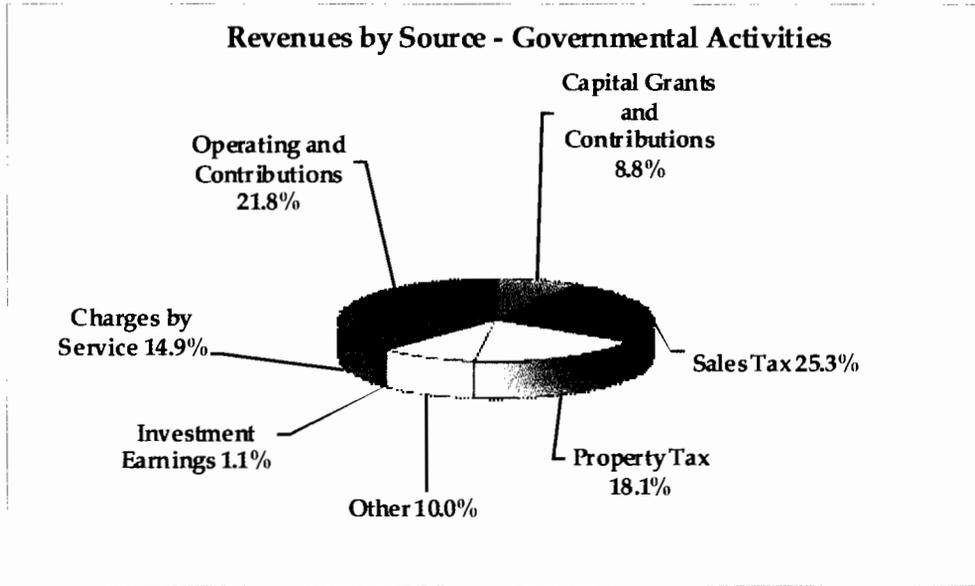
The largest decrease in expenses was in the community development category, which decreased by \$4.4 million. The decrease in community development was due to the elimination of redevelopment agencies as of January 31, 2012, as described above.

Expenses and Program Revenues - Governmental Activities (in millions)



As shown in the expenses and program revenue graph above, Public Works expense only exceeded program revenues by \$0.7 million. The reason revenues are only slightly less than expenses are that program revenues from Public Works include \$6.3 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 increase the City's net assets by \$13.4 million. Key elements of this increase are as follows:

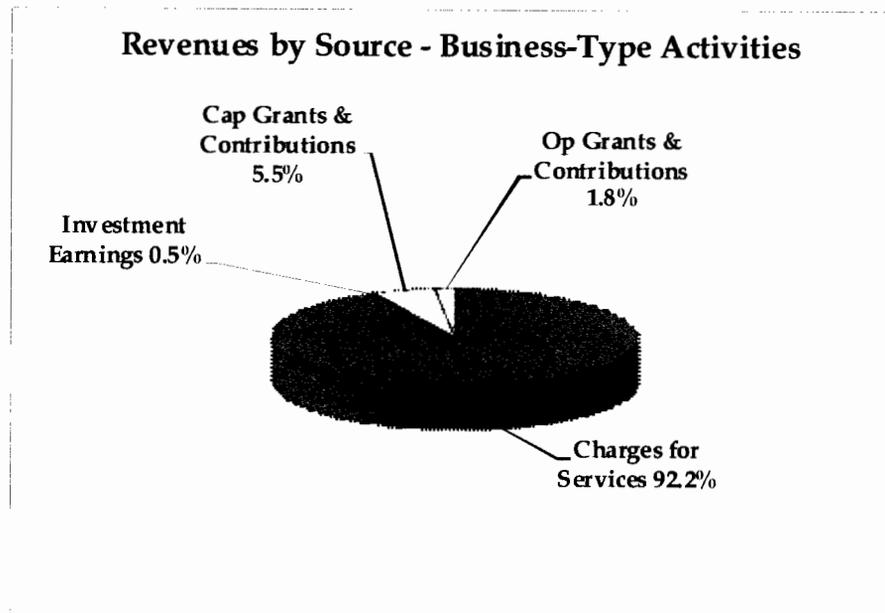
- Revenues exceed expenses for water and wastewater as funds are being accumulated for current and future capital projects. Electric revenues exceeded expenses due to favorable weather conditions which resulted in higher use of hydro power (which is less expensive than other forms of power available) than was originally anticipated.

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	
	2012	2011	2012	2011	2012	2011
Electric	\$164,741	\$169,161	\$159,457	\$165,227	\$5,284	\$3,934
Water	16,695	16,154	15,975	14,575	720	1,579
Wastewater	27,896	21,142	17,908	16,889	9,988	4,253
Storm Drainage	1,436	1,577	2,255	2,492	(819)	(915)
Solid Waste	19,285	19,106	19,954	18,877	(669)	229
Transportation	13,090	12,743	9,916	10,451	3,174	2,292
Convention Center	231	604	1,642	2,457	(1,411)	(1,853)
Investment Earnings	1,251	1,150	-	-	1,251	1,150
Transfers	(4,164)	(4,153)	-	-	(4,164)	(4,153)
Other	1	1	-	-	1	1
Total	240,462	237,485	227,107	230,968	13,355	6,517

The Wastewater change in net assets increased \$4.3 million from the prior year primarily due to \$5.9 million in grants received from the State of California for improvements to the wastewater treatment facility.



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 (92.2%) 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, unassigned 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, 2012, the City's governmental funds reported combined ending fund balances of \$73.9 million, a decrease of \$36.5 million in comparison to June 30, 2011. The large decrease in fund balance during the fiscal year is primarily due to the dissolution of the City's redevelopment agency on January 31, 2012, as discussed above. The June 30, 2012 fund balance of \$73.9 million only has 7.2% of this total (\$5.3 million) as unassigned fund balance. Unassigned fund balance is available for spending at the government's discretion, without changing any current planned expenditures. The remainder of fund balance is nonspendable (\$1.8 million), restricted by outside sources (\$65.3 million) or already intended to be used by the City for a specific purpose (assigned fund balance, \$1.5 million).

The General Fund is the chief operating fund of the City. At June 30, 2012, unassigned fund balance was \$5.6 million. As a measure of the General Fund's liquidity, it may be useful to

compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 9.1% of the total General Fund expenditures, while total fund balance represents 16.6% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$0.4 million during the year ended June 30, 2012.

General Fund revenues decreased \$0.4 million and expenditures also decreased by \$1.4 million from FYE 2011 to 2012. The decrease in revenue was due primarily to a decrease in property taxes of \$0.8 million (5.4%) due to lower property values. Tax rates were not changed during the year.

The \$1.4 million decrease in expenditures is due to the City reducing costs. Due to the weak economy the City was forced to make 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.

Other financing sources increased by \$0.8 million. The increase is due primarily to an increase in net transfers.

The Capital Project Fund accounts for the financing and construction activities of the City. At June 30, 2012, the restricted fund balance was \$17.1 million. Restricted fund balance represents 150% of the total Capital Project Funds expenditures, while total fund balance represents 151% of the total Capital Project Fund expenditures.

The fund balance of the City's Capital Project Fund decreased \$4.2 million during the year ended June 30, 2012.

Capital Project Fund revenues decreased \$16.2 million and expenditures decreased \$11.7 million. The decrease in revenue was due to decreased revenues from grants due to completion of capital projects.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following schedule shows the changes in net 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, 2011	Changes in Net Assets	Net Assets June 30, 2012
Electric Utility	\$107,124	226	\$107,350
Water Utility	\$78,747	1,158	\$79,905
Wastewater Utility	\$106,124	10,285	\$116,409
Solid Waste Collection/Disposal	\$31,428	176	\$31,604

Net Assets - Restricted and Unrestricted
Major Proprietary Funds as of June 30, 2012
(in thousands)

	Invested in Capital Assets, Net of Related Debt	Restricted Net Assets	Unrestricted Net Assets	Total Net Assets
Electric Utility	\$49,340	-	58,010	\$107,350
Water Utility	\$62,239	18	17,648	\$79,905
Wastewater Utility	\$84,267	16,023	16,119	\$116,409
Solid Waste Collection/Disposal	\$17,956	-	13,648	\$31,604

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, 2012 was the second year of the two-year budget process. Differences between the original General Fund budget and the amended General Fund budget expenditures are shown below:

General Fund Original and Amended Budget
(in thousands)

	Original	Amended	Increase (Decrease)
General Government	\$ 5,411	\$ 5,627	\$ 216
Public Safety:			
Police	24,835	26,038	1,203
Fire Safety	16,243	16,397	154
Public Works	8,911	8,767	(144)
Planning	3,289	3,372	83
Recreation and culture	4,194	4,429	235
Principal payments	1,359	1,511	152
Interest payments and bond costs	1,458	1,555	97
Total Expenditures	<u>\$ 65,700</u>	<u>\$ 67,696</u>	<u>\$ 1,996</u>

As shown in the previous table, the General Fund's original budget was amended up by \$2.0 million or approximately 3.0%. The reasons for this increase are as follows:

- The Police budget increased by \$1.3 million due to grants and grant type agreements approved and received after the budget was originally adopted. It is the City policy not to include grant expenditures in the original adopted budget if grant approval has not been finalized. These grants were for drug enforcement, traffic enforcement, police officers and school resource officers along with other Police related activities.
- The City does not include rolling stock appropriations in its original budget. It is a Council policy to maintain a rolling stock fund separate from the General Fund which departments, with the City Manager approval, can transfer funds to the General Fund and amend the adopted budget for the transfers. During the year departments' budgets were increased by \$0.7 million due to these rolling stock transfers.
- The budget was amended for other revenue additions, but this amount was offset overall by reductions due to personnel savings.

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, 2012, totaled \$853 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 \$12.4 million (a 0.2% decrease for governmental activities and 2.6% for business-type activities).

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

- Developers added an estimated \$0.9 million of water, wastewater, electric, storm drainage improvements, streets, sidewalks and traffic signals.
- Electric Utility spent \$1.6 million in the current year on the generation plant project.
- The City spent \$1.2 million in the current year on the \$72 million Cypress Bridge Project.
- \$16.8 million was spent on the Clear Creek Wastewater expansion project.
- \$1.9 million was spent on the roundabout at Old Alturas/Shasta View intersection.
- \$1.6 million was spent on the Westside Interceptor - Phase II
- \$5.5 million was spent on the Stillwater 1b - South Bridge project.

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	\$ 28,453	\$ 2,125	\$ (948)	\$ -	\$ 29,630
Construction in process	10,623	11,063	(47)	(10,162)	11,477
Total capital assets, not being depreciated	39,076	13,188	(995)	(10,162)	41,107
Capital assets, being depreciated:					
Buildings	56,815	-	(1,456)	61	55,420
Improvements other than buildings	99,537	16	-	1,715	101,268
Infrastructure	249,899	184	-	8,076	258,159
Automotive equipment	10,599	1,178	(823)	259	11,213
Furnishings and equipment	7,540	123	(113)	275	7,825
Assets under capital lease:					
Furnishings and equipment	325	-	-	-	325
Automotive equipment	1,588	-	-	(341)	1,247
Total capital assets, being depreciated	426,303	1,501	(2,392)	10,045	435,457
Less accumulated depreciation for:					
Buildings	(20,867)	(1,731)	1,456	-	(21,142)
Improvements other than buildings	(37,525)	(4,153)	-	-	(41,678)
Infrastructure	(52,340)	(6,810)	-	-	(59,150)
Automotive equipment	(8,298)	(693)	742	(310)	(8,559)
Furnishings and equipment	(4,968)	(643)	107	-	(5,504)
Assets under capital lease:					
Furnishings and equipment	(255)	(15)	-	-	(270)
Automotive equipment	(647)	(190)	-	292	(545)
Total accumulated depreciation	(124,900)	(14,235)	2,305	(18)	(136,848)
Total capital assets, being depreciated, net	301,403	(12,734)	(87)	10,027	298,609
Governmental activities capital assets, net	\$ 340,479	\$ 454	\$ (1,082)	\$ (135)	\$ 339,716

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	\$ 17,905	\$ 518	\$ -	\$ -	\$ 18,423
Construction in progress	110,740	34,759	(19)	(97,221)	48,259
Total capital assets, not being depreciated	<u>128,645</u>	<u>35,277</u>	<u>(19)</u>	<u>(97,221)</u>	<u>66,682</u>
Capital assets, being depreciated:					
Utility plants	596,564	737	(852)	94,218	690,667
Buildings	48,778	-	-	285	49,063
Improvements other than buildings	40,551	32	-	1,095	41,678
Automotive equipment	33,726	3,093	(2,893)	82	34,008
Furnishings and equipment	13,725	457	(168)	1,638	15,652
Assets under capital lease:					
Furnishings and equipment	4,735	-	-	-	4,735
Total capital assets, being depreciated	<u>738,079</u>	<u>4,319</u>	<u>(3,913)</u>	<u>97,318</u>	<u>835,803</u>
Less accumulated depreciation for:					
Utility plants	(281,545)	(19,239)	444	-	(300,340)
Buildings	(26,772)	(1,262)	-	-	(28,034)
Improvements other than buildings	(28,591)	(1,843)	-	-	(30,434)
Automotive equipment	(16,898)	(2,310)	2,184	18	(17,006)
Furnishings and equipment	(11,759)	(616)	168	-	(12,207)
Assets under capital lease:					
Furnishings and equipment	(582)	(139)	-	-	(721)
Total accumulated depreciation	<u>(366,147)</u>	<u>(25,409)</u>	<u>2,796</u>	<u>18</u>	<u>(388,742)</u>
Total capital assets, being depreciated, net	<u>371,932</u>	<u>(21,090)</u>	<u>(1,117)</u>	<u>97,336</u>	<u>447,061</u>
Business-type activities capital assets, net	<u>\$ 500,577</u>	<u>\$ 14,187</u>	<u>\$ (1,136)</u>	<u>\$ 115</u>	<u>\$ 513,743</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, 2011	Additional Transfers	Reductions	Balance June 30, 2012
Governmental Activities:				
Capital leases Payable	\$ 567	\$ -	\$ 179	\$ 388
Lease Revenue Bonds	42,719	-	2,697	40,022
Redevelopment Bonds	45,360	-	45,360	-
Special assessment debt	1,379	-	282	1,097
Loan	316	1,402	358	1,360
State Loans	-	-	-	-
Total Government Activities	<u>90,341</u>	<u>1,402</u>	<u>48,876</u>	<u>42,867</u>
Business-Type Activities				
State Loan Payable	44,288	23,828	2,754	65,362
Revenue Bonds	25,641	-	2,918	22,723
Certificates of participation	178,160	-	5,380	172,780
Capital leases	3,238	-	307	2,931
Total Business-Type Activities	<u>251,327</u>	<u>23,828</u>	<u>11,359</u>	<u>263,796</u>
Total outstanding long-term debt	<u>\$ 341,668</u>	<u>\$ 25,230</u>	<u>\$ 60,235</u>	<u>\$ 306,663</u>

The City's total debt decreased by \$33.8 million (net of bond premiums, discounts and unamortized losses on defeased debt) during the year ending June 30, 2012. The decrease is primarily due to the elimination of redevelopment agencies in the State, which resulted in the transfer of \$42.8 million of redevelopment debt from the City to a successor agency. In addition the City made \$17.4 million in regular scheduled debt payments. The City also incurred \$1.4 million for a loan for street improvements and issued \$23.8 million in State loans for wastewater treatment plant upgrades.

Currently, the City's legal debt margin is \$260 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 11 on pages 106-113 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 13% in 2012.
- Inflationary trends in the region compare favorably to national indices.
- Overall tax revenue for the City's General Fund decreased by 0.4% during the year (excluding redevelopment taxes). This was primarily due to decreases in property values. Taxable sales within the City increased by 3.1%, resulting in increased sales taxes. Tax rates were not changed. The City expects sales tax revenue will increase by 3.5% in fiscal year 2012-13. It is expected property tax revenue will decrease slightly in fiscal year 2012-13.
- Building activity in the City continued to below historic averages in fiscal year 2012 and the City expects it to remain below the historical average during the fiscal year 2012-13.
- The economy will remain slow in fiscal year 2012-13.

All of these factors will be considered in preparing the City's budget for the 2012-13 fiscal year.

During the current fiscal year, fund balance in the General Fund increased by \$0.4 million to \$10.2 million. The City anticipates increasing the General Fund balance slightly in fiscal year ending 2013. 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 all planned for rate increases when their biennial budgets were built. These rate increases are subject to City Council approval.

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, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 36,310,853	\$ 104,946,696	\$ 141,257,549
Receivables:			
Interest	2,849,787	269,176	3,118,963
Accounts, net	935,393	25,981,061	26,916,454
Taxes	5,329,567	-	5,329,567
Current intergovernmental	10,169,166	4,251,003	14,420,169
Notes	35,973,674	-	35,973,674
Special assessments	1,214,498	-	1,214,498
PacifiCorp Energy	-	3,020,525	3,020,525
Other	868,105	-	868,105
Internal balances	11,286,535	(11,286,535)	-
Inventories	364,182	7,775,508	8,139,690
Prepaid items	1,195,671	1,324,578	2,520,249
Deposits	-	6,500,000	6,500,000
Assets held for sale	-	-	-
Restricted assets:			
Cash and investments	6,242,414	4,740,919	10,983,333
Interest receivable	175	141	316
Taxes receivable	-	-	-
Power acquisition costs, net		1,055,964	1,055,964
Prepaid purchase cost		1,710,000	1,710,000
Long-term receivable	235,881	-	235,881
Financing costs, net	835,325	635,756	1,471,081
Capital assets:			
Land and construction in progress	41,107,800	66,682,259	107,790,059
Other capital assets, net of depreciation	298,608,047	447,060,884	745,668,931
Investment in JPA	-	1,137,732	1,137,732
Storage base gas	-	13,570,000	13,570,000
Total assets	453,527,073	679,375,667	1,132,902,740

(Continued)

See accompanying Notes to Basic Financial Statements.

City of Redding
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
LIABILITIES			
Accounts payable	\$ 1,165,591	\$ 12,508,437	\$ 13,674,028
Accrued liabilities	1,102,704	806,710	1,909,414
Intergovernmental payable	638,087	2,870,801	3,508,888
Accrued interest payable	581,777	1,233,911	1,815,688
Unearned revenue	575,629	3,241,404	3,817,033
Deposits	171,997	5,141,760	5,313,757
Accounts payable from restricted	296,315	-	296,315
Arbitrage payable	-	-	-
Landfill closing costs, due within one year	-	100,000	100,000
Claims and judgements payable, due within one year	3,960,583	-	3,960,583
Compensated absences, due within one year	3,056,289	1,604,480	4,660,769
Long-term debt, due within one year	3,379,254	11,099,454	14,478,708
Landfill closing costs, due in more than one year	-	1,183,824	1,183,824
Claims and judgements payable, due in more than one year	9,288,872	-	9,288,872
Accrued compensated absences, due in more than one year	7,828,400	4,798,918	12,627,318
Accrued liabilities, due in more than one year	17,653,667	14,369,581	32,023,248
Long-term debt, due in more than one year	39,229,168	242,054,498	281,283,666
Total liabilities	88,928,333	301,013,778	389,942,111
NET ASSETS			
Invested in capital assets, net of related debt	303,499,470	263,727,224	567,226,694
Restricted for:			
Capital outlay	-	18,929,291	18,929,291
Debt service	677,726	-	677,726
Housing	17,608,984	-	17,608,984
Community development	20,965,751	-	20,965,751
Public works	4,577,746	-	4,577,746
Unrestricted	17,269,063	95,705,374	112,974,437
Total net assets	\$ 364,598,740	\$ 378,361,889	\$ 742,960,629

(Concluded)

City of Redding
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2012

Functions / Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 7,217,464	\$ 6,128,583	\$ 226,580	\$ -	\$ 6,355,163
Police	25,838,317	944,697	2,310,711	124,052	3,379,460
Fire	16,780,046	185,017	55,718	147,494	388,229
Public works	12,731,599	717,929	4,980,067	6,329,761	12,027,757
Planning	3,532,884	1,282,262	17,736		1,299,998
Recreation and culture	10,986,615	2,244,883	185,526	253,059	2,683,468
Community development	14,132,539	164,630	9,257,015		9,421,645
Interest on long-term debt	3,459,498	-	-		-
Total governmental activities	94,678,962	11,668,001	17,033,353	6,854,366	35,555,720
Business-type activities:					
Electric	159,456,608	164,375,161	127,243	238,217	164,740,621
Water	15,975,372	15,886,937		808,210	16,695,147
Wastewater	17,907,974	21,113,321		6,782,400	27,895,721
Storm drainage	2,255,283	1,295,547		140,961	1,436,508
Solid waste	19,953,480	19,161,513	93,787	29,819	19,285,119
Transportation	9,915,606	3,530,250	4,222,725	5,337,468	13,090,443
Convention center	1,642,316	223,534	7,184		230,718
Total business-type activities	227,106,639	225,586,263	4,450,939	13,337,075	243,374,277
Total primary government	\$ 321,785,601	\$ 237,254,264	\$ 21,484,292	\$ 20,191,441	\$ 278,929,997

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

Extraordinary gain

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
\$ (862,301)	\$ -	\$ (862,301)
(22,458,857)	-	(22,458,857)
(16,391,817)	-	(16,391,817)
(703,842)	-	(703,842)
(2,232,886)	-	(2,232,886)
(8,303,147)	-	(8,303,147)
(4,710,894)	-	(4,710,894)
(3,459,498)	-	(3,459,498)
<u>(59,123,242)</u>	<u>-</u>	<u>(59,123,242)</u>
-	5,284,013	5,284,013
-	719,775	719,775
-	9,987,747	9,987,747
-	(818,775)	(818,775)
-	(668,361)	(668,361)
-	3,174,837	3,174,837
-	(1,411,598)	(1,411,598)
<u>-</u>	<u>16,267,638</u>	<u>16,267,638</u>
(59,123,242)	16,267,638	(42,855,604)
14,178,741	-	14,178,741
8,255,580	-	8,255,580
3,869,713	-	3,869,713
19,754,922	-	19,754,922
283,588	-	283,588
930,731	-	930,731
895,591	-	895,591
<u>48,168,866</u>	<u>-</u>	<u>48,168,866</u>
820,983	1,251,057	2,072,040
911,518	630	912,148
133,561	-	133,561
10,409,692	-	10,409,692
4,163,910	(4,163,910)	-
<u>64,608,530</u>	<u>(2,912,223)</u>	<u>61,696,307</u>
5,485,288	13,355,415	18,840,703
359,113,452	365,006,474	724,119,926
<u>\$ 364,598,740</u>	<u>\$ 378,361,889</u>	<u>\$ 742,960,629</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, 2012

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,402,321	\$ 12,501,779	\$ 9,651,766	\$ 23,555,866
Interest receivable	19,137	29,496	2,773,633	2,822,266
Accounts receivable, net	879,907	608	16,667	897,182
Intergovernmental receivable	3,442,534	2,541,035	2,970,542	8,954,111
Taxes receivable	5,329,567	-	235,881	5,565,448
Other receivable	842,486	-	25,619	868,105
Due from other funds	804,105	-	-	804,105
Prepaid items	646,252	45,052	23,052	714,356
Inventories	190,233	-	-	190,233
Restricted assets:				
Cash and investments	2,317,882	3,762,353	162,179	6,242,414
Interest receivable	16	159	-	175
Interfund receivable	-	150,834	39,862	190,696
Advances to other funds	-	-	83,111	83,111
Special assessments receivable	-	-	1,214,498	1,214,498
Notes receivable	-	-	35,973,674	35,973,674
Total assets	\$ 15,874,440	\$ 19,031,316	\$ 53,170,484	\$ 88,076,240

(Continued)

See accompanying Notes to Basic Financial Statements.

City of Redding
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 523,395	\$ 344,364	\$ 105,311	\$ 973,070
Accrued liabilities	895,751	17,197	26,304	939,252
Intergovernmental payable	66,713	22,538	10,942	100,193
Due to other funds	-	-	90,116	90,116
Accounts payable from restricted assets	-	296,315	-	296,315
Interfund payable	39,862	-	-	39,862
Deferred revenues	4,061,923	1,262,543	5,367,702	10,692,168
Deposits	9,802	-	162,179	171,981
Advances from other funds	83,111	-	775,284	858,395
Total liabilities	5,680,557	1,942,957	6,537,838	14,161,352
Fund Balances:				
Nonspendable	1,743,974	45,052	23,052	1,812,078
Restricted	1,410,393	17,043,307	46,859,005	65,312,705
Assigned	1,466,454	-	-	1,466,454
Unassigned	5,573,062	-	(249,411)	5,323,651
Total fund balances	10,193,883	17,088,359	46,632,646	73,914,888
Total liabilities and fund balances	\$ 15,874,440	\$ 19,031,316	\$ 53,170,484	\$ 88,076,240

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City of Redding
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2012

Total Fund Balances - Total Governmental Funds	\$ 73,914,888
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.	460,377,639
Accumulated depreciation has not been included in the governmental fund financial statements.	(125,697,185)
Financing costs net of amortization	835,325
Long-term debt that has not been included in the governmental fund activity.	(42,608,422)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(581,777)
The net other post employment benefit obligation has not been reported in the governmental funds.	(14,840,546)
Revenue reported as deferred revenue in the governmental funds was recorded as revenue in the statement of activities.	10,118,825
Internal service fund net assets included in the governmental activities on the statement of activities.	12,946,710
Business portion of operating transfers from Internal Service Funds	(41,874)
Accrued vacation and other leave not reported in governmental funds, but recorded as expense in the Statement of Activities.	(9,824,843)
Net Assets of Governmental Activities	\$ 364,598,740

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, 2012

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 14,318,864	\$ -	\$ 8,255,580	\$ 22,574,444
Sales and use taxes	19,263,607	-	272,517	19,536,124
Other taxes	5,696,035	-	-	5,696,035
Special assessments	9,177	-	752,610	761,787
Licenses and permits	853,882	-	61,540	915,422
Intergovernmental revenues	3,851,533	5,355,478	13,628,948	22,835,959
Charges for services	1,415,846	-	1,350,127	2,765,973
Fines, forfeitures, and penalties	1,214,747	-	285,279	1,500,026
Use of money and property	6,634,806	3,480	-	6,638,286
Interest revenue	163,016	136,671	440,376	740,063
Other	454,095	1,058,453	1,074,955	2,587,503
Total revenues	53,875,608	6,554,082	26,121,932	86,551,622
EXPENDITURES:				
Current:				
General government	5,257,247	-	370,348	5,627,595
Community development	-	-	16,360,799	16,360,799
Public safety:				
Police	24,726,527	-	88,742	24,815,269
Fire	15,813,884	-	-	15,813,884
Public works	3,521,895	52,428	515,458	4,089,781
Planning	3,106,140	-	-	3,106,140
Recreation and culture	4,129,327	77,467	2,066,385	6,273,179
Capital outlay	1,925,414	8,929,526	1,340,097	12,195,037
Debt service:				
Principal	1,511,184	1,723,355	2,472,000	5,706,539
Interest and fiscal charges	1,557,149	523,901	1,267,150	3,348,200
Total expenditures	61,548,767	11,306,677	24,480,979	97,336,423
REVENUES OVER (UNDER) EXPENDITURES	(7,673,159)	(4,752,595)	1,640,953	(10,784,801)
OTHER FINANCING SOURCES (USES):				
Sale of assets	125,270	53,000	8,850	187,120
Long-term debt issued	-	1,401,803	-	1,401,803
Extraordinary gain (loss)	-	-	(31,594,910)	(31,594,910)
Transfers in	10,049,873	-	1,038,125	11,087,998
Transfers out	(2,126,960)	(920,430)	(3,757,038)	(6,804,428)
Total other financing sources (uses)	8,048,183	534,373	(34,304,973)	(25,722,417)
Net change in fund balances	375,024	(4,218,222)	(32,664,020)	(36,507,218)
FUND BALANCES:				
Beginning of year	9,818,859	21,306,581	79,296,666	110,422,106
End of year	\$ 10,193,883	\$ 17,088,359	\$ 46,632,646	\$ 73,914,888

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, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ (36,507,218)
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.	14,185,687
Transfer of capital asset from Governmental Fund to Enterprise Fund	(15,662)
In the Statement of Activities, donated assets are reported as a capital contribution.	195,186
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.	(13,164,235)
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	(53,559)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(956,846)
In the Statement of Activities, the net other post employment benefit obligation has been accrued.	(3,893,791)
Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.	5,706,538
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.	(206,112)
Compensated absences in the Statement of Activities is reported as an expense but is not reported in the governmental funds.	116,675
Change in arbitrage calculation.	32,455
Loan proceeds provided current financial resources to governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.	(1,401,803)
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.	(514,754)
Business portion of operating transfer from Internal Service funds	(41,875)
Differences in the recognition of the extraordinary gain from the dissolved Redevelopment Agency	42,004,602
Change in Net Assets of Governmental Activities	\$ 5,485,288

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, 2012

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
ASSETS			
Current assets:			
Cash and investments	\$ 27,556,376	\$ 16,774,350	\$ 33,976,512
Interest receivable	75,077	43,594	88,816
Accounts receivable, net	19,617,870	2,035,778	2,210,687
Prepaid items	1,102,415	42,395	53,939
Intergovernmental receivable	581,940	-	-
Inventories	6,985,511	627,066	47,347
Interfund receivable	-	-	90,000
Deposit	6,500,000	-	-
Pacificorp Energy receivable	3,020,525	-	-
Total current assets	<u>65,439,714</u>	<u>19,523,183</u>	<u>36,467,301</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments	2,717,701	1,027,240	-
Interest receivable	114	14	-
Total restricted assets	<u>2,717,815</u>	<u>1,027,254</u>	<u>-</u>
Capital assets:			
Land	4,233,039	508,799	2,861,579
Construction in progress	4,415,731	985,398	37,717,255
Utility plants	366,209,006	110,625,989	187,916,549
Buildings	4,645,865	3,637,249	2,613,886
Improvements other than buildings	2,980,015	-	185,670
Automotive equipment	5,007,793	2,062,028	1,616,346
Furnishings and equipment	7,518,817	1,059,802	1,857,575
Assets under capital lease	-	-	-
Total capital assets	<u>395,010,266</u>	<u>118,879,265</u>	<u>234,768,860</u>
Less: accumulated depreciation	<u>(184,359,856)</u>	<u>(49,897,657)</u>	<u>(75,016,910)</u>
Net capital assets	<u>210,650,410</u>	<u>68,981,608</u>	<u>159,751,950</u>
Other assets:			
Power acquisition costs, net	1,055,964	-	-
Prepaid purchase cost	1,710,000	-	-
Advances to other funds	438,525	-	700,235
Financing costs, net	291,157	141,891	132,710
Investment in JPA	1,137,732	-	-
Storage base gas	13,570,000	-	-
Total other assets	<u>18,203,378</u>	<u>141,891</u>	<u>832,945</u>
Total noncurrent assets	<u>231,571,603</u>	<u>70,150,753</u>	<u>160,584,895</u>
Total assets	<u>297,011,317</u>	<u>89,673,936</u>	<u>197,052,196</u>

Enterprise Funds			Governmental
Solid Waste	Non-Major		Activities
Collection/ Disposal	Enterprise Funds	Total	Internal Service Funds
\$ 19,789,846	\$ 6,849,612	\$ 104,946,696	\$ 12,754,985
51,604	10,085	269,176	27,522
1,787,788	328,938	25,981,061	38,210
101,892	23,937	1,324,578	481,315
12,271	3,656,792	4,251,003	1,215,057
-	115,584	7,775,508	173,949
-	-	90,000	36,000
-	-	6,500,000	-
-	-	3,020,525	-
21,743,401	10,984,948	154,158,547	14,727,038
904,652	91,326	4,740,919	-
12	1	141	-
904,664	91,327	4,741,060	-
1,571,090	9,248,002	18,422,509	110,810
34,672	5,106,694	48,259,750	-
-	25,915,549	690,667,093	-
14,141,504	24,024,824	49,063,328	-
1,623,473	36,888,144	41,677,302	2,384,243
15,511,960	9,809,620	34,007,747	10,964,602
2,306,513	2,909,364	15,652,071	1,479,932
-	4,735,090	4,735,090	1,247,411
35,189,212	118,637,287	902,484,890	16,186,998
(16,495,172)	(62,972,152)	(388,741,747)	(11,151,605)
18,694,040	55,665,135	513,743,143	5,035,393
-	-	1,055,964	-
-	-	1,710,000	-
-	-	1,138,760	5,283,918
52,671	17,327	635,756	-
-	-	1,137,732	-
-	-	13,570,000	-
52,671	17,327	19,248,212	5,283,918
19,651,375	55,773,789	537,732,415	10,319,311
41,394,776	66,758,737	691,890,962	25,046,349

City of Redding
Statement of Net Assets
Proprietary Funds, Continued
June 30, 2011

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	\$ 6,715,129	\$ 253,744	\$ 2,751,193
Accrued liabilities	470,871	66,041	99,008
Accrued interest payable	681,729	31,415	450,541
Claims and judgements payable	-	-	-
Intergovernmental payable	1,234,109	11,674	1,173
Due to other funds	-	-	-
Interfund payables	9,764	64,667	66,639
Deferred revenues	1,213,308	78,821	-
Deposits	2,812,244	-	-
Accrued compensated absences, due with in one year	981,270	120,501	138,037
Landfill closure costs, due with in one year	-	-	-
Capital leases, due with in one year	-	-	-
Long-term debt, due with in one year	5,027,842	586,539	1,330,124
State loan, due with in one year	-	-	2,914,710
Current liabilities (payable from restricted assets):			
Accounts payable	-	-	-
Total current liabilities	19,146,266	1,213,402	7,751,425
Long-term liabilities:			
Accrued compensated absences, due in more than one year	2,868,645	336,912	348,634
Landfill closure costs, due in more than one year	-	-	-
Advances from other funds	-	-	-
Accrued liabilities, due in more than one year	8,646,154	1,035,141	1,303,592
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	159,000,573	7,183,853	9,375,618
State loan, due in more than one year	-	-	61,864,228
Total long-term liabilities	170,515,372	8,555,906	72,892,072
Total liabilities	189,661,638	9,769,308	80,643,497
NET ASSETS			
Invested in capital assets, net of related debt	49,339,696	62,238,456	84,267,270
Restricted for:			
Capital projects	-	18,116	16,022,619
Unrestricted	58,009,983	17,648,056	16,118,810
Total net assets	\$ 107,349,679	\$ 79,904,628	\$ 116,408,699

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental		
Solid Waste	Non-Major		Internal		
Collection/	Enterprise		Service		
Disposal	Funds	Total	Funds		
\$ 315,156	\$ 2,473,215	\$ 12,508,437	\$ 192,521	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.	
136,781	34,009	806,710	163,453		
54,693	15,533	1,233,911	-		
-	-	-	3,960,583		
93,851	1,529,994	2,870,801	537,894		
-	713,989	713,989	-		
7,323	128,441	276,834	-		
-	1,949,275	3,241,404	2,286		
2,288,886	40,630	5,141,760	16		Proprietary Funds total net assets
314,108	50,564	1,604,480	273,648		Less business-type portion of the
100,000	-	100,000	-		Internal Service Fund
-	370,956	370,956	-		
772,699	51,128	7,768,332	-		Statement of Activities:
-	45,456	2,960,166	-		Net Assets
-	-	-	-		
4,083,497	7,403,190	39,597,780	5,130,401		
1,066,946	177,781	4,798,918	786,198		
1,183,824	-	1,183,824	-		
-	4,980,571	4,980,571	666,823		
2,586,428	798,266	14,369,581	2,813,121		
-	-	-	9,288,872		
-	2,559,412	2,559,412	-		
870,334	662,401	177,092,779	-		
-	538,079	62,402,307	-		
5,707,532	9,716,510	267,387,392	13,555,014		
9,791,029	17,119,700	306,985,172	18,685,415		
17,955,659	49,926,143	263,727,224	5,035,393		
-	2,888,556	18,929,291	-		
13,648,088	(3,175,662)	102,249,275	1,325,541		
\$ 31,603,747	\$ 49,639,037	\$ 384,905,790	\$ 6,360,934		

(Concluded)

City of Redding

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the year ended June 30, 2012

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
OPERATING REVENUES:			
User fees and charges	\$ 106,742,319	\$ 15,630,867	\$ 21,099,306
Wholesale power sales	51,477,789	-	-
Rental charges	-	-	-
Other operating revenue	6,133,153	24,734	80
Total operating revenues	164,353,261	15,655,601	21,099,386
OPERATING EXPENSES:			
Cost of power, water, and transportation	70,278,611	682,628	-
Maintenance, operations, and administration	67,667,182	11,135,599	10,951,463
Depreciation and amortization	12,122,010	3,482,093	5,141,880
Total operating expenses	150,067,803	15,300,320	16,093,343
OPERATING INCOME (LOSS)	14,285,458	355,281	5,006,043
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	430,670	205,711	350,722
Interest expense	(8,962,452)	(461,725)	(1,562,057)
Intergovernmental revenues	97,250	77,811	-
Gain (loss) on disposal of assets	(354,262)	19,234	(7,173)
Other non-operating revenues (expenses)	51,892	833,464	678,158
Total nonoperating revenues (expenses)	(8,736,902)	674,495	(540,350)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	5,548,556	1,029,776	4,465,693
Capital contributions	238,217	128,271	6,118,177
Transfers in	4,000	-	-
Transfers out	(5,565,300)	-	(298,849)
Change in net assets	225,473	1,158,047	10,285,021
NET ASSETS:			
Beginning of year	107,124,206	78,746,581	106,123,678
End of year	\$ 107,349,679	\$ 79,904,628	\$ 116,408,699

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental	
Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Total	Internal Service Funds	
\$ 17,254,058	\$ 2,505,149	\$ 163,231,699	\$ 54,537,257	
-	-	51,477,789	-	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.
-	1,354,657	1,354,657	-	
1,905,557	662,130	8,725,654	20,502	
19,159,615	4,521,936	224,789,799	54,557,759	
-	3,075,341	74,036,580	-	Proprietary Funds change in net assets \$ 14,528,349
16,942,243	6,558,520	113,255,007	55,081,804	Add internal Service Funds income - business-type activity (1,172,934)
1,811,857	3,982,879	26,540,719	1,070,786	
18,754,100	13,616,740	213,832,306	56,152,590	Statement of Activities: Change in Net Assets \$ 13,355,415
405,515	(9,094,804)	10,957,493	(1,594,831)	
224,568	39,383	1,251,054	131,740	
(158,888)	(322,880)	(11,468,002)	(86,857)	
103,600	4,240,860	4,519,521	-	
(399,812)	186,299	(555,714)	(32,991)	
(75,778)	630,470	2,118,206	(42,624)	
(306,310)	4,774,132	(4,134,935)	(30,732)	
99,205	(4,320,672)	6,822,558	(1,625,563)	
20,000	5,380,696	11,885,361	666,931	
100,000	1,769,049	1,873,049	131,724	
(43,470)	(145,000)	(6,052,619)	(235,724)	
175,735	2,684,073	14,528,349	(1,062,632)	
31,428,012	46,954,964	370,377,441	7,423,566	
\$ 31,603,747	\$ 49,639,037	\$ 384,905,790	\$ 6,360,934	

City of Redding
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2012

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 153,876,850	\$ 15,072,668	\$ 20,738,325
Cash paid to suppliers	(119,599,877)	(8,426,595)	(6,837,491)
Cash paid to employees	(22,828,754)	(3,021,155)	(3,578,889)
Other income received	6,133,153	255,830	12,294
Net cash provided (used) by operating activities	17,581,372	3,880,748	10,334,239
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Intergovernmental revenue received	558,744	-	-
Advances from other funds	-	-	-
Repayment of advances from other funds	-	(96,586)	(94,428)
Advances to other funds	-	-	-
Repayment of advances to other funds	12,412	-	90,000
Transfers in	4,000	-	-
Transfers out	(5,565,300)	-	-
Net cash provided (used) by noncapital financing activities	(4,990,144)	(96,586)	(4,428)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grant received	-	-	5,888,686
Proceeds from sale of assets	176,996	19,234	12,131
Purchase of capital assets	(5,374,505)	(3,497,838)	(22,484,565)
Interest paid	(8,449,150)	(405,150)	(1,539,197)
Proceeds from long-term debt	-	-	23,798,410
Principal paid on long-term debt	(5,380,000)	(620,000)	(4,051,975)
Principal paid on capital leases	-	-	-
Property damage claims	-	-	-
Cash collected for future capital outlay	21,900	602,128	665,944
Net cash provided (used) by capital and related financing activities	(19,004,759)	(3,901,626)	2,289,434
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment revenue received	495,313	234,772	343,686
Rents received	-	-	-
Net cash provided (used) by investing activities	495,313	234,772	343,686
Net increase (decrease) in cash and cash equivalents	(5,918,218)	117,308	12,962,931
CASH AND CASH EQUIVALENTS:			
Beginning of year	36,192,295	17,684,282	21,013,581
End of year	\$ 30,274,077	\$ 17,801,590	\$ 33,976,512
Reconciliation to statement of net assets			
Cash and cash equivalents	\$ 27,556,376	\$ 16,774,350	\$ 33,976,512
Restricted cash and cash equivalents	2,717,701	1,027,240	-
	\$ 30,274,077	\$ 17,801,590	\$ 33,976,512

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 19,836,952	\$ 4,502,874	\$ 214,027,669	\$ 54,548,727
(11,455,323)	(7,778,767)	(154,098,053)	(46,588,309)
(7,037,989)	(1,899,743)	(38,366,530)	(6,899,558)
1,907,455	442,426	8,751,158	-
<u>3,251,095</u>	<u>(4,733,210)</u>	<u>30,314,244</u>	<u>1,060,860</u>
127,224	3,640,233	4,326,201	-
-	817,803	817,803	-
(15,000)	(99,608)	(305,622)	-
-	-	-	(92,642)
-	(256,640)	(154,228)	392,139
-	1,470,200	1,474,200	-
(43,470)	(145,000)	(5,753,770)	(4,000)
<u>68,754</u>	<u>5,426,988</u>	<u>404,584</u>	<u>295,497</u>
-	3,875,987	9,764,673	-
152,244	205,213	565,818	5,334
(1,119,154)	(4,017,219)	(36,493,281)	(288,452)
(125,000)	(320,985)	(10,839,482)	-
-	-	23,798,410	-
(780,000)	(220,026)	(11,052,001)	-
-	(307,221)	(307,221)	-
-	4,042	4,042	-
-	166,632	1,456,604	-
(1,871,910)	(613,577)	(23,102,438)	(283,118)
251,267	45,607	1,370,645	133,599
-	18,000	18,000	-
<u>251,267</u>	<u>63,607</u>	<u>1,388,645</u>	<u>133,599</u>
1,699,206	143,808	9,005,035	1,206,838
<u>18,995,292</u>	<u>6,797,130</u>	<u>100,682,580</u>	<u>11,548,147</u>
<u>\$ 20,694,498</u>	<u>\$ 6,940,938</u>	<u>\$ 109,687,615</u>	<u>\$ 12,754,985</u>
\$ 19,789,846	\$ 6,849,612	\$ 104,946,696	\$ 12,754,985
904,652	91,326	4,740,919	-
<u>\$ 20,694,498</u>	<u>\$ 6,940,938</u>	<u>\$ 109,687,615</u>	<u>\$ 12,754,985</u>

(Continued)

City of Redding
Statement of Cash Flows
Proprietary Funds, Continued
For the year ended June 30, 2012

	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)	\$ 14,285,458	\$ 355,281	\$ 5,006,043
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Other non-operating revenue and expense	-	231,096	12,214
Depreciation and amortization	12,122,010	3,482,093	5,141,880
(Increase) decrease in accounts receivable	(4,343,258)	(558,199)	(360,981)
(Increase) decrease in intergovernmental receivable	-	-	-
(Increase) decrease in inventories	(141,519)	(35,152)	(12,860)
(Increase) decrease in prepaid items	224,841	(1,067)	(1,978)
(Increase) decrease in investment in JPA	(147)	-	-
(Increase) decrease in storage base gas	(6,500,000)	-	-
Increase (decrease) in accounts payable	3,029,077	60,856	129,507
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in accrued liabilities	83,707	10,757	17,690
Increase (decrease) in claims and judgements payable	-	-	-
Increase (decrease) in deposits	94,261	(651)	-
Increase (decrease) in intergovernmental payable	(3,291,638)	39	(5,267)
Increase (decrease) in deferred revenues	(997,120)	-	-
Increase (decrease) in accrued compensated absences	333,783	1,988	5,007
Increase (decrease) in accrued landfill closure costs	-	-	-
Increase (decrease) in claims and judgements payable long-term	-	-	-
Increase (decrease) in accrued liabilities long-term	2,681,917	333,707	402,984
Total adjustments	3,295,914	3,525,467	5,328,196
Net cash provided (used) by operating activities	\$ 17,581,372	\$ 3,880,748	\$ 10,334,239
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Plant contributed from developers	\$ 238,217	\$ 128,271	\$ 229,491
Capitalized interest	-	-	192,766
Accrued interest rolled into principal on loans	-	-	29,228
Non-cash change in deposits	-	-	-
Equipment transfers	-	-	(298,849)
Total non-cash capital and related financing activities	\$ 238,217	\$ 128,271	\$ 152,636

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Total	Activities Internal Service Funds
\$ 405,515	\$ (9,094,804)	\$ 10,957,493	\$ (1,594,831)
1,898	441,796	687,004	-
1,811,857	3,982,879	26,540,719	1,070,786
(97,837)	(20,365)	(5,380,640)	(8,236)
-	-	-	-
-	10,935	(178,596)	(51,392)
781	9,979	232,556	(10,438)
-	-	(147)	-
-	-	(6,500,000)	-
(12,339)	(44,795)	3,162,306	21,303
-	-	-	-
28,689	(1,162)	139,681	32,745
-	-	-	(187,560)
312,061	(46,990)	358,681	(1)
36,303	(8,735)	(3,269,298)	(20,418)
-	-	(997,120)	(797)
53,744	(154,487)	240,035	70,810
(123,303)	-	(123,303)	-
-	-	-	941,855
833,726	192,539	4,444,873	797,034
<u>2,845,580</u>	<u>4,361,594</u>	<u>19,356,751</u>	<u>2,655,691</u>
<u>\$ 3,251,095</u>	<u>\$ (4,733,210)</u>	<u>\$ 30,314,244</u>	<u>\$ 1,060,860</u>
\$ -	\$ 140,961	\$ 736,940	\$ -
-	-	192,766	-
-	-	29,228	-
57,683	-	57,683	624,307
100,000	53,138	(145,711)	131,724
<u>\$ 157,683</u>	<u>\$ 194,099</u>	<u>\$ 870,906</u>	<u>\$ 756,031</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.

Private-purpose Trust Fund

Private-purpose trust funds are a fiduciary fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

Successor Agency to the Redding Redevelopment Agency Private-purpose Trust Fund

Under California State law a successor agency was established to handle the obligations of the former Redding Redevelopment Agency. GASB has determined that this fund should be classified as a private-purpose trust fund.

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City of Redding
Statement of Agency Net Assets
Agency Funds
June 30, 2012

ASSETS

Cash and cash equivalents	\$	1,687,603
Accounts receivable		22,586
Interest receivable		8,454
Total assets	\$	1,718,643

LIABILITIES

Deposits	\$	1,718,643
Total liabilities	\$	1,718,643

See accompanying Notes to Basic Financial Statements.

City of Redding
Statement of Fiduciary Net Assets
Successor Agency to the Redding Redevelopment Agency Private-purpose Trust Fund
June 30, 2012

ASSETS	
Cash and investments:	
Cash with trustee	\$ 27,750,735
Bond proceeds	4,040,704
Bond reserves	6,984,393
Interest receivable	31,848
Intergovernmental receivable	332,773
Prepaid items	5,446
Notes receivable, net	325,000
Financing costs, net	682,045
Capital assets:	
Land	947,799
Building	1,455,733
Equipment	6,132
Total capital assets	<u>2,409,664</u>
Less accumulated depreciation	<u>(1,461,865)</u>
Net capital assets	<u>947,799</u>
Total assets	<u>41,100,743</u>
LIABILITIES	
Accounts payable	6,415
Accrued interest payable	695,135
Deferred revenue	325,000
Intergovernmental payable	2,059,620
Long-term debt	<u>46,901,535</u>
Total liabilities	<u>49,987,705</u>
NET ASSETS	
Held in trust for: individuals, organizations and other governments	<u>(8,886,962)</u>
Total net assets	<u>\$ (8,886,962)</u>

See accompanying Notes to Basic Financial Statements.

City of Redding

Statement of Changes in Fiduciary Net Assets

Successor Agency to the Redding Redevelopment Agency Private-purpose Trust Fund For the year ended June 30, 2012

ADDITIONS:

Property taxes	\$ 2,505,450
Investment revenue	175,064
Other revenue	<u>29,643</u>
Total additions	<u>2,710,157</u>

DEDUCTIONS:

Administrative costs	323,139
Payment on Recognized Obligation Payment Schedule	<u>1,723,406</u>
Total deductions	<u>2,046,545</u>
Change in net assets before extraordinary item	<u>663,612</u>

EXTRAORDINARY LOSS

	<u>(9,550,574)</u>
Net change in net assets	<u>(8,886,962)</u>

NET ASSETS:

Beginning of period	<u>-</u>
End of period	<u>\$ (8,886,962)</u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Redding
Notes to Basic Financial Statements
For the year ended June 30, 2012

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 – dissolved January 31, 2012

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, 2012

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. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California as of January 31, 2012.

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, 2012

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 all revenues as available if they are collected within sixty days of the end of the current fiscal period, except for sales tax which has a ninety day availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

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 and a Private-purpose Trust Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on the accrual basis of accounting.

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, 2012

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.

Private-purpose Trust Fund - is a fiduciary fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and interest benefit individuals, private organizations, or other governments.

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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

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

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

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

Assigned fund balance. This classification reflects the amounts constrained by the City Council’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council and City Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use externally restricted resources first, the unrestricted resources-committed, assigned, and unassigned-in order as needed.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Net Assets

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

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

Use of Estimates

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

F. New Pronouncements

In 2011, the City adopted a new accounting standard in order to conform to the following Governmental Accounting Standards Board Statement (GASB):

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* – this statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2012, are as follows:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental Activities	Business Activities	Total	Statement of Net Assets	Total
Cash and investments	\$ 36,310,853	\$ 104,946,696	\$ 141,257,549	\$ 29,438,338	\$ 170,695,887
Restricted cash and investments	\$ 6,242,414	\$ 4,740,919	\$ 10,983,333	\$ 11,025,097	\$ 22,008,430

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

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, 2012, the carrying amount of the City's deposits was \$28,345,452, of which \$1,069,674 was restricted and \$27,275,778 was unrestricted. The bank balance was \$29,973,234. Of the bank balance, \$400,000 was covered by Federal depository insurance, and \$29,573,234 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, 2012, 3.47% 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, 2012

2. CASH AND INVESTMENTS, Continued

At June 30, 2012, the City's investments and deposits were as follows:

	Cash and Investments		
	Fair Value		Total
	Unrestricted	Restricted	
Deposits	\$ 27,275,778	\$ 1,069,674	\$ 28,345,452
Medium Term Corporate Notes	3,971,960	-	3,971,960
Federal Agency Bonds	96,688,817	-	96,688,817
U.S. Treasury Notes	-	-	-
Local Agency Investment Fund	42,759,326	9,986,892	52,746,218
Guaranteed investment agreement	-	-	-
Mutual Funds	6	10,951,864	10,951,870
Total Investments	143,420,109	20,938,756	164,358,865
Total Cash and Investments	\$ 170,695,887	\$ 22,008,430	\$ 192,704,317

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, 2012

2. CASH AND INVESTMENTS, Continued

As of June 30, 2012, the City had the following investments and maturities:

Investment Type	Investments Maturities (in Years)				
	Fair Value	Less Than 1	1-2	3-4	5
Medium Term Corporate Notes	\$ 3,971,960	\$ -	\$ -	\$ 3,971,960	\$ -
Federal Agency Bonds	96,688,817	2,036,080	-	33,255,360	61,397,377
U.S. Treasury Notes	-	-	-	-	-
Investment in State Treasurer's Investment Pool	42,759,326	42,759,326	-	-	-
Guaranteed investment agreement	-	-	-	-	-
Mutual Funds	6	6	-	-	-
Total	\$ 143,420,109	\$ 44,795,412	\$ -	\$ 37,227,320	\$ 61,397,377

Investment Type	Investments Maturities (in Years)			
	Fair Value	Less Than 1	1-5	More Than 5
Medium Term Corporate Notes	\$ -	\$ -	\$ -	\$ -
Federal Agency Bonds	-	-	-	-
U.S. Treasury Notes	-	-	-	-
Investment in State Treasurer's Investment Pool	9,986,892	9,986,892	-	-
Guaranteed investment agreement	-	-	-	-
Mutual Funds	10,951,864	10,951,864	-	-
Total	\$ 20,938,756	\$ 20,938,756	\$ -	\$ -

Credit Risk - As of June 30, 2012, the City's investments in Federal Agency Bonds were rated Aaa by Moody's Investors Service. The City's investments in Medium Term Corporate Notes were rated A 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, 2012

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, 2012.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

3. INTERFUND ACTIVITIES

Due To Other Funds	Due From Other Funds	
	General Fund	Total
Governmental Funds:		
Nonmajor Governmental Funds	\$ 90,116	\$ 90,116
Enterprise funds:		
Nonmajor Enterprise Funds	713,989	713,989
Total	\$ 804,105	\$ 804,105

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

Interfund Payable	Interfund Receivable				Total
	Nonmajor Governmental Funds	General Capital Projects Fund	Wastewater Utility Fund	Internal Service Funds	
Governmental Funds:					
General Fund	\$ 39,862	\$ -	\$ -	\$ -	\$ 39,862
Nonmajor Governmental Funds	-	-	-	-	-
Enterprise Funds:					
Electric Utility		9,764	-	-	9,764
Water Utility		64,667	-	-	64,667
Wastewater Utility		66,639	-	-	66,639
Solid Waste Utility		7,323	-	-	7,323
Nonmajor Enterprise funds	-	2,441	90,000	36,000	128,441
Total	\$ 39,862	\$ 150,834	\$ 90,000	\$ 36,000	\$ 316,696

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, 2012

4. ADVANCES TO AND FROM OTHER FUNDS

The long-term advances consisted of the following:

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	\$ -	\$ 83,111	\$ -	\$ -	\$ -	\$ -	\$ 83,111
Nonmajor Governmental Funds	-	210,830	-	438,525	-	336,759	986,114
Enterprise funds:							
Electric Utility	-	-	-	-	-	-	-
Water Utility	-	-	-	-	-	-	-
Wastewater Utility	-	-	-	-	-	-	-
Solid Waste Utility	-	-	-	-	-	-	-
Nonmajor Enterprise Funds	-	-	-	-	700,235	4,280,336	4,980,571
Internal Service Funds	-	-	-	-	-	666,823	666,823
Total	\$ -	\$ 293,941	\$ -	\$ 438,525	\$ 700,235	\$ 5,283,918	\$ 6,716,619

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

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 former 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 former 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 \$581,940, which includes accrued interest. With the establishment of a successor agency and dissolution of the Redevelopment Agency, this balance has been reclassified as an intergovernmental receivable.

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 \$438,525.
3. The former 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 \$467,563, all of which 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 has been transferred to the Risk Management Fund and had a balance of \$336,759 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 balance was transferred to the Risk Management Fund during the 2009-2010 fiscal year. The Airport Fund has repaid \$7,067,670 to date. The remaining balance is \$1,849,384 all of which 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 balance was transferred to the Risk Management Fund during the 2009-2010 fiscal year. The balance at year-end was \$1,435,007.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

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 \$790,235, is to be repaid including interest at the City's average earnings on its pooled cash accounts. Of this amount, \$700,235 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 \$902,651.
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 \$1,215,057. The entire balance is now owed to the successor agency for redevelopment and has been classified as an intergovernmental receivable.
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 \$122,973, of which \$83,111 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 \$666,823.
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 \$150,833.
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 \$1,835,800, all of which is now classified as an intergovernmental receivable.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. CAPITAL ASSETS

Changes in capital assets consisted of the following:

	Balance June 30, 2011	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2012
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 28,453,132	\$ 2,124,733	\$ (947,799)	\$ -	\$ 29,630,066
Construction in process	10,623,129	11,063,280	(47,103)	(10,161,572)	11,477,734
Total capital assets, not being depreciated	39,076,261	13,188,013	(994,902)	(10,161,572)	41,107,800
Capital assets, being depreciated:					
Buildings	56,814,063	-	(1,455,733)	60,952	55,419,282
Improvements other than buildings	99,537,310	15,660	-	1,715,213	101,268,183
Infrastructure	249,898,843	183,754	-	8,075,566	258,158,163
Automotive equipment	10,599,555	1,177,929	(822,764)	259,142	11,213,862
Furnishings and equipment	7,540,636	123,291	(113,850)	274,859	7,824,936
Assets under capital lease:					
Furnishings and equipment	325,000	-	-	-	325,000
Automotive equipment	1,588,301	-	-	(340,890)	1,247,411
Total capital assets, being depreciated	426,303,708	1,500,634	(2,392,347)	10,044,842	435,456,837
Accumulated depreciation:					
Buildings	(20,866,483)	(1,731,363)	1,455,733	-	(21,142,113)
Improvements other than buildings	(37,524,940)	(4,152,415)	-	-	(41,677,355)
Infrastructure	(52,339,594)	(6,809,828)	-	-	(59,149,422)
Automotive equipment	(8,298,782)	(693,090)	741,815	(310,445)	(8,560,502)
Furnishings and equipment	(4,968,165)	(643,198)	107,394	-	(5,503,969)
Assets under capital lease:					
Furnishings and equipment	(255,000)	(15,000)	-	-	(270,000)
Automotive equipment	(647,495)	(190,127)	-	292,193	(545,429)
Total accumulated depreciation	(124,900,459)	(14,235,021)	2,304,942	(18,252)	(136,848,790)
Total capital assets, being depreciated, net	301,403,249	(12,734,387)	(87,405)	10,026,590	298,608,047
Total governmental activities	\$ 340,479,510	\$ 453,626	\$ (1,082,307)	\$ (134,982)	\$ 339,715,847

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. CAPITAL ASSETS, Continued

Depreciation expense was charged to governmental activities as follows:

Program	Depreciation
General government	\$ 1,670,626
Police	442,011
Fire	358,500
Public works	7,178,944
Recreation and culture	4,536,881
Community development	48,059
Total depreciation - governmental functions	<u>\$ 14,235,021</u>

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

	Balance June 30, 2011	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2012
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 17,904,982	\$ 518,375	\$ (848)	\$ -	\$ 18,422,509
Construction in progress	110,740,317	34,759,387	(19,304)	(97,220,650)	48,259,750
Total capital assets, not being depreciated	<u>128,645,299</u>	<u>35,277,762</u>	<u>(20,152)</u>	<u>(97,220,650)</u>	<u>66,682,259</u>
Capital assets, being depreciated:					
Utility plants	596,564,359	736,940	(851,967)	94,217,761	690,667,093
Buildings	48,778,128	-	-	285,200	49,063,328
Improvements other than buildings	40,550,727	31,591	-	1,094,984	41,677,302
Automotive equipment	33,726,106	3,093,244	(2,893,351)	81,748	34,007,747
Furnishings and equipment	13,724,845	457,250	(168,389)	1,638,365	15,652,071
Assets under capital lease:					
Furnishings and equipment	4,735,090	-	-	-	4,735,090
Total capital assets, being depreciated	<u>738,079,255</u>	<u>4,319,025</u>	<u>(3,913,707)</u>	<u>97,318,058</u>	<u>835,802,631</u>
Less accumulated depreciation for:					
Utility plants	(281,544,414)	(19,238,591)	444,292	-	(300,338,713)
Buildings	(26,772,427)	(1,261,805)	-	-	(28,034,232)
Improvements other than buildings	(28,591,526)	(1,843,216)	-	-	(30,434,742)
Automotive equipment	(16,898,316)	(2,310,425)	2,183,988	18,252	(17,006,501)
Furnishings and equipment	(11,758,709)	(615,633)	168,387	-	(12,205,955)
Assets under capital lease:					
Furnishings and equipment	(582,408)	(139,196)	-	-	(721,604)
Total accumulated depreciation	<u>(366,147,800)</u>	<u>(25,408,866)</u>	<u>2,796,667</u>	<u>18,252</u>	<u>(388,741,747)</u>
Total capital assets, being depreciated, net	<u>371,931,455</u>	<u>(21,089,841)</u>	<u>(1,117,040)</u>	<u>97,336,310</u>	<u>447,060,884</u>
Total business-type activities	<u>\$ 500,576,754</u>	<u>\$ 14,187,921</u>	<u>\$ (1,137,192)</u>	<u>\$ 115,660</u>	<u>\$ 513,743,143</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. CAPITAL ASSETS, Continued

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

	Depreciation Expense
Electric	\$ 11,043,825
Water	3,468,790
Wastewater	5,116,601
Storm drainage	1,178,655
Solid waste	1,798,408
Transportation	2,690,938
Convention center	111,649
	<hr/>
Total depreciation expense business-type activities	\$ 25,408,866

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, 2012
Power Acquisition Cost	\$ 3,470,314
Less: Amortization	(2,414,350)
	<hr/>
Power Acquisition Cost, Net	\$ 1,055,964

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 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.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

7. SELF-INSURANCE, Continued

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, 2011 and prior at June 30, 2012, 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, 2012, has been included in the Risk Management Fund's claims payable amount as of June 30, 2012.

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, 2012.

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, 2012.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

7. SELF-INSURANCE, Continued

The following is a reconciliation of changes in claims liability amounts for fiscal years ended June 30, 2012:

For the Years Ended June 30,	<u>Worker's Compensation</u>				
	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30	Claims Due Within One Year
2010	8,075,600	3,012,698	(1,591,098)	9,497,200	2,586,093
2011	9,497,200	2,457,423	(1,830,423)	10,124,200	2,639,200
2012	10,124,200	2,446,384	(1,707,444)	10,863,140	2,547,706

For the Years Ended June 30,	<u>General Liability</u>				
	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30	Claims Due Within One Year
2010	1,653,400	1,380,068	(434,018)	2,599,450	2,130,564
2011	2,599,450	113,309	(451,209)	2,261,550	1,399,533
2012	2,261,550	1,166,216	(1,063,036)	2,364,730	1,391,292

For the Years Ended June 30,	<u>Health and Dental</u>				
	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30	Claims Due Within One Year
2010	60,509	16,873,310	(16,896,309)	37,510	37,510 (1)
2011	37,510	17,629,805	(17,557,905)	109,410	109,410 (1)
2012	109,410	17,938,279	(18,026,104)	21,585	21,585 (1)

(1) These claims are dental claims only.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

8. COMPENSATED ABSENCES

The compensated absences liability will be paid from the General Fund, Parking Fund, Housing 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, 2012 were as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due within One Year
Governmental activities	\$ 10,930,554	\$ 4,280,945	\$ 4,326,810	\$ 10,884,689	\$ 3,056,289
Business-type activities	6,163,363	2,775,235	2,535,200	6,403,398	1,604,480
Total compensated absences	<u>\$ 17,093,917</u>	<u>\$ 7,056,180</u>	<u>\$ 6,862,010</u>	<u>\$ 17,288,087</u>	<u>\$ 4,660,769</u>

9. INDIVIDUAL FUND DISCLOSURES

Parking Special Revenue Fund - The deficit of \$249,142 in this fund arose from operational losses which have been covered by the General Fund. This project is being financed by parking meter funds, parking fines and property tax increment payments. The deficit will take a number of years to eliminate.

Convention Center Enterprise Fund - The deficit of \$1,627,872 in this fund is the result of expenses exceeding revenue. The City has adopted a 5 year plan to provide for a positive net income to the fund.

Municipal Utilities Support - The deficit of \$510,103 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, 2012

10. JOINT VENTURES

The City of Redding participates in the following four 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, 2012

10. 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, 2011 is as follows (in thousands):

Total Assets	\$ 256,312	Total revenues	\$ 142,119
	<u> </u>	Total expenses	<u>(129,147)</u>
Total liabilities	\$ 393,867		
Total members' deficit	<u>(137,555)</u>	Net income	12,972
		Members' deficit, January 1, 2011	(150,527)
Total liabilities & members' deficit	<u>\$ 256,312</u>	Member distributions	<u>-</u>
		Members' deficit, December 31, 2011	<u>\$ (137,555)</u>

The debt of the Power Agency is comprised entirely of revenue bonds totaling \$337 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 \$20.63 million at December 31, 2011. 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, 2012, 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, 2012

10. 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, 2011, the City's unrecognized share of member's deficit of the M-S-R Energy Authority was \$30,998,017.

The long term debt of the M-S-R Energy Authority totaled \$901,620,000 at December 31, 2011. The M-S-R Energy Authority did not make any principal or interest payments in 2011.

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, 2012.

Summarized financial information of TANC as of and for the year ended June 30, 2012, is as follows (in thousands):

Total assets	<u>\$ 451,035</u>
Total liabilities	\$ 439,678
Total net assets	<u>11,357</u>
Total liabilities and net assets	<u>\$ 451,035</u>
Net increase (decrease) in net assets	<u>\$ 86</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

10. JOINT VENTURES, Continued

Balancing Authority of Northern California

The Balancing Authority of Northern California (BANC) is a joint powers agency consisting of the Sacramento Municipal Utility district (SMUD), Modesto Irrigation District (MID), Roseville Electric and Redding Electric Utility (REU) as its founding members as was formed in 2009. REU participates in BANC through the Western sub-balancing authority. BANC assumed the balancing authority responsibilities on May 1, 2011 from SMUD that include the matching of generation to load and coordinating system operations with neighboring Balancing Authorities. The Central Valley project (CVP) generation, owned by the Bureau of Reclamation and Western Area Power Administration's transmission facilities along with the 500 kV California Oregon Transmission Project (COTP), are included among other resources within the BANC footprint. BANC members contract for about 40 percent of the CVP hydroelectric resource. The COTP is jointly owed by several parties including WAPA and BANC members via the Transmission Agency of Northern California (TANC).

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

The member's rights and expense-sharing is based on the participation percentages in most BANC activities. BANC member's participation percentages are based on the member's retail sales and stands at 70.2%, 16.6%, 8.8% and 5.2% for SMUD, MID, Roseville and REU respectively. These participation percentages can be updated as the need requires.

Summarized financial information of BANC as of and for the year ended June 30, 2012, is as follows (in thousands)

Total assets	<u>\$ 303,772</u>
Total liabilities	\$ 303,772
Total net assets	<u>-</u>
Total liabilities and net assets	<u>\$ 303,772</u>
Net increase (decrease) in net assets	<u>\$ -</u>

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

10. JOINT VENTURES, Continued

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 Contingent liability</u>
M-S-R (1):			
Bonds	\$ 337,335,000	15.000%	\$ 50,600,250
TANC (2)			
Bonds (1990A, 1993A)	\$ 10,135,000	8.280%	\$ 839,178
Bonds (2002A, 2003A)	\$ 251,315,000	8.346%	\$ 20,974,750
Bonds (2009A & B)	<u>\$ 109,190,000</u>	8.412%	<u>\$ 9,185,063</u>
TANC subtotal	<u>\$ 370,640,000</u>		<u>\$ 30,998,991</u>
BANC (3)	\$ -	5.20%	\$ -
Total	<u><u>\$ 707,975,000</u></u>		<u><u>\$ 81,599,241</u></u>

(1) As of December 31, 2011

(2) As of June 30, 2012

(3) As of June 30, 2012

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, 2012

11. LONG-TERM DEBT

The following is a summary of long-term obligations of the City at June 30, 2012.

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due within One Year
Governmental Activities:					
Long-term debt:					
Redevelopment bonds	\$ 45,360,000	\$ -	\$ 45,360,000	\$ -	\$ -
Special assessment debt					
with governmental commitment	1,379,000	-	282,000	1,097,000	294,000
Revenue bonds	42,718,996	-	2,696,756	40,022,240	2,804,920
Loan	316,379	1,401,803	358,356	1,359,826	92,599
Capital lease payable	567,329	-	179,427	387,902	167,182
Long-term debt before unamortized amounts	90,341,704	1,401,803	48,876,539	42,866,968	3,358,701
Unamortized loss on defeasance of debt	(874,980)	-	(363,399)	(511,581)	(43,084)
Bond premiums	559,646	-	117,600	442,046	71,656
Bond discount	(324,304)	-	(135,293)	(189,011)	(8,020)
Total governmental activities long-term debt	89,702,066	1,401,803	48,495,447	42,608,422	3,379,253
Business-type activities:					
Long-term debt:					
Revenue bonds	25,641,005	-	2,918,245	22,722,760	3,030,080
State loans payable	44,288,592	23,827,638	2,753,757	65,362,473	2,960,166
Capital leases payable	3,237,589	-	307,220	2,930,369	370,956
Certificates of participation	178,160,000	-	5,380,000	172,780,000	5,540,000
Long-term debt before unamortized amounts	251,327,186	23,827,638	11,359,222	263,795,602	11,901,202
Unamortized deferred loss on defeasance of debt	(17,861,507)	-	(1,163,642)	(16,697,865)	(1,163,642)
Bond premium	6,418,108	-	361,893	6,056,215	361,894
Total business-type activities long-term debt	239,883,787	23,827,638	10,557,473	253,153,952	11,099,454
Total long-term debt	\$ 329,585,853	\$ 25,229,441	\$ 59,052,920	\$ 295,762,374	\$ 14,478,707

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

11. LONG-TERM DEBT, Continued

	Government Activities	Business-Type Activities
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Special Assessment Debt with Governmental Commitment

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.

	\$ 1,097,000	\$ -
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Total 1915 Act Assessment District Bonds

	\$ 1,097,000	\$ -
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Revenue Bonds:

2003 Water Revenue Bonds Series A:

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

	\$ -	\$ 8,355,000
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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.

	-	11,815,000
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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, 2012

11. 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 5.0% maturity payable on March 1, 2023, in the amount of \$1,310,000; (2) bear interest at 4.75%, maturity payable on March 1, 2028, in the amount of \$680,000; (3) bear interest at 4.875% maturity payable on March 1, 2033, in the amount of \$865,000.

	\$ 3,882,240	\$ 752,760
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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.

	2,340,000	-
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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.

	6,550,000	1,800,000
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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, 2026. Original issue: \$16,970,000. Term Bonds bear interest at (1) 5.00% maturity payable on March 1, 2022 in the amount of \$1,090,000; (2) bear interest at 5.0% maturity payable on March 1, 2024 in the amount of \$1,200,000; (3) bear interest at 4.625% maturity payable on March 1, 2026 in the amount of \$1,320,000.

	9,690,000	-
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City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

11. 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 \$360,000 to \$1,220,000; final payment on March 1, 2037. Original issue: \$21,415,000. Term Bonds bear interest at (1) 4.00% maturity payable on March 1, 2023 in the amount of \$1,580,000; (2) bear interest at 4.25% maturity payable on March 1, 2032 in the amount of \$2,385,000; (3) bear interest at 4.25% maturity payable on March 1, 2037 in the amount of \$2,935,000.	\$ 17,560,000	\$ -
Total Revenue Bonds	<u>\$ 40,022,240</u>	<u>\$ 22,722,760</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.	\$ 223,780	\$ -
McConnell Roundabout		
Original loan amount was \$1,401,802.62. Yearly installments of \$305,627, including interest at 3.0% payable July 1, maturity payable on July 1, 2016.	1,136,046	-
Total Loans	<u>\$ 1,359,826</u>	<u>\$ -</u>
<u>State Loans:</u>		
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.	-	583,535

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

11. LONG-TERM DEBT, Continued

	Government Activities	Business-Type Activities
State Loans (Continued):		
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.	\$ -	\$ 10,550,622
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.	-	3,643,378
Clear Creek Interceptor (Phase II)		
The total loan was for \$5,021,835. Annual installments of \$319,677, including interest at 2.4% payable October 31, maturity payable on October 31, 2028.	-	4,419,649
Clear Creek Interceptor (Phase III)		
The total loan was for \$18,671,413. Annual installments of \$1,208,152, including interest at 2.6% payable March 31, maturing March 31, 2030.	-	17,192,461
Clear Creek Interceptor (Phase IV)		
The total loan was for \$8,542,186. Annual installments of \$567,387, including interest at 2.6% payable March 31, maturity payable on March 31, 2030.	-	8,074,126
Clear Creek Interception (Phase V)		
The total loan was is unknown at this time. In 2012, withdrawals were taken in the amount of \$8,639,136 to construct Phase V of the Clear Creek Wastewater Interceptor. Withdrawals will continue to take place as 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.	-	8,639,136
Clear Creek Interceptor (Phase VI)		
The total of this loan is unknown at this time. In 2012, withdrawals were taken in the amount of \$3,757,629 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 1.0%) 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.	-	9,531,486

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

11. LONG-TERM DEBT, Continued

	Government Activities	Business-Type Activities
Boulder Creek (Phase I)		
The total loan was for \$1,233,050. Annual installments of \$78,521, including interest at 2.7% payable February 1, maturity payable February 1, 2031.	-	1,155,179
Mary Street		
The total loan was for \$1,655,634. Annual installments of \$106,915, including interest at 2.7% payable April 16, maturity April 16, 2031	-	1,572,901
Total State Loans	<u>\$ -</u>	<u>\$ 65,362,473</u>
 <u>Capital Leases Payable</u>		
The capital leases payable from governmental activities were \$387,902 for fiscal year ended June 30, 2012.	\$ 387,902	\$ -
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, 2012, the capital leases in the enterprise funds were \$2,930,368.	-	2,930,369
Total Capital Leases Payable	<u>\$ 387,902</u>	<u>\$ 2,930,369</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.		142,080,000
Total Certificates of Participation	<u>\$ -</u>	<u>\$ 172,780,000</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

11. LONG-TERM DEBT, Continued

	Government Activities	Business-Type Activities
Summary of Outstanding Debt:		
Total Outstanding Debt	\$ 42,866,968	\$ 263,795,602
Add: Bond Premiums	442,046	6,056,215
Less: Bond Discounts	(189,011)	-
Less: Unamortized deferred loss on defeased debt	(511,581)	(16,697,865)
Total Outstanding Debt, net of premiums, discounts, unamortized deferred loss	<u>\$ 42,608,422</u>	<u>\$ 253,153,952</u>

Current year amortization expense for bond premiums, discounts and deferred loss on defeased debt was \$20,553 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	2011-2012 Deletions	Total Amortization	Net
Governmental Activities	\$ 2,582,156	\$ (1,252,644)	\$ 494,187	\$ 835,325
Business-Type Activities	1,194,887	-	559,131	635,756
	<u>\$ 3,777,043</u>	<u>\$ (1,252,644)</u>	<u>\$ 1,053,318</u>	<u>\$ 1,471,081</u>

Current year amortization expense recorded in the governmental activities was \$66,473 and in the business-type activities was \$69,785. Financing costs related to the former Redevelopment Agencies was removed from the City upon dissolution of those entities.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

11. LONG-TERM DEBT (Continued)

The annual requirements to amortize all debt outstanding as of June 30, 2012, 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
2013	3,358,701	1,893,923	11,901,202	10,739,814	15,259,903	12,633,737
2014	3,728,588	1,766,589	12,620,761	10,585,782	16,349,349	12,352,371
2015	3,728,496	1,593,847	12,221,707	10,162,249	15,950,203	11,756,096
2016	2,552,882	1,425,747	12,546,561	9,717,570	15,099,443	11,143,317
2017	2,611,465	1,321,076	12,729,522	9,204,668	15,340,987	10,525,744
2018-2022	13,023,127	4,989,300	66,859,289	38,236,947	79,882,416	43,226,247
2023-2027	6,563,709	2,459,677	70,679,891	23,739,382	77,243,600	26,199,059
2028-2032	3,990,000	1,304,059	54,806,421	7,936,612	58,796,421	9,240,671
2033-2037	3,310,000	404,328	9,430,248	916,926	12,740,248	1,321,254
Total	\$ 42,866,968	\$ 17,158,546	\$ 263,795,602	\$ 121,239,950	\$ 306,662,570	\$ 138,398,496

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

12. 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
2013	\$ 767,761
2014	683,664
2015	619,300
2016	601,798
2017	179,621
2018-2022	838,963
2023-2027	1,051,619
2028-2031	19,211
Total minimum lease payments	<u>4,761,937</u>
Less amount representing interest	<u>(1,443,666)</u>
Present value of minimum lease payments	<u>\$ 3,318,271</u>

Debt service for the present value (discounted at rates ranging between 3.41% - 9.13%) of minimum lease payments will be provided from the following funds:

General	\$ 416,687
Airports	4,232,945
Convention Center	104,985
Electric Utility	<u>7,320</u>
Total debt service	<u>\$ 4,761,937</u>

Assets acquired with the above leases were as follows:

	Government Activities	Business Activities	Total
Asset:			
Furnishings and equipment	\$ 325,000	\$ 4,735,090	\$ 5,060,090
Automotive equipment	1,247,411	-	1,247,411
Less: Accumulated depreciation	<u>(815,429)</u>	<u>(721,604)</u>	<u>(1,537,033)</u>
Net capital assets	<u>\$ 756,982</u>	<u>\$ 4,013,486</u>	<u>\$ 4,770,468</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

13. FUND BALANCE

Fund balance as of June 30, 2012, consists of the following:

	General Fund	Major Capital Project Fund	Other Funds	Total
Fund balances:				
Nonspendable fund balance:				
Nonspendable in form	\$ 836,485	\$ 45,052	\$ 23,052	\$ 904,589
Contractually nonspendable	907,489	-	-	907,489
Total nonspendable	<u>1,743,974</u>	<u>45,052</u>	<u>23,052</u>	<u>1,812,078</u>
Restricted fund balance:				
Fiscal agent reserves	1,410,393	-	-	1,410,393
Capital projects	-	17,043,307	-	17,043,307
Debt service	-	-	1,795,959	1,795,959
Special Revenue	-	-	45,063,046	45,063,046
Total restricted	<u>1,410,393</u>	<u>17,043,307</u>	<u>46,859,005</u>	<u>65,312,705</u>
Assigned fund balance:				
Encumbrances	605,655	-	-	605,655
Rolling stock	687,208	-	-	687,208
Capital projects	173,591	-	-	173,591
Total assigned	<u>1,466,454</u>	<u>-</u>	<u>-</u>	<u>1,466,454</u>
Unassigned:				
General Fund	5,573,062	-	-	5,573,062
Special Revenue	-	-	(249,411)	(249,411)
Debt Service	-	-	-	-
Total Unassigned	<u>5,573,062</u>	<u>-</u>	<u>(249,411)</u>	<u>5,323,651</u>
Total fund balances	<u>\$ 10,193,883</u>	<u>\$ 17,088,359</u>	<u>\$ 46,632,646</u>	<u>\$ 73,914,888</u>

14. INTEREST COST CAPITALIZED

Details of interest cost in proprietary funds at June 30, 2012 are as follows:

Interest cost charged to operations	\$ 7,804,950
Interest cost capitalized	<u>192,766</u>
Total interest cost incurred	<u>\$ 7,997,716</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

15. PLEDGED REVENUE

Revenue Pledged	Borrowing Fund/Entity	Bond/Loan	Use of Funds	Year of Loan or Year Repayments and/or Interest Payments Began	Original Issue/Loan Amount	Payments Amortized Thru
Net Revenues	Water Utility	Bond	Refund prior debt issues.	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 WWTP Ph I	2009	4,378,396	2027
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWTP Ph II	2010	5,021,835	2029
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWTP Ph III	2011	18,671,413	2031
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWTP Ph IV	2012	8,542,186	2030
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWTP Ph V	N/A**	8,639,000	2031
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWTP Ph VI	N/A**	9,531,486	2031
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWTP Ph VII	N/A**	5,150,000	2032
Net Revenues	Wastewater Utility	SRF Loan*	Mary Street Sewer	2012	1,655,634	2031
Net Revenues	Wastewater Utility	SRF Loan*	Boulder Creek Interceptor	2012	1,233,053	2031
Net Revenues 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.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

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
21%		10,874,016	1,025,150	4,876,549	
17%		13,470,078	1,922,750	11,176,803	
10%		12,266,835	1,115,167	11,176,803	
2%		4,361,681	272,605	11,176,803	
3%		5,434,505	319,677	11,176,803	
11%		21,746,733	1,208,152	11,176,803	
5%		10,212,957	567,387	11,176,803	
5%		11,188,482	-	11,176,803	
5%		10,558,531	-	11,176,803	
3%		6,619,213	-	11,176,803	
1%		2,031,383	106,915	11,176,803	
1%		1,491,900	78,521	11,176,803	
5%	2%	57,490,150	1,507,475	29,089,385	34,352,264
42%	19%	215,865,525	12,321,675	29,089,385	34,352,264

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

16. RETIREMENT PLANS

Information for the year ended June 30, 2012, 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, 2012 was not available. Therefore, PERS information has been prepared using information for the year ended June 30, 2011. Public Agency Retirement Services (PARS) has been prepared using information as of July 1, 2010.

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. The member contribution can be paid by the member or 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 2011/12 was 15.795%. 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, 2012

16. 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 2011/12 was 35.316%. 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 2011/12 ranged from 10.19% to 16.3%.

Annual Pension Cost

For fiscal year 2010/11 the City's annual pension cost was \$8,492,349 for the Miscellaneous Plan and \$7,018,797 for the Safety Plan. The required contributions for fiscal year 2011/12 were determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. For fiscal year 2011/12 the City's annual pension cost to PARS was \$5,009,102. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members and from 3.30% to 14.20% for safety members, and (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75% and a production growth component of 0.25%. The actuarial assumptions used by PARS are consistent with those used by CalPERS.

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, 2012

16. 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>
6/30/10	8,529,910	100%	-
6/30/11	8,254,748	100%	-
6/30/12	8,492,349	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>
6/30/11	\$ 313,055,347	\$ 251,528,858	\$ 61,526,489	80.35%	\$ 39,660,573	155.13%

**The schedule of funding progress for the post employment defined benefit plan can be found in the required supplemental section immediately following the notes to the financial statement. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.*

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

16. RETIREMENT PLANS, Continued

THREE-YEAR TREND INFORMATION FOR PERS
Safety Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	6,515,938	100%	\$ -
6/30/11	6,580,637	100%	-
6/30/12	7,018,797	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
6/30/11	\$ 215,899,219	\$ 154,967,982	\$ 60,931,237	71.78%	\$ 16,203,080	376.05%

**The schedule of funding progress for the post employment defined benefit plan can be found in the required supplemental section immediately following the notes to the financial statement. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.*

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

16. RETIREMENT PLANS, Continued

THREE-YEAR TREND INFORMATION FOR PARS
Miscellaneous Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	4,272,732	100%	\$ -
6/30/11	4,251,628	100%	-
6/30/12	5,009,002	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
7/1/10	\$ 47,911,219	\$ 13,862,912	\$ 34,048,307	28.93%	\$ 39,487,227	86.23%

**The schedule of funding progress for the post employment defined benefit plan can be found in the required supplemental section immediately following the notes to the financial statement. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.*

17. 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 2012, 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, 2012, was \$6,042,121 of which the retirees contributed \$2,883,819.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

17. 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	\$ 12,240,000
Interest on net OPEB obligation	1,080,000
Adjustment to annual required contribution	<u>(1,026,000)</u>
Annual OPEB cost (expense)	12,294,000
Contributions made	<u>(3,158,302)</u>
Increase in net OPEB obligation	9,135,698
Net OPEB obligation - beginning of year	<u>22,887,550</u>
Net OPEB obligation - end of year	<u><u>\$ 32,023,248</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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
2011	8,353,000	30.0%	22,887,550
2012	12,294,000	25.7%	32,023,248

Funded Status and Funding Progress. As of January 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits at June 30, 2012 was projected to be \$134.6 million, and the actuarial value of assets was zero, resulting in a projected unfunded actuarial accrued liability (UAAL) of \$134.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$48.6 million, and the ratio of the UAAL to the covered payroll was 247%.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

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

In the January 1, 2011, 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 3.5 percent. 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, 2012, was twenty-five years.

18. 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 14 years. The remaining estimated liability for landfill postclosure care cost was \$1,283,824 as of June 30, 2012 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, 2012. 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, 2012

18. POSTCLOSURE CARE COSTS, Continued

Changes in postclosure care costs for the year ended June 30, 2012, were as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>	<u>Due within One Year</u>
Postclosure care liability	<u>\$ 1,407,127</u>	<u>\$ -</u>	<u>\$ 123,303</u>	<u>\$ 1,283,824</u>	<u>\$ 100,000</u>

19. COMMITMENTS AND CONTINGENCIES

- A. A number of construction contracts existed at June 30, 2012. The unexpended authorized amount of \$31,872,528 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 generating station, 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.

Coal mining operations that provide fuel to San Juan generating station was suspended on September 9, 2011 due to an ignition event in a section of the mine. Because of coal already mined and stored in inventory, continued operation capability was not affected. Redding has reduced its portion of the power production to prudently manage the coal inventory. The mine outage was resolved in May 2012 and has been returned to full production. To keep pace with New Mexico State and Federal EPA standards and regulations, the San Juan generation station may be required to install selective catalytic reduction (SCR) emission controls to reduce haze in the area surrounding the plant. The estimated MSR share for this project would be \$85 million. Redding's share would be \$12.75 million. Preliminary projections are for minimal expenditures for MSR to begin in quarter 4 2012 and major expenditures to begin in quarter 2 2013 and last through quarter 3 2015.

- C. 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, 2012

19. COMMITMENTS AND CONTINGENCIES, Continued

D. REU is contractually committed to purchase natural gas in the 2013 through 2020 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.

	2013	2014	2015	2016	2017	2018	2019	2020
Purchase Cost \$ (million)	\$13.2	\$14.5	\$14.7	\$10.4	\$10.5	\$3.9	\$4.1	\$2.2
% Natural Gas Hedge**	106%	117%	129%	97%	92%	68%	64%	40%

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

E. In 2010, REU entered into a 28 - year term contract with Gill Ranch Storage. Under the Agreement REU has leased cushion gas valued at \$13,570,000 to Gill Ranch and Gill Ranch provides REU with approximately 600,000 Dth of natural gas storage.

F. 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.

G. In addition to the eligible renewable wind based energy covered in the previous item, REU has contractually committed to purchase eligible renewable power from Trinity Public Utilities District (TPUD). Under the agreement Redding will purchase the "excess" energy and subsequent "Renewable Energy Credits" (REC'S) from the upgrade of the Lewiston Dam Hydroelectric generator. This resource is anticipated to begin service in mid 2014. The renewable energy from this small hydro project will qualify under California's renewable energy laws.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

19. COMMITMENTS AND CONTINGENCIES, Continued

Conduit Debt

In 2001 the Redding Redevelopment Agency (Agency) issued conduit bonds to provide financing for improvements at various school sites for the Redding School District. The bonds do not constitute an obligation of the Agency. The bonds are secured by the land and improvements to Bonnyview Elementary School located at 5080 Bidwell Road, Redding, CA 96001. On June 30, 2012, the total outstanding principal on the bonds was \$4,340,000. Although the Agency did pass through funds from property taxes (pass throughs) to cover debt service payments for these bonds in fiscal year 2011-12, the Agency ceased to exist as of February 1, 2012, per California State law. The City has no responsibility to pass through funds for this debt, as under California State law the responsibility to pass through funds has been shifted to the county. Therefore, as of February 1, 2012, this is no longer conduit debt of the City.

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, 2012, were \$5,892,943.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

20. TRANSFERS

The following operating transfers were made during the fiscal year ended June 30, 2012:
(The reasons for these transfers are set forth below)

Transfers Out	Transfers In						Total
	General Fund	Nonmajor Governmental Funds	Electric Fund	Solid Waste	Nonmajor Enterprise funds	Internal Service funds	
Governmental Funds:							
Major Funds:							
General Fund	\$ -	\$ 656,760	\$ -	\$ -	\$ 1,470,200	\$ -	\$ 2,126,960
General Capital Projects Fund	920,430	-	-	-	-	-	920,430
Nonmajor Governmental Funds	3,375,673	381,365	-	-	-	-	3,757,038
Enterprise Funds							
Major Enterprise Funds:							
Electric	5,565,300	-	-	-	-	-	5,565,300
Solid Waste	43,470	-	-	-	-	-	43,470
Water	-	-	-	-	-	-	-
Wastewater	-	-	-	-	298,849	-	298,849
Nonmajor Enterprise Funds	145,000	-	-	-	-	-	145,000
Internal Service Funds	-	-	4,000	100,000	-	131,724	235,724
Total	\$ 10,049,873	\$ 1,038,125	\$ 4,000	\$ 100,000	\$ 1,769,049	\$ 131,724	\$ 13,092,771

- 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 fund 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.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

**21. 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 2011-12, RABA received an additional \$1,459,181 in PTMISEA Funding. During the fiscal year RABA incurred \$810,411 in qualifying expenditures and earned \$4,629 in interest income. The June 30, 2012, unspent balance in PTMISEA funding was \$1,799,103.

Other Proposition 1B Funds

During fiscal year 2011-12 RABA did not receive any additional non PTMISEA Proposition 1B funds. During the fiscal year RABA incurred \$19,495 in qualifying expenditures and earned \$1,220 in interest. The June 30, 2012 balance of non PTMISEA Proposition 1B funds was \$150,169.

22. 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.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

23. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Redding that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

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

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

23. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY, Continued

of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012), from the governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012, was reported in the private-purpose trust funds as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (Current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus, the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assts of the Successor Agency Trust Fund.	\$ 31,594,910
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund.	947,799
Accrued bond interest reported in the governmental-wide financial statements - decrease to net assets of the Successor Agency Trust Fund.	(873,040)
Financing costs recoded in the governmental-wide financial statements - increase to net assets of the Successor Agency Trust Fund.	708,138
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund.	<u>(42,787,499)</u>
Decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City.	<u>(10,409,692)</u>
Long-term vested retirement benefits reported in the government-wide financial statements as a receivable and deferred revenue - decrease to net assets of the Successor Agency Trust Fund.	(892,308)
Intergovernmental payable not recognized as an enforceable obligation by the State and not recorded in the government-wide financial statements - increase to net assets in the Successor Agency Trust Fund.	1,751,426
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers.	<u>\$ (9,550,574)</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

23. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY, Continued

Long-term debt consisted of the following as of June 30, 2012:

Tax Allocation Bonds, Series 2003:

Interest from 2.0% to 5.679% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$170,000 to \$400,000; final payment September 1, 2023. Original issue: \$5,185,000. Proceeds from the Series 2003 Bonds are used to finance various capital improvements within the Market Street Redevelopment Area. \$ 3,655,000

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. 2,480,000

Tax Allocation Housing Bonds, Series B:

Interest from 4.5% to 4.875% payable March 1 and September 1; maturities are payable beginning September 1, 2016, in annual redemptions from \$105,000 to \$745,000; final payment September 1, 2021. Original issue: \$3,500,000. Proceeds from the Series B Bond are used for housing projects. 3,500,000

Tax Allocation Bonds, Series A 2003:

Interest from 2.0% to 5.0% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$1,040,000 to \$2,055,000; final payment September 1, 2023. Original issue: \$28,935,000. Proceeds from the Series A 2003 Bonds are used to finance various capital improvements within the Canby-Hilltop-Cypress Redevelopment Area. 19,860,000

Tax Allocation Bonds, Series 2006:

Interest from 4.0% to 5.0% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$245,000 to \$5,585,000; final payment September 1, 2036. Original issue: \$15,000,000. Proceeds from the Series 2006 Bonds are used to finance various capital improvements within the SHASTECH Redevelopment Area. 13,675,000

Total bonds outstanding 43,170,000

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

23. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY, Continued

Long-term debt (continued):

Discount on Market Street Tax Allocation Bonds, Series 2003	(28,644)
Discount on Canby-Hilltop-Cypress Tax Allocation Bonds, Series A	(14,601)
Discount on Canby-Hilltop-Cypress Tax Allocation Bonds, Series B	(20,415)
Premium on Canby-Hilltop-Cypress Tax Allocation Bonds, Series A 2003	42,165
Discount on SHASTEC Tax Allocation Bonds, Series 2006	(53,361)
Unamortized deferred loss on defeased debt	(293,969)
	<hr/>
Total discount/premium and unamortized deferred loss on defeased debt	(368,825)
	<hr/>
Total long-term bond debt	<u>42,801,175</u>

Note payable to the City of Redding Electric Fund:

A note was approved by City Council on August 25, 1972, for \$550,000 from the City of Redding Electric Utility Fund to the Agency. The principal balance due at June 30, 2012, is \$308,105 along with \$273,835 of simple interest calculated at the LAIF quarterly interest rate. 581,940

Note payable to the City of Redding Parking Fund:

A contract was entered into on May 1, 1977, with the Agency and the City of Redding Parking Fund for the repayment of the Redding Redevelopment Agency, Redding Mall Parking Structure Lease Revenue Bonds, Series 1977. Simple interest is calculated using the LAIF quarterly interest rate. 467,563

Note payable to the City of Redding Risk Management Fund:

A repayment agreement was made by and between the City of Redding Risk Management Fund and the Agency on May 18, 1999, for repayment of a \$2,000,000 loan for the construction of the Clover Creek Preserve Drainage Project. Simple interest is calculated using the LAIF quarterly interest rate. 1,215,057

Note payable to the City of Redding General Fund:

A reimbursement agreement was entered into by and between the Agency and the City of Redding on September 21, 2009, for property tax increment advanced to the Agency between fiscal year 1984-85 and 2008-09. No interest is calculated on this loan. 1,835,800

Total long-term debt	<u>\$ 46,901,535</u>
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City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

23. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY, Continued

Annual requirements to amortize long-term debt outstanding as of June 30, 2012, are set forth below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,290,000	\$ 2,044,996	\$ 4,334,996
2014	2,400,000	1,937,825	4,337,825
2015	2,505,000	1,824,031	4,329,031
2016	2,625,000	1,702,364	4,327,364
2017	2,760,000	1,573,379	4,333,379
2018-2022	15,955,000	5,653,109	21,608,109
2023-2027	7,195,000	2,388,373	9,583,373
2028-2032	3,260,000	1,469,250	4,729,250
2033-2037	4,180,000	543,000	4,723,000
	<u>\$ 43,170,000</u>	<u>\$ 19,136,327</u>	<u>\$ 62,306,327</u>

REQUIRED SUPPLEMENTARY INFORMATION

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City of Redding
Required Supplementary Information
For the year ended June 30, 2012

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. 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.

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 Redding Redevelopment 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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 14,573,000	\$ 14,873,000	\$ 14,318,864	\$ (554,136)
Sales and use taxes	18,760,000	18,760,000	18,771,916	11,916
Other taxes	5,491,000	5,491,000	5,664,150	173,150
Licenses and permits	999,000	850,000	853,882	3,882
Intergovernmental revenues	1,877,770	3,633,818	3,738,678	104,860
Charges for services	1,665,400	1,522,610	1,402,333	(120,277)
Fines, forfeitures, and penalties	527,500	809,950	1,214,747	404,797
Use of money and property	6,410,830	6,281,310	6,496,632	215,322
Interest revenue	28,000	110,390	115,171	4,781
Other revenue	403,100	493,040	486,605	(6,435)
Total revenues	50,735,600	52,825,118	53,062,978	237,860
EXPENDITURES:				
Current:				
General government:				
City Attorney	473,470	492,660	473,102	19,558
City Clerk	560,100	591,120	569,541	21,579
City Manager	1,699,550	1,818,160	1,730,213	87,947
City Treasurer	513,970	531,350	529,731	1,619
Finance	1,176,650	1,197,480	1,153,519	43,961
Personnel	496,820	496,220	489,722	6,498
Purchasing	491,150	499,970	471,771	28,199
Public safety:				
Police	24,834,850	26,037,820	25,816,445	221,375
Fire safety	16,242,520	16,397,078	16,218,599	178,479
Public works	8,910,740	8,766,520	5,081,637	3,684,883
Planning	3,288,730	3,372,360	3,153,642	218,718
Recreation and culture	4,194,140	4,429,310	4,355,711	73,599
Principal payments	1,358,800	1,511,200	1,511,183	17
Interest and fiscal charges	1,458,540	1,554,780	1,549,665	5,115
Total expenditures	65,700,030	67,696,028	63,104,481	4,591,547
REVENUES OVER (UNDER) EXPENDITURES	(14,964,430)	(14,870,910)	(10,041,503)	4,829,407
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	10,000	52,620	42,818	(9,802)
Long-term debt issued	-	-	-	-
Transfers in	11,409,610	12,959,060	11,323,333	(1,635,727)
Transfers out	(1,815,220)	(2,601,720)	(2,601,720)	-
Total other financing sources (uses)	9,604,390	10,409,960	8,764,431	(1,645,529)
Net change in fund balances	(5,360,040)	(4,460,950)	(1,277,072)	3,183,878
BUDGETARY FUND BALANCES:				
Beginning of year	9,818,859	9,818,859	9,818,859	-
End of year	\$ 4,458,819	\$ 5,357,909	\$ 8,541,787	\$ 3,183,878

City of Redding

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

General Fund, Continued

For the year ended June 30, 2012

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	\$ 10,193,883
1. The City budgets for taxes on a cash basis.	(570,512)
2. The City budgets for grants on a cash basis.	(3,443)
3. Timing difference due to GASB #33.	(4,007)
4. The City does not budget for accounts payable adjustments.	(409,027)
5. The City does not budget for benefit accruals.	(64,938)
6. Financial statement only adjustment for GASB #31.	5,860
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.	53,041
8. The City does not budget for special assessments.	(9,177)
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.	650,000
10. The City does not budget for interest on the long-term advances.	7,484
11. Encumbrances are not included in the Statement of Revenues, Expenditures and Changes in Fund Balance.	(1,119,255)
12. The City did not budget for prepaid rent for the Housing Authority and the Agency	(138,174)
13. The City does not budget for developer's fees that are prepaid.	(6,218)
14. The City does not budget for interest on deposits held in trust.	(43,730)
	<hr/>
Budgetary Fund Balance	<u>\$ 8,541,787</u>

(Concluded)

City of Redding
Schedule of Funding Progress-PERS/PARS
Required Supplementary Information
For the year ended June 30, 2012

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
6/30/09	272,828,828	226,202,374	46,626,454	82.91%	42,838,614	108.84%
6/30/10	287,261,243	238,247,409	49,013,834	82.94%	40,984,400	119.59%
6/30/11	313,055,347	251,528,858	61,526,489	80.35%	39,660,573	155.13%

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%
6/30/10	198,111,034	147,219,413	50,891,621	74.31%	17,505,722	290.71%
6/30/11	215,899,219	154,967,982	60,931,237	71.78%	16,203,080	376.05%

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
1/1/07	\$ 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%
7/1/10	47,911,219	13,862,912	34,048,307	28.93%	39,487,227	86.23%

City of Redding
Schedule of Funding Progress-Healthcare Plan
Required Supplementary Information
For the year ended June 30, 2012

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%
1/1/11		121,227,000	121,162,000	0.00%	50,335,000	241%

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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 (all redevelopment agencies in the State of California were dissolved as of February 1, 2012:

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.

SHASTECC 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 (all redevelopment agencies in the State of California were dissolved as of February 1, 2012:

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).

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.

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.

SHASTECC Project Fund - This fund was established to account for the financing and construction activities in the SHASTECC redevelopment project area of Redding. Financing will be provided by future Agency tax allocation bonds.

City of Redding
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	Special Revenue				
	Parking	Street Maintenance	Community Development	Housing	General Special Revenue
ASSETS					
Cash and investments	\$ 61,193	\$ 3,085,387	\$ 325,714	\$ 2,346,085	\$ -
Interest receivable, unrestricted	183	-	1,588,989	1,175,549	-
Accounts receivable, net	-	-	-	14,095	-
Intergovernmental receivable	467,563	1,492,359	116,327	894,293	-
Taxes receivable	-	-	-	235,881	-
Other receivable	-	-	23,590	2,029	-
Restricted cash and investments	-	-	-	162,179	-
Restricted interest receivable	-	-	-	-	-
Restricted taxes receivable	-	-	-	-	-
Interfund receivable	-	-	-	39,862	-
Deposits	-	-	-	-	-
Prepaid items	269	-	22,783	-	-
Assets held for resale	-	-	-	-	-
Advances to other funds	-	-	-	83,111	-
Special assessments receivable	-	-	-	-	-
Notes receivable	-	-	20,661,788	15,311,886	-
Total assets	\$ 529,208	\$ 4,577,746	\$ 22,739,191	\$ 20,264,970	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 318	\$ -	\$ 24,896	\$ 14,799	\$ -
Accrued liabilities	1,885	-	1,040	19,835	-
Intergovernmental payable	863	-	6,988	2,100	-
Due to other funds	-	-	-	90,116	-
Interfund payable	-	-	-	-	-
Deferred revenues	-	-	1,740,516	2,366,957	-
Deposits	-	-	-	162,179	-
Advances from other funds	775,284	-	-	-	-
Total liabilities	778,350	-	1,773,440	2,655,986	-
Fund Balances (deficit):					
Nonspendable	269	-	22,783	-	-
Restricted	-	4,577,746	20,942,968	17,608,984	-
Assigned	-	-	-	-	-
Unassigned	(249,411)	-	-	-	-
Total fund balances	(249,142)	4,577,746	20,965,751	17,608,984	-
Total liabilities and fund balances	\$ 529,208	\$ 4,577,746	\$ 22,739,191	\$ 20,264,970	\$ -

Special Revenue			Debt Service				
Landscape Maintenance District	Library	Asset Seizure Fund	1915 ACT Assessment District Bonds	Midtown Project Bonds	Canby-Hilltop-Cypress Project Bonds	Market Street Project Bonds	SHASTEC Project Bonds
\$ 561,612	\$ 1,448,115	\$ 31,135	\$ 1,792,525	\$ -	\$ -	\$ -	\$ -
1,600	3,798	80	3,434	-	-	-	-
-	2,572	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10,690	-	-	1,203,808	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 573,902</u>	<u>\$ 1,454,485</u>	<u>\$ 31,215</u>	<u>\$ 2,999,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,432	\$ 51,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,131	413	-	-	-	-	-	-
816	175	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
22,517	33,904	-	1,203,808	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>39,896</u>	<u>86,358</u>	<u>-</u>	<u>1,203,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
534,006	1,368,127	31,215	1,795,959	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>534,006</u>	<u>1,368,127</u>	<u>31,215</u>	<u>1,795,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 573,902</u>	<u>\$ 1,454,485</u>	<u>\$ 31,215</u>	<u>\$ 2,999,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Redding
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	Capital Project				Total Non-Major Governmental Funds
	Canby- Hilltop- Cypress Project	Market Street Project	Buckeye Project	SHASTE Project	
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 9,651,766
Interest receivable, unrestricted	-	-	-	-	2,773,633
Accounts receivable, net	-	-	-	-	16,667
Intergovernmental receivable	-	-	-	-	2,970,542
Taxes receivable	-	-	-	-	235,881
Other receivable	-	-	-	-	25,619
Restricted cash and investments	-	-	-	-	162,179
Restricted interest receivable	-	-	-	-	-
Restricted taxes receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	39,862
Deposits	-	-	-	-	-
Prepaid items	-	-	-	-	23,052
Assets held for resale	-	-	-	-	-
Advances to other funds	-	-	-	-	83,111
Special assessments receivable	-	-	-	-	1,214,498
Notes receivable	-	-	-	-	35,973,674
Total assets	\$ -	\$ -	\$ -	\$ -	\$ 53,170,484
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 105,311
Accrued liabilities	-	-	-	-	26,304
Intergovernmental payable	-	-	-	-	10,942
Due to other funds	-	-	-	-	90,116
Interfund payable	-	-	-	-	-
Deferred revenues	-	-	-	-	5,367,702
Deposits	-	-	-	-	162,179
Advances from other funds	-	-	-	-	775,284
Total liabilities	-	-	-	-	6,537,838
Fund Balances (deficit):					
Nonspendable	-	-	-	-	23,052
Restricted	-	-	-	-	46,859,005
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(249,411)
Total fund balances	-	-	-	-	46,632,646
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ -	\$ 53,170,484

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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, 2012

	Special Revenue				General Special Revenue
	Parking	Street Maintenance	Community Development	Housing	
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ 3	\$ -
Sales tax revenue	-	-	-	-	272,517
Special assessments	-	-	-	-	-
Licenses, fees and permits	61,540	-	-	-	-
Intergovernmental revenues	-	4,549,586	960,882	8,108,511	-
Charges for services	-	-	-	128,481	-
Fines, forfeitures and penalties	130,834	-	-	-	-
Use of money and property	-	-	-	-	-
Interest revenue	3,254	33,064	118,197	53,958	-
Other revenues	17,554	-	981	846,687	-
Total revenues	213,182	4,582,650	1,080,060	9,137,640	272,517
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Community development	-	-	637,785	12,245,589	-
Public safety	82,701	-	-	-	-
Public works	79,679	-	-	-	-
Recreation and culture	-	-	-	-	-
Capital outlay	-	-	211,481	19,322	-
Debt service:					
Principal retirement	-	-	-	425,000	-
Interest and fiscal charges	57,083	-	985	176,898	-
Total expenditures	219,463	-	850,251	12,866,809	-
REVENUE OVER (UNDER) EXPENDITURE	(6,281)	4,582,650	229,809	(3,729,169)	272,517
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	-	-	2,075	6,775	-
Extraordinary gain (loss)	-	-	-	(7,842,260)	-
Transfers in	-	-	-	-	-
Transfers out	-	(3,057,304)	-	-	(272,517)
Total other financing sources (uses)	-	(3,057,304)	2,075	(7,835,485)	(272,517)
Net change in fund balances	(6,281)	1,525,346	231,884	(11,564,654)	-
FUND BALANCES:					
Beginning of year	(242,861)	3,052,400	20,733,867	29,173,638	-
End of year	\$ (249,142)	\$ 4,577,746	\$ 20,965,751	\$ 17,608,984	\$ -

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
\$ -	\$ -	\$ -	\$ -	\$ 27,821	\$ 2,652,804	\$ 494,064	\$ 1,134,686
-	-	-	-	-	-	-	-
496,796	-	-	255,814	-	-	-	-
-	-	-	-	-	-	-	-
-	9,969	-	-	-	-	-	-
-	1,221,646	-	-	-	-	-	-
15,643	138,802	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,952	13,403	428	14,982	71,117	-	-	374
-	7,500	2,597	-	96	-	-	-
<u>518,391</u>	<u>1,391,320</u>	<u>3,025</u>	<u>270,796</u>	<u>99,034</u>	<u>2,652,804</u>	<u>494,064</u>	<u>1,135,060</u>
-	-	-	5,000	1,653	215,156	84,527	64,012
-	-	-	-	-	-	-	-
-	-	6,041	-	-	-	-	-
435,779	-	-	-	-	-	-	-
-	2,066,385	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	282,000	-	1,265,000	215,000	285,000
-	-	-	83,937	1,817	499,393	102,913	337,511
<u>435,779</u>	<u>2,066,385</u>	<u>6,041</u>	<u>370,937</u>	<u>3,470</u>	<u>1,979,549</u>	<u>402,440</u>	<u>686,523</u>
<u>82,612</u>	<u>(675,065)</u>	<u>(3,016)</u>	<u>(100,141)</u>	<u>95,564</u>	<u>673,255</u>	<u>91,624</u>	<u>448,537</u>
-	-	-	-	-	-	-	-
-	-	-	-	1,067,520	(5,340,195)	(1,009,427)	(1,518,488)
-	656,760	-	-	-	-	-	-
-	-	-	-	-	(224,757)	(14,004)	(142,604)
-	656,760	-	-	1,067,520	(5,564,952)	(1,023,431)	(1,661,092)
<u>82,612</u>	<u>(18,305)</u>	<u>(3,016)</u>	<u>(100,141)</u>	<u>1,163,084</u>	<u>(4,891,697)</u>	<u>(931,807)</u>	<u>(1,212,555)</u>
<u>451,394</u>	<u>1,386,432</u>	<u>34,231</u>	<u>1,896,100</u>	<u>(1,163,084)</u>	<u>4,891,697</u>	<u>931,807</u>	<u>1,212,555</u>
<u>\$ 534,006</u>	<u>\$ 1,368,127</u>	<u>\$ 31,215</u>	<u>\$ 1,795,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Redding
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2012

	Capital Project				Non-Major Governmental Funds
	Canby- Hilltop- Cypress Project	Market Street Project	Buckeye Project	SHASTEC Project	
REVENUES:					
Property taxes	\$ 2,194,375	\$ 1,408,384	\$ 239,928	\$ 103,515	\$ 8,255,580
Sales tax revenue	-	-	-	-	272,517
Special assessments	-	-	-	-	752,610
Licenses, fees and permits	-	-	-	-	61,540
Intergovernmental revenues	-	-	-	-	13,628,948
Charges for services	-	-	-	-	1,350,127
Fines, forfeitures and penalties	-	-	-	-	285,279
Use of money and property	-	-	-	-	-
Interest revenue	32,255	9,374	1,952	82,066	440,376
Other revenues	191,227	4,416	698	3,199	1,074,955
Total revenues	2,417,857	1,422,174	242,578	188,780	26,121,932
EXPENDITURES:					
Current:					
General government	-	-	-	-	370,348
Community development	1,927,015	1,207,472	64,710	278,228	16,360,799
Public safety	-	-	-	-	88,742
Public works	-	-	-	-	515,458
Recreation and culture	-	-	-	-	2,066,385
Capital outlay	21,488	422,115	49,019	616,672	1,340,097
Debt service:					
Principal retirement	-	-	-	-	2,472,000
Interest and fiscal charges	-	3,762	-	2,851	1,267,150
Total expenditures	1,948,503	1,633,349	113,729	897,751	24,480,979
REVENUE OVER (UNDER) EXPENDITURE	469,354	(211,175)	128,849	(708,971)	1,640,953
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	-	-	-	-	8,850
Extraordinary gain (loss)	(10,821,529)	(273,961)	(1,477,644)	(4,378,926)	(31,594,910)
Transfers in	224,757	14,004	-	142,604	1,038,125
Transfers out	(21,009)	-	(4,509)	(20,334)	(3,757,038)
Total other financing sources (uses)	(10,617,781)	(259,957)	(1,482,153)	(4,256,656)	(34,304,973)
Net change in fund balances	(10,148,427)	(471,132)	(1,353,304)	(4,965,627)	(32,664,020)
FUND BALANCES:					
Beginning of year	10,148,427	471,132	1,353,304	4,965,627	79,296,666
End of year	\$ -	\$ -	\$ -	\$ -	\$ 46,632,646

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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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Licenses and permits	\$ 62,000	\$ 62,000	\$ 61,540	\$ (460)
Fines, forfeitures and penalties	116,000	116,000	130,834	14,834
Interest revenue	19,200	19,200	3,217	(15,983)
Other revenue	12,000	12,000	17,554	5,554
Total revenues	209,200	209,200	213,145	3,945
EXPENDITURES:				
Current:				
Public safety	113,580	113,580	82,384	31,196
Public works	76,700	76,700	79,658	(2,958)
Total expenditures	190,280	190,280	162,042	28,238
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	18,920	18,920	51,103	32,183
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	18,920	18,920	51,103	32,183
FUND BALANCE:				
Beginning of year	(242,861)	(242,861)	(242,861)	-
End of year	\$ (223,941)	\$ (223,941)	\$ (191,758)	\$ 32,183

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	\$ (249,142)
1. Financial statement only adjustment per GASB #31.	(39)
2. The City does not budget for accounts payable adjustments.	338
3. The City budgets does not budget for interest expense on internal loans.	57,085
4. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.	
Budgetary Fund Balance	\$ (191,758)

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 3,762,200	\$ 3,792,200	\$ 4,704,155	\$ 911,955
Interest revenues	20,000	20,000	31,918	11,918
Total revenues	3,782,200	3,812,200	4,736,073	923,873
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	3,782,200	3,812,200	4,736,073	923,873
OTHER FINANCING SOURCES (USES):				
Transfers out	(4,345,630)	(4,375,630)	(3,057,304)	1,318,326
Total other financing sources (uses)	(4,345,630)	(4,375,630)	(3,057,304)	1,318,326
Net change in fund balance	(563,430)	(563,430)	1,678,769	2,242,199
FUND BALANCE:				
Beginning of year	3,052,400	3,052,400	3,052,400	-
End of year	\$ 2,488,970	\$ 2,488,970	\$ 4,731,169	\$ 2,242,199

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	\$ 4,577,746
1. Financial statement only adjustment per GASB #31.	(1,145)
2. The City budgets for grants and taxes on a cash basis.	154,568
Budgetary Fund Balance	\$ 4,731,169

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
	REVENUES:			
Intergovernmental	\$ 1,559,570	\$ 2,404,300	\$ 975,377	\$ (1,428,923)
Interest revenue	90,000	122,910	107,994	(14,916)
Use of money and property	300,000	438,930	396,614	(42,316)
Other revenues	300	300	970	670
Total revenues	1,949,870	2,966,440	1,480,955	(1,485,485)
EXPENDITURES:				
Current:				
Community development	2,688,460	3,698,190	2,298,012	1,400,178
Total expenditures	2,688,460	3,698,190	2,298,012	1,400,178
Net change in fund balance	(738,590)	(731,750)	(817,057)	(85,307)
FUND BALANCE:				
Beginning of year	20,733,867	20,733,867	20,733,867	-
End of year	<u>\$ 19,995,277</u>	<u>\$ 20,002,117</u>	<u>\$ 19,916,810</u>	<u>\$ (85,307)</u>

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 20,965,751
1. Financial statement only adjustment per GASB #31.	1,163
2. The City does not budget for accounts payable and accrued liability adjustments.	(57,647)
3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.	(682,954)
4. The City budgets for interest income on a cash basis.	(7,817)
5. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.	393,030
6. The City budgets for grants on a cash basis.	14,495
7. The City does not budget for proceeds on sales of assets.	(2,075)
8. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.	(707,136)
Budgetary Fund Balance	<u><u>\$ 19,916,810</u></u>

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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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,931,830	\$ (20)	\$ 3	\$ 23
Intergovernmental revenue	9,925,990	9,925,990	8,057,214	(1,868,776)
Use of money and property	22,100	59,580	104,544	44,964
Interest	55,500	63,270	75,535	12,265
Taxes and special assessments	21,100	20,150	50,849	30,699
Total revenues	12,956,520	10,068,970	8,288,145	(1,780,825)
EXPENDITURES:				
Current:				
Community development	20,938,440	13,231,618	12,681,794	549,824
Debt service:				
Principal retirement	425,000	425,000	425,000	-
Interest fiscal charges	350,200	176,910	176,898	12
Total expenditures	21,713,640	13,833,528	13,283,692	549,836
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,757,120)	(3,764,558)	(4,995,547)	(1,230,989)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of asset	-	232,500	232,500	-
Transfers in	-	-	-	-
Total other financing sources (uses)	-	232,500	232,500	-
Net change in fund balance	(8,757,120)	(3,532,058)	(4,763,047)	(1,230,989)
FUND BALANCE:				
Beginning of year	29,173,638	29,173,638	29,173,638	-
End of year	\$ 20,416,518	\$ 25,641,580	\$ 24,410,591	\$ (1,230,989)

(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, 2012

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	\$	17,608,984
1. Financial statement only adjustment per GASB #31.		21,457
2. The City does not budget for accounts payable or intergovernmental payable adjustments.		28,713
3. The City budgets for an records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.		(2,100,827)
4. The City did not budget for amounts owed to Shasta County and the City of Anderson.		(118,106)
5. The City did not budget for the extraordinary loss from assets transferred due to the dissolution of the Redding Redevelopment Agency.		7,842,260
6. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.		104,545
8. The City budgets for grants on a cash basis.		(51,297)
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.		(1,243,581)
10. The City budgets for interest income on notes receivable on a cash basis.		(2,801)
11. The City does not budget for interest accruals.		3,395
12. Capital assets were not included in actual expenditures budgetary basis, but are included in the Statement of Revenues, Expenditures and Fund Balance		2,048,686
13. The City budgets for the sale of assets held for resale, but adjusts the revenue to reduce Assets Held for Resale Account and the gain/loss on the sale.		225,725
14. The City budgeted and paid rent in a prior year, but adjusts the prepayment for the current year portion.		43,438
		<hr/>
Budgetary Fund Balance	\$	24,410,591
		<hr/> <hr/> (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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales tax	\$ 272,500	\$ 272,500	\$ 272,517	\$ 17
Total revenues	<u>272,500</u>	<u>272,500</u>	<u>272,517</u>	<u>17</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>272,500</u>	<u>272,500</u>	<u>272,517</u>	<u>17</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(272,000)</u>	<u>(272,000)</u>	<u>(272,517)</u>	<u>(517)</u>
Total other financing sources (uses)	<u>(272,000)</u>	<u>(272,000)</u>	<u>(272,517)</u>	<u>(517)</u>
Net change in fund balance	500	500	-	(500)
FUND BALANCE:				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ (500)</u>

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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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ 1,800	\$ 15,640	\$ 13,840
Charges for services	1,081,650	1,081,650	1,221,646	139,996
Fines, forfeitures and penalties	94,300	94,300	138,802	44,502
Interest revenue	10,300	10,300	7,319	(2,981)
Other revenues	-	6,970	7,500	530
Total revenues	1,186,250	1,195,020	1,390,907	195,887
EXPENDITURES:				
Current:				
Recreation and culture	2,174,990	2,311,970	2,054,376	257,594
Total expenditures	2,174,990	2,311,970	2,054,376	257,594
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(988,740)	(1,116,950)	(663,469)	(453,481)
OTHER FINANCING SOURCES (USES):				
Transfers in	656,760	659,970	659,970	-
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	606,760	609,970	609,970	-
Net change in fund balance	(381,980)	(506,980)	(53,499)	453,481
FUND BALANCE:				
Beginning of year	1,386,432	1,386,432	1,386,432	-
End of year	\$ 1,004,452	\$ 879,452	\$ 1,332,933	\$ 453,481

(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, 2012

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	\$	1,368,127
1. Financial statement only adjustment per GASB #31.		2,715
2. The City does not budget for accounts payable adjustments.		41,319
3. The City budgets for grants on a cash basis.		5,671
4. The City does not budget for interest income, sale of property or rental income related to the rolling stock fund. The City budgets only for the transfers in and out of rolling stock.		(55,589)
5. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.		(29,310)
Budgetary Fund Balance	\$	<u>1,332,933</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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 62,630	\$ 27,820	\$ 27,821	\$ 1
Investment revenue	-	-	71,151	71,151
Other revenue	-	-	96	96
Total revenues	62,630	27,820	99,068	71,248
EXPENDITURES:				
Current:				
General government	2,000	1,660	1,653	7
Debt Service:				
Principal retirement	42,130	-	-	-
Interest and fiscal charges	18,500	-	-	-
Total expenditures	62,630	1,660	1,653	7
Net change in fund balance	-	26,160	97,415	71,255
FUND BALANCE:				
Beginning of year	(1,163,084)	(1,163,084)	(1,163,084)	-
End of year	<u>\$ (1,163,084)</u>	<u>\$ (1,136,924)</u>	<u>\$ (1,065,669)</u>	<u>\$ 71,255</u>

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ -
1. The City budgets for interest on loans on a cash basis, not an accrual basis.	1,818
2. The City does not budget for interest accruals.	33
3. The City does not budget for the Extraordinary Gain caused by the dissolution of the Redding Redevelopment Agency by the State of California.	(1,067,520)
Budgetary Fund Balance	<u><u>\$ (1,065,669)</u></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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,419,050	\$ 2,419,050	\$ 2,652,804	\$ 233,754
Investment revenue	(32,500)	(32,500)	6,901	39,401
Total revenues	2,386,550	2,386,550	2,659,705	273,155
EXPENDITURES:				
Current:				
General government	165,000	215,160	215,156	4
Debt Service:				
Principal retirement	1,265,000	1,265,000	1,265,000	-
Interest and fiscal charges	963,340	496,680	496,674	6
Total expenditures	2,393,340	1,976,840	1,976,830	10
Net change in fund balance	(6,790)	409,710	682,875	273,165
FUND BALANCE:				
Beginning of year	4,891,697	4,891,697	4,891,697	-
End of year	\$ 4,884,907	\$ 5,301,407	\$ 5,574,572	\$ 273,165

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. The City does not budget for transfers in and out from the capital project fund.	224,757
2. Financial statement only interest income adjustment per GASB 31.	7,698
3. The City does not budget for interest accruals.	1,922
4. The City does not budget for the Extraordinary Loss caused by the dissolution of the Redding Redevelopment Agency by the State of California.	5,340,195
Budgetary Fund Balance	\$ 5,574,572

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 482,710	\$ 482,710	\$ 494,064	\$ 11,354
Investment revenue	-	-	1,289	1,289
Total revenues	482,710	482,710	495,353	12,643
EXPENDITURES:				
Current:				
General government	65,000	84,540	84,527	13
Debt Service:				
Principal retirement	215,000	215,000	215,000	-
Interest and fiscal charges	202,850	102,420	102,411	9
Total expenditures	482,850	401,960	401,938	22
Net change in fund balance	(140)	80,750	93,415	12,665
FUND BALANCE:				
Beginning of year	931,807	931,807	931,807	-
End of year	\$ 931,667	\$ 1,012,557	\$ 1,025,222	\$ 12,665

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. The City does not budget for transfers in and out from the capital project fund.	14,004
2. Financial statement only interest income adjustment per GASB 31.	1,433
3. The City does not budget for interest accruals.	358
4. The City does not budget for the Extraordinary Loss caused by the dissolution of the Redding Redevelopment Agency by the State of California.	1,009,427
Budgetary Fund Balance	\$ 1,025,222

City of Redding

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

SHASTECC Debt Service

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
	REVENUES:			
Property taxes	\$ 957,430	\$ 959,590	\$ 1,134,686	\$ 175,096
Investment revenue	40,000	15,720	15,725	5
Total revenues	997,430	975,310	1,150,411	175,101
EXPENDITURES:				
Current:				
General government	50,000	64,012	64,012	-
Debt Service:				
Principal retirement	285,000	285,000	285,000	-
Interest and fiscal charges	662,430	337,520	337,511	9
Total expenditures	997,430	686,532	686,523	9
Net change in fund balance	-	288,778	463,888	175,110
FUND BALANCE:				
Beginning of year	1,212,555	1,212,555	1,212,555	-
End of year	\$ 1,212,555	\$ 1,501,333	\$ 1,676,443	\$ 175,110

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. The City does not budget for transfers in and out from the capital project fund.	142,604
2. Financial statement only interest income adjustment per GASB 31.	(3,803)
3. The City does not budget for interest accruals.	19,154
4. The City does not budget for the Extraordinary Loss caused by the dissolution of the Redding Redevelopment Agency by the State of California.	1,518,488
Budgetary Fund Balance	\$ 1,676,443

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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ -	\$ 13,694,175	\$ 5,522,939	\$ (8,171,236)
Use of money and property	3,480	3,480	3,480	-
Investment revenue	300,000	300,000	170,952	(129,048)
Other	2,187,550	2,218,470	1,155,153	(1,063,317)
Total revenues	2,491,030	16,216,125	6,852,524	(9,363,601)
EXPENDITURES:				
Current:				
General government	9,111,310	8,646,310	5,961,399	2,684,911
Public works	18,807,240	30,801,710	10,797,488	20,004,222
Recreation and culture	791,690	2,093,715	1,088,376	1,005,339
Debt Service:				
Principal retirement	1,939,960	1,947,141	1,947,135	6
Interest and fiscal charges	533,260	526,079	523,901	2,178
Total expenditures	31,183,460	44,014,955	20,318,299	23,696,656
REVENUES OVER (UNDER) EXPENDITURES	(28,692,430)	(27,798,830)	(13,465,775)	14,333,055
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	-	99,000	99,000
Long-term debt issued	-	-	1,401,803	1,401,803
Transfers in	-	-	908,494	908,494
Transfers out	(878,370)	(929,270)	(1,597,910)	(668,640)
Total other financing sources (uses)	(878,370)	(929,270)	811,387	1,740,657
Net change in fund balance	(29,570,800)	(28,728,100)	(12,654,388)	16,073,712
FUND BALANCE:				
Beginning of year	21,306,581	21,306,581	21,306,581	-
End of year	\$ (8,264,219)	\$ (7,421,519)	\$ 8,652,193	\$ 16,073,712

(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, 2012

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	\$	17,088,359
1. Financial statement only adjustment per GASB #31.		33,694
2. The City does not budget for accounts payable adjustments.		(1,436,582)
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.		(7,069,263)
4. The City does not budget for the transfer of developer fees and interest on those fees to the related enterprise funds.		84,727
5. The City budgets for grants on a cash basis.		204,523
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.		231,014
7. The City did not budget for design and right-of-way costs paid by a developer.		(415,380)
8. The City did not budget for revenue from the Agency Fund.		(114,899)
9. The City did not budget for sale of capital asset.		46,000
Budgetary Fund Balance	\$	<u>8,652,193</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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 3,903,120	\$ 2,194,380	\$ 2,194,375	\$ (5)
Other use of money and property	1,478,670	-	-	-
Investment revenue	65,000	50,520	50,529	9
Other revenue	260,000	191,220	191,227	7
Total revenues	5,706,790	2,436,120	2,436,131	11
EXPENDITURES:				
Current:				
General government	3,597,640	1,902,860	1,902,850	10
Capital outlay	6,576,390	229,720	229,707	13
Total expenditures	10,174,030	2,132,580	2,132,557	23
REVENUES OVER (UNDER) EXPENDITURES	(4,467,240)	303,540	303,574	34
OTHER FINANCING SOURCES (USES):				
Transfers out	(400,000)	(400,000)	(400,000)	-
Total other financing sources (uses)	(400,000)	(400,000)	(400,000)	-
Net change in fund balance	(4,867,240)	(96,460)	(96,426)	34
FUND BALANCE:				
Beginning of year	10,148,427	10,148,427	10,148,427	-
End of year	\$ 5,281,187	\$ 10,051,967	\$ 10,052,001	\$ 34

(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, 2012

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. The City budgeted and paid for rent in a prior year, but adjusts the prepayment for the current year expenditure.		92,378
2. The City does not budget for transfers in and out from the debt service fund.		(224,757)
3. The City does not budget for accounts payable adjustments.		(279)
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.		(257,028)
5. The City does not budget for interest accruals.		6,302
6. Financial statement only interest income adjustment per GASB 31.		13,856
7. 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.		(400,000)
8. The City does not budget for the Extraordinary Loss caused by the dissolution of the Redding Redevelopment Agency by the State of California.		10,821,529
Budgetary Fund Balance	\$	<u>10,052,001</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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,955,570	\$ 1,408,380	\$ 1,408,384	\$ 4
Intergovernmental revenue	\$ 1,400,000			-
Use of money and property	-	-	2,550	2,550
Investment revenue	10,000	10,000	18,459	8,459
Other revenue	4,000	4,000	4,416	416
Total revenues	4,369,570	1,422,380	1,433,809	11,429
EXPENDITURES:				
Current:				
General government	1,872,100	1,195,510	1,195,497	13
Capital outlay	6,321,470	225,870	225,868	2
Debt Service:				
Principal retirement	1,310,260	-	-	-
Interest and fiscal charges	168,410	-	-	-
Total expenditures	9,672,240	1,421,380	1,421,365	15
REVENUES OVER (UNDER) EXPENDITURES	(5,302,670)	1,000	12,444	11,444
OTHER FINANCING SOURCES (USES):				
Transfer out	(250,000)	(250,000)	(250,000)	-
Total other financing sources (uses)	(250,000)	(250,000)	(250,000)	-
Net change in fund balance	(5,552,670)	(249,000)	(237,556)	11,444
FUND BALANCE:				
Beginning of year	471,132	471,132	471,132	-
End of year	\$ (5,081,538)	\$ 222,132	\$ 233,576	\$ 11,444

(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, 2012

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. The City does not budget for transfers in and out from the debt service fund.		(14,004)
2. The City does not budget for accounts payable adjustments.		(565)
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.		(157,890)
4. 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.		(250,000)
5. The City budgets for interest on loans on a cash basis, not accrual basis.		3,762
6. Deposits made on the purchase of property are budgeted as expenditures, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		690,000
7. Financial statement only interest income adjustment per GASB 31.		5,535
8. The City does not budget for interest accruals.		3,550
9. The City does not budget for the Extraordinary Loss caused by the dissolution of the Redding Redevelopment Agency by the State of California.		273,961
10. The City budgeted for expenditures and revenue related to the courthouse acquisition, but adjusted these amounts to Intergovernmental Receivable.		(320,773)
Budgetary Fund Balance	\$	<u>233,576</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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 315,410	\$ 239,930	\$ 239,928	\$ (2)
Investment revenue	5,000	5,000	5,455	455
Other revenue	500	500	698	198
Total revenues	320,910	245,430	246,081	651
EXPENDITURES:				
Current:				
General government	180,240	28,920	28,907	13
Capital outlay	1,452,280	1,040,230	1,040,228	2
Total expenditures	1,632,520	1,069,150	1,069,135	15
Net change in fund balance	(1,311,610)	(823,720)	(823,054)	666
FUND BALANCE:				
Beginning of year	1,353,304	1,353,304	1,353,304	-
End of year	\$ 41,694	\$ 529,584	\$ 530,250	\$ 666

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. The City does not budget for accounts payable adjustments.	6,106
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.	(957,003)
3. Financial statement only interest income adjustment per GASB 31.	2,192
4. The City does not budget for interest accruals.	1,311
5. The City does not budget for the Extraordinary Loss caused by the dissolution of the Redding Redevelopment Agency by the State of California.	1,477,644
Budgetary Fund Balance	\$ 530,250

City of Redding

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

SHASTEC Capital Project Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 694,030	\$ 103,515	\$ 103,515	\$ -
Investment revenue	30,000	25,500	99,857	74,357
Other revenue	2,000	2,000	3,199	1,199
Total revenues	726,030	131,015	206,571	75,556
EXPENDITURES:				
Current:				
General government	631,540	90,050	90,037	13
Capital outlay	5,183,350	1,075,580	1,075,580	-
Debt Service:				
Principal retirement	181,810	219,770	219,760	10
Interest and fiscal charges	45,000	7,040	7,040	-
Total expenditures	6,041,700	1,392,440	1,392,417	23
Net change in fund balance	(5,315,670)	(1,261,425)	(1,185,846)	75,579
FUND BALANCE:				
Beginning of year	4,965,627	4,965,627	4,965,627	-
End of year	\$ (350,043)	\$ 3,704,202	\$ 3,779,781	\$ 75,579

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. The City does not budget for accounts payable adjustments.	(141,543)
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.	(108,840)
3. The City budgets for interest expense on loans on a cash basis only.	2,851
4. The City budgets for and records payments on loans in the expenditure accounts, but adjusts the actual loan to advances payable to other funds.	(226,800)
5. The City does not budget for transfers in/out from the debt service fund.	(142,604)
6. Financial statement only interest income adjustment per GASB 31.	10,798
7. The City does not budget for interest accruals.	6,993
8. The City does not budget for the Extraordinary Loss caused by the dissolution of the Redding Redevelopment Agency by the State of California.	4,378,926
Budgetary Fund Balance	\$ 3,779,781

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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, 2012

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
ASSETS					
Current assets:					
Cash and investments	\$ -	\$ 3,271,468	\$ 3,524,732	\$ 53,412	\$ 6,849,612
Interest receivable	89	8,000	1,991	5	10,085
Accounts receivable	95,665	191,292	38,034	3,947	328,938
Prepaid items	6,959	6,927	-	10,051	23,937
Intergovernmental receivable	2,841,906	-	814,886	-	3,656,792
Inventories	-	11,467	104,117	-	115,584
Total current assets	2,944,619	3,489,154	4,483,760	67,415	10,984,948
Non-current assets:					
Restricted assets:					
Cash and investments	55,885	-	-	35,441	91,326
Interest receivable	1	-	-	-	1
Total restricted assets	55,886	-	-	35,441	91,327
Capital assets:					
Land	6,406,355	909,184	1,682,463	250,000	9,248,002
Utility plants	-	25,915,549	-	-	25,915,549
Buildings	12,732,224	-	7,639,062	3,653,538	24,024,824
Improvements other than buildings	31,401,449	2,348,779	1,652,892	1,485,024	36,888,144
Automotive equipment	729,238	487,843	8,442,124	150,415	9,809,620
Furnishings and equipment	284,598	37,195	2,281,963	305,608	2,909,364
Assets under capital lease	4,175,880	-	-	559,210	4,735,090
Construction in progress	4,957,600	141,884	7,210	-	5,106,694
Total capital assets	60,687,344	29,840,434	21,705,714	6,403,795	118,637,287
Less: accumulated depreciation	(32,735,359)	(14,726,113)	(10,493,887)	(5,016,793)	(62,972,152)
Net capital assets	27,951,985	15,114,321	11,211,827	1,387,002	55,665,135
Other assets:					
Financing costs, net	10,601	-	-	6,726	17,327
Total other assets	10,601	-	-	6,726	17,327
Total non-current assets	28,018,472	15,114,321	11,211,827	1,429,169	55,773,789
Total assets	30,963,091	18,603,475	15,695,587	1,496,584	66,758,737

(Continued)

City of Redding
Combining Statement of Net Assets, Continued
Nonmajor Enterprise Funds
June 30, 2012

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
LIABILITIES					
Current liabilities (payable from current assets):					
Accounts payable	\$ 2,029,113	\$ 44,508	\$ 329,144	\$ 70,450	\$ 2,473,215
Accrued liabilities	19,483	9,753	4,773	-	34,009
Accrued interest payable	10,930	-	-	4,603	15,533
Intergovernmental payables	-	-	1,529,581	413	1,529,994
Due to other funds	656,745	-	57,244	-	713,989
Interfund payables	90,000	2,441	-	36,000	128,441
Deferred revenues	-	-	1,949,275	-	1,949,275
Deposits payable	37,630	-	3,000	-	40,630
Accrued compensated absences, due within one year	33,754	16,810	-	-	50,564
Capital leases, due within one year	319,888	-	-	51,068	370,956
Long-term debt, due within one year	30,767	-	-	20,361	51,128
State loan, due within one year	45,456	-	-	-	45,456
Total current liabilities	3,273,766	73,512	3,873,017	182,895	7,403,190
Long-term liabilities:					
Compensated absences, due in more than one year	114,833	62,948	-	-	177,781
Advances from other funds	2,678,913	-	-	2,301,658	4,980,571
Accrued liabilities, due in more than one year	283,979	190,036	-	324,251	798,266
Capital leases, due in more than one year	2,505,495	-	-	53,917	2,559,412
Long-term debt, due in more than one year	400,666	-	-	261,735	662,401
State loan, due in more than one year	538,079	-	-	-	538,079
Total long-term liabilities	6,521,965	252,984	-	2,941,561	9,716,510
Total liabilities	9,795,731	326,496	3,873,017	3,124,456	17,119,700
NET ASSETS					
Invested in capital assets, net of related debt	23,467,284	15,114,321	11,211,827	132,711	49,926,143
Restricted for capital projects	-	2,888,556	-	-	2,888,556
Unrestricted	(2,299,924)	274,102	610,743	(1,760,583)	(3,175,662)
Total net assets	\$ 21,167,360	\$ 18,276,979	\$ 11,822,570	\$ (1,627,872)	\$ 49,639,037

(Concluded)

City of Redding
Combining Statement of Activities and Changes in Net Assets
Nonmajor Enterprise Funds
For the year ended June 30, 2012

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
OPERATING REVENUES:					
User Fees and Charges	\$ 83,321	\$ 1,226,917	\$ 1,054,031	\$ 140,880	\$ 2,505,149
Rental fees	1,272,002	-	-	82,655	1,354,657
Other operating revenue	661,500	630	-	-	662,130
Total operating revenues	2,016,823	1,227,547	1,054,031	223,535	4,521,936
OPERATING EXPENSES:					
Cost of power, water, and transportation	-	-	3,075,341	-	3,075,341
Maintenance, operations, and administration	2,027,522	1,038,225	1,978,712	1,514,061	6,558,520
Depreciation and amortization	1,748,565	1,178,655	943,375	112,284	3,982,879
Total operating expenses	3,776,087	2,216,880	5,997,428	1,626,345	13,616,740
Operating income (loss)	(1,759,264)	(989,333)	(4,943,397)	(1,402,810)	(9,094,804)
NONOPERATING REVENUE (EXPENSES):					
Interest revenue	583	36,983	1,817	-	39,383
Interest expense	(302,934)	-	(4,591)	(15,355)	(322,880)
Intergovernmental revenues	248,878	-	3,984,798	7,184	4,240,860
Gain (loss) on disposal of assets	214,051	4,150	(33,726)	1,824	186,299
Other non-operating revenues (expenses)	543,840	68,630	18,000	-	630,470
Total nonoperating revenues (expenses)	704,418	109,763	3,966,298	(6,347)	4,774,132
Income (loss) before operating transfers and capital contributions	(1,054,846)	(879,570)	(977,099)	(1,409,157)	(4,320,672)
Capital contributions	3,102,728	140,961	2,121,347	15,660	5,380,696
Transfers in	12,000	298,849	-	1,458,200	1,769,049
Transfers out	(145,000)	-	-	-	(145,000)
Change in net assets	1,914,882	(439,760)	1,144,248	64,703	2,684,073
NET ASSETS:					
Beginning of year	19,252,478	18,716,739	10,678,322	(1,692,575)	46,954,964
End of year	<u>\$ 21,167,360</u>	<u>\$ 18,276,979</u>	<u>\$ 11,822,570</u>	<u>\$ (1,627,872)</u>	<u>\$ 49,639,037</u>

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City of Redding
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the year ended June 30, 2012

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 2,018,426	\$ 1,191,793	\$ 1,060,198	\$ 232,457	\$ 4,502,874
Cash paid to suppliers	(1,185,163)	(464,626)	(5,082,528)	(1,046,450)	(7,778,767)
Cash paid to employees	(792,954)	(516,485)	-	(590,304)	(1,899,743)
Other operating revenue	441,796	630	-	-	442,426
Net cash provided (used) by operating activities	482,105	211,312	(4,022,330)	(1,404,297)	(4,733,210)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Intergovernmental revenue received	197,455	-	3,435,594	7,184	3,640,233
Advances from other funds	757,398	-	57,245	3,160	817,803
Repayment of advances to other funds	(256,640)	-	-	-	(256,640)
Repayment of advances from other funds	-	(5,000)	(94,608)	-	(99,608)
Transfers in	12,000	-	-	1,458,200	1,470,200
Transfers out	(145,000)	-	-	-	(145,000)
Net cash provided (used) by noncapital financing activities	565,213	(5,000)	3,398,231	1,468,544	5,426,988
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital grants received	790,413	-	3,069,914	15,660	3,875,987
Proceeds from sale of assets	214,899	4,150	-	(13,836)	205,213
Purchases of capital assets	(1,510,778)	(80,889)	(2,425,552)	-	(4,017,219)
Interest paid	(301,798)	-	(4,591)	(14,596)	(320,985)
Proceeds from long-term debt	-	-	-	-	-
Principal paid on long-term debt	(199,363)	-	-	(20,663)	(220,026)
Principal paid on capital leases	(258,851)	-	-	(48,370)	(307,221)
Cash collected for future capital outlay	102,044	64,588	-	-	166,632
Property damage claims	-	4,042	-	-	4,042
Net cash provided (used) by capital and related financing activities	(1,163,434)	(8,109)	639,771	(81,805)	(613,577)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment revenue received	644	41,707	3,067	189	45,607
Rents received	-	-	18,000	-	18,000
Net cash provided (used) by investing activities	644	41,707	21,067	189	63,607
Net increase (decrease) in cash and cash equivalents	(115,472)	239,910	36,739	(17,369)	143,808
CASH AND CASH EQUIVALENTS:					
Beginning of year	171,357	3,031,558	3,487,993	106,222	6,797,130
End of year	\$ 55,885	\$ 3,271,468	\$ 3,524,732	\$ 88,853	\$ 6,940,938
Reconciliation to statement of net assets					
Cash and cash equivalents	\$ -	\$ 3,271,468	\$ 3,524,732	\$ 53,412	\$ 6,849,612
Restricted cash and cash equivalents	55,885	-	-	35,441	91,326
	\$ 55,885	\$ 3,271,468	\$ 3,524,732	\$ 88,853	\$ 6,940,938

(Continued)

City of Redding
Combining Statement of Cash Flows
Nonmajor Enterprise Funds, Continued
For the year ended June 30, 2012

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ (1,759,264)	\$ (989,333)	\$ (4,943,397)	\$ (1,402,810)	\$ (9,094,804)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Other non-operating revenue and expense	441,796	-	-	-	441,796
Depreciation and amortization	1,748,565	1,178,655	943,375	112,284	3,982,879
Accounts receivable	(327)	(35,124)	6,164	8,922	(20,365)
Inventories	-	(3,770)	14,705	-	10,935
Prepaid items	1,088	957	-	7,934	9,979
Accounts payable	(871)	(8,328)	(41,747)	6,151	(44,795)
Due to other funds	-	-	-	-	-
Accrued liabilities	8,219	1,971	(1,283)	(10,069)	(1,162)
Deposits payable	1,930	-	-	(48,920)	(46,990)
Intergovernmental payable	(7,763)	-	(147)	(825)	(8,735)
Deferred revenue	-	-	-	-	-
Accrued compensated absences	(40,286)	5,764	-	(119,965)	(154,487)
Accrued liabilities long-term	89,018	60,520	-	43,001	192,539
Net cash provided (used) by operating activities	\$ 482,105	\$ 211,312	\$ (4,022,330)	\$ (1,404,297)	\$ (4,733,210)
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Plant contributed from developers	\$ -	\$ 140,961	\$ -	\$ -	\$ 140,961
Purchase of equipment on account (interfund)	-	-	-	-	-
Transfer of capital assets	-	53,138	-	-	53,138
Total non-cash capital and related financing activities	\$ -	\$ 194,099	\$ -	\$ -	\$ 194,099

(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, 2012

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
ASSETS						
Current assets:						
Cash and investments	\$ 391,553	\$ 790,379	\$ 997,310	\$ 10,001,264	\$ 574,479	\$ 12,754,985
Interest receivable	839	1,898	2,382	21,042	1,361	27,522
Accounts receivable, net	1,212	-	-	36,998	-	38,210
Prepaid items	26,182	20,858	27,656	382,325	24,294	481,315
Intergovernmental receivable				1,215,057		1,215,057
Inventories	173,949	-	-	-	-	173,949
Interfund receivable	-	-	-	36,000	-	36,000
Total current assets	593,735	813,135	1,027,348	11,692,686	600,134	14,727,038
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	10,671,794	-	112,182	-	180,626	10,964,602
Furnishings and equipment	640,890	580,719	227,830	-	30,493	1,479,932
Assets under capital lease	1,247,411	-	-	-	-	1,247,411
Total capital assets	14,906,841	580,719	488,319	-	211,119	16,186,998
Less: accumulated depreciation	(10,162,396)	(492,279)	(324,505)	-	(172,425)	(11,151,605)
Net capital assets	4,744,445	88,440	163,814	-	38,694	5,035,393
Other assets:						
Advances to other funds	-	-	-	5,283,918	-	5,283,918
Total other assets	-	-	-	5,283,918	-	5,283,918
Total non-current assets	4,744,445	88,440	163,814	5,283,918	38,694	10,319,311
Total assets	5,338,180	901,575	1,191,162	16,976,604	638,828	25,046,349
LIABILITIES						
Current liabilities:						
Accounts payable	44,192	17,270	72,896	49,604	8,559	192,521
Intergovernmental payable	-	-	18,134	519,225	535	537,894
Accrued liabilities	22,714	24,391	32,850	46,417	37,081	163,453
Claims and judgements payable	-	-	-	3,960,583	-	3,960,583
Deferred revenues	-	2,286	-	-	-	2,286
Deposits	-	-	16	-	-	16
Compensated absences - current	58,699	44,283	48,523	35,556	86,587	273,648
Total current liabilities	125,605	88,230	172,419	4,611,385	132,762	5,130,401
Long-term liabilities:						
Advances from other funds	666,823	-	-	-	-	666,823
Accrued compensated absences	148,455	132,291	163,166	96,628	245,658	786,198
Accrued liabilities	529,951	638,489	592,898	281,272	770,511	2,813,121
Claims and judgements	-	-	-	9,288,872	-	9,288,872
Total long-term liabilities	1,345,229	770,780	756,064	9,666,772	1,016,169	13,555,014
Total liabilities	1,470,834	859,010	928,483	14,278,157	1,148,931	18,685,415
NET ASSETS						
Invested in capital assets, net of related debt	4,744,445	88,440	163,814	-	38,694	5,035,393
Unrestricted	(877,099)	(45,875)	98,865	2,698,447	(548,797)	1,325,541
Total net assets	\$ 3,867,346	\$ 42,565	\$ 262,679	\$ 2,698,447	\$ (510,103)	\$ 6,360,934

City of Redding
Combining Statement of Activities and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2012

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
OPERATING REVENUES:						
User fees and charges	\$ 3,156,130	\$ 2,113,807	\$ 3,942,562	\$ 42,819,428	\$ 2,505,330	\$ 54,537,257
Other operating revenue	7,669	2,500	840	9,493	-	20,502
Total operating revenues	3,163,799	2,116,307	3,943,402	42,828,921	2,505,330	54,557,759
OPERATING EXPENSES:						
Maintenance, operations, and administration	3,008,274	1,956,572	3,876,348	43,343,484	2,897,126	55,081,804
Depreciation and amortization	996,129	31,902	26,652	-	16,103	1,070,786
Total operating expenses	4,004,403	1,988,474	3,903,000	43,343,484	2,913,229	56,152,590
OPERATING INCOME (LOSS)	(840,604)	127,833	40,402	(514,563)	(407,899)	(1,594,831)
NONOPERATING REVENUE (EXPENSES):						
Interest revenue	5,418	7,166	9,566	102,688	6,902	131,740
Interest expense	(12,507)	-	-	(74,350)	-	(86,857)
Intergovernmental revenues	-	-	-	-	-	-
Gain on disposal of capital assets	(32,991)	-	-	-	-	(32,991)
Other non-operating revenues(exp)	(42,624)	-	-	-	-	(42,624)
Total nonoperating expenses	(82,704)	7,166	9,566	28,338	6,902	(30,732)
Income (loss) before transfers and contributions	(923,308)	134,999	49,968	(486,225)	(400,997)	(1,625,563)
Capital contributions	666,931	-	-	-	-	666,931
Transfer in	131,724	-	-	-	-	131,724
Transfers out	-	-	-	(231,724)	(4,000)	(235,724)
Change in net assets	(124,653)	134,999	49,968	(717,949)	(404,997)	(1,062,632)
NET ASSETS:						
Beginning of year	3,991,999	(92,434)	212,711	3,416,396	(105,106)	7,423,566
End of year	\$ 3,867,346	\$ 42,565	\$ 262,679	\$ 2,698,447	\$ (510,103)	\$ 6,360,934

City of Redding
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2012

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from other funds	\$ 3,162,679	\$ 2,115,510	\$ 3,943,489	\$ 42,821,719	\$ 2,505,330	\$ 54,548,727
Cash paid to suppliers	(1,521,172)	(444,391)	(2,244,712)	(41,906,943)	(471,091)	(46,588,309)
Cash paid to employees	(1,350,298)	(1,311,327)	(1,408,010)	(630,338)	(2,199,585)	(6,899,558)
Other income received	-	-	-	-	-	-
Net cash provided (used) by operating activities	291,209	359,792	290,767	284,438	(165,346)	1,060,860
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Repayment of advances to other funds	-	-	-	-	-	-
Repayment of advances from other funds	(250,000)	-	-	642,139	-	392,139
Advances to other funds	-	-	-	(92,642)	-	(92,642)
Transfers out	-	-	-	-	(4,000)	(4,000)
Net cash provided (used) by noncapital financing activities	(250,000)	-	-	549,497	(4,000)	295,497
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital grants received	-	-	-	-	-	-
Proceeds from sale of assets	5,334	-	-	-	-	5,334
Purchase of capital assets	(30,014)	(26,714)	-	(231,724)	-	(288,452)
Interest Paid	-	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	(24,680)	(26,714)	-	(231,724)	-	(283,118)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment revenue received	7,385	7,160	9,627	100,836	8,591	133,599
Net cash provided (used) by investing activities	7,385	7,160	9,627	100,836	8,591	133,599
Net increase (decrease) in cash and cash equivalents	23,914	340,238	300,394	703,047	(160,755)	1,206,838
CASH AND CASH EQUIVALENTS:						
Beginning of year	367,639	450,141	696,916	9,298,217	735,234	11,548,147
End of year	\$ 391,553	\$ 790,379	\$ 997,310	\$ 10,001,264	\$ 574,479	\$ 12,754,985

(Continued)

City of Redding
Combining Statement of Cash Flows
Internal Service Funds, Continued
For the year ended June 30, 2012

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating income (loss)	\$ (840,604)	\$ 127,833	\$ 40,402	\$ (514,563)	\$ (407,899)	\$ (1,594,831)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	996,129	31,902	26,652	-	16,103	1,070,786
(Increase) decrease in accounts receivable	(1,122)	-	88	(7,202)	-	(8,236)
(Increase) decrease in inventories	(51,392)	-	-	-	-	(51,392)
(Increase) decrease in prepaid items	(1,555)	(2,941)	(447)	(6,778)	1,283	(10,438)
Increase (decrease) in accounts payable	32,271	(1,675)	8,124	(24,540)	7,123	21,303
Increase (decrease) in accrued liabilities	2,931	6,040	5,288	3,100	15,386	32,745
Increase (decrease) in claims and judgements payable	-	-	-	(187,560)	-	(187,560)
Increase (decrease) in deposits	-	-	(1)	-	-	(1)
Increase (decrease) in intergovernmental payable	-	-	919	(21,612)	275	(20,418)
Increase (decrease) in deferred revenues	-	(797)	-	-	-	(797)
Increase (decrease) in accrued compensated absences	(2,403)	35,964	46,511	25,062	(34,324)	70,810
Increase (decrease) in claims and judgements long-term	-	-	-	941,855	-	941,855
Increase (decrease) in accrued liabilities long-term	156,954	163,466	163,231	76,676	236,707	797,034
Total adjustments	1,131,813	231,959	250,365	799,001	242,553	2,655,691
Net cash provided (used) by operating activities	\$ 291,209	\$ 359,792	\$ 290,767	\$ 284,438	\$ (165,346)	\$ 1,060,860
Schedule of noncash capital activities:						
Transfer of capital assets	\$ 131,724	\$ -	\$ -	\$ -		\$ 131,724
Equipment contributed from customer	624,307	-	-	-	-	624,307
Total non-cash capital and related financing activities	\$ 756,031	\$ -	\$ -	\$ -	\$ -	\$ 756,031

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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, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 851,994	\$ 5,958,085	\$ 5,877,302	\$ 932,777
Accounts receivable	22,925	4,094,723	4,106,991	10,657
Interest receivable	10,670	-	4,164	6,506
Total assets	\$ 885,589	\$ 10,052,808	\$ 9,988,457	\$ 949,940
Liabilities:				
Deposits	\$ 885,589	\$ 10,052,808	\$ 9,988,457	\$ 949,940
Total liabilities	\$ 885,589	\$ 10,052,808	\$ 9,988,457	\$ 949,940
<u>IPSS</u>				
Assets:				
Cash and investments	\$ 597,086	\$ 409,387	\$ 251,647	\$ 754,826
Accounts receivable	12,410	292,513	292,994	11,929
Interest receivable	2,544	-	596	1,948
Total assets	\$ 612,040	\$ 701,900	\$ 545,237	\$ 768,703
Liabilities:				
Deposits	\$ 612,040	\$ 701,900	\$ 545,237	\$ 768,703
Total liabilities	\$ 612,040	\$ 701,900	\$ 545,237	\$ 768,703
<u>Total</u>				
Assets:				
Cash and investments	\$ 1,449,080	\$ 6,367,472	\$ 6,128,949	\$ 1,687,603
Accounts receivable	35,335	4,387,236	4,399,985	22,586
Interest receivable	13,214	-	4,760	8,454
Total assets	\$ 1,497,629	\$ 10,754,708	\$ 10,533,694	\$ 1,718,643
Liabilities:				
Deposits	\$ 1,497,629	\$ 10,754,708	\$ 10,533,694	\$ 1,718,643
Total liabilities	\$ 1,497,629	\$ 10,754,708	\$ 10,533,694	\$ 1,718,643

STATISTICAL SECTION

STATISTICAL SECTION

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

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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 198

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenues sources. 212

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 to issue additional debt in the future. 218

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. 230

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. 263

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

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
Governmental activities				
Invested in capital assets, net of related debt	\$ 113,740,928	\$ 152,599,739	\$ 160,825,551	\$ 172,814,117
Restricted	48,116,563	37,186,278	40,434,959	41,537,596
Unrestricted	16,605,960	24,216,326	26,390,155	28,543,456
Total governmental activities net assets	\$ 178,463,451	\$ 214,002,343	\$ 227,650,665	\$ 242,895,169
Business-type activities				
Invested in capital assets, net of related debt	\$ 196,489,648	\$ 200,043,626	\$ 220,179,734	\$ 190,161,873
Restricted	14,678,467	31,011,072	34,051,195	33,452,385
Unrestricted	80,121,237	77,810,482	63,110,632	116,877,608
Total business-type activities net assets	\$ 291,289,352	\$ 308,865,180	\$ 317,341,561	\$ 340,491,866
Primary government				
Invested in capital assets, net of related debt	\$ 310,230,576	\$ 352,643,365	\$ 381,005,285	\$ 362,975,990
Restricted	62,795,030	68,197,350	74,486,154	74,989,981
Unrestricted	96,727,197	102,026,808	89,500,787	145,421,064
Total primary government net assets	\$ 469,752,803	\$ 522,867,523	\$ 544,992,226	\$ 583,387,035

Source: City of Redding Comprehensive Annual Financial Report

Fiscal Year					
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$ 188,370,460	\$ 213,545,402	\$ 215,773,740	\$ 288,328,860	\$ 303,837,954	\$ 303,499,470
46,293,480	47,999,512	46,969,131	49,612,778	53,687,464	43,830,207
37,777,707	35,204,839	73,406,378	5,025,229	1,588,034	17,269,063
<u>\$ 272,441,647</u>	<u>\$ 296,749,753</u>	<u>\$ 336,149,249</u>	<u>\$ 342,966,867</u>	<u>\$ 359,113,452</u>	<u>\$ 364,598,740</u>
\$ 238,330,630	\$ 257,415,432	\$ 271,838,921	\$ 267,709,679	\$ 266,569,610	\$ 263,727,224
15,786,725	14,417,207	13,641,495	11,981,816	17,362,637	18,929,291
102,615,412	92,480,560	75,311,930	78,797,442	81,074,227	95,705,374
<u>\$ 356,732,767</u>	<u>\$ 364,313,199</u>	<u>\$ 360,792,346</u>	<u>\$ 358,488,937</u>	<u>\$ 365,006,474</u>	<u>\$ 378,361,889</u>
\$ 426,701,090	\$ 470,960,834	\$ 487,612,661	\$ 556,038,539	\$ 570,407,564	\$ 567,226,694
62,080,205	62,416,719	60,610,626	61,594,594	71,050,101	62,759,498
140,393,119	127,685,399	148,718,308	83,822,671	82,662,261	112,974,437
<u>\$ 629,174,414</u>	<u>\$ 661,062,952</u>	<u>\$ 696,941,595</u>	<u>\$ 701,455,804</u>	<u>\$ 724,119,926</u>	<u>\$ 742,960,629</u>

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

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
Expenses				
Governmental Activities				
General government	\$ 6,355,591	\$ 6,460,999	\$ 7,823,328	\$ 6,043,808
Police	18,636,632	21,554,360	22,639,639	22,938,459
Fire	11,674,640	12,568,277	13,614,525	13,896,656
Public Works	9,227,910	9,616,568	8,439,622	11,350,449
Planning	3,468,665	4,202,068	4,871,248	3,894,286
Recreation and culture	7,237,374	5,732,598	9,075,527	8,390,240
Community development	8,829,726	11,707,216	15,516,690	16,349,078
Interest on long-term debt	3,452,316	3,976,239	3,731,476	4,110,575
Total governmental activities expenses	68,882,854	75,818,325	85,712,055	86,973,551
Business-Type Activities				
Electric	101,853,586	118,023,084	133,187,082	131,048,566
Water	9,424,821	10,447,116	9,779,384	10,878,391
Wastewater	10,023,354	11,743,540	10,609,067	11,718,895
Storm drainage	1,523,000	1,765,074	1,510,206	1,846,993
Solid waste	12,125,866	15,880,622	14,617,316	16,433,051
Transportation	7,680,703	8,214,988	8,301,803	9,172,005
Convention center	2,059,258	2,680,425	2,503,314	2,578,833
Total business-type activities expenses	144,690,588	168,754,849	180,508,172	183,676,734
Total primary government expenses	\$ 213,573,442	\$ 244,573,174	\$ 266,220,227	\$ 270,650,285
Program Revenues				
Governmental Activities				
Charges for services:				
General government	\$ 2,014,549	\$ 2,105,485	\$ 2,293,668	\$ 4,669,323
Public works	1,141,885	936,885	1,013,954	269,504
Planning	2,594,993	2,575,763	3,059,516	3,204,622
Other activities	1,803,948	2,319,156	2,433,455	2,064,225
Operating grants and contributions	13,883,419	14,347,489	16,331,121	17,524,126
Capital grants and contributions	14,922,344	39,516,056	11,837,627	10,834,923
Total governmental activities program revenues	36,361,138	61,800,834	36,969,341	38,566,723
Program Revenues				
Business-type activities				
Charges for services:				
Electric	91,766,907	124,669,322	127,893,208	140,336,132
Water	11,314,044	12,174,497	11,966,513	12,540,136
Wastewater	9,492,114	10,459,146	11,806,688	12,709,979
Solid waste	14,858,534	15,727,879	15,984,667	16,608,413
Transportation	2,116,890	2,063,966	2,363,703	2,558,384
Other activities	1,353,358	1,706,783	1,661,984	1,660,073
Operating grants and contributions	3,235,428	3,594,562	4,000,415	4,152,460
Capital grants and contributions	10,186,180	10,080,012	17,315,640	15,773,165
Total business-type activities program revenues	144,323,455	180,476,167	192,992,818	206,338,742
Total primary government program revenues	\$ 180,684,593	\$ 242,277,001	\$ 229,962,159	\$ 244,905,465
Net (Expense)/Revenue				
Governmental activities	\$ (32,521,716)	\$ (14,017,491)	\$ (48,742,714)	\$ (48,406,828)
Business-type activities	(367,133)	11,721,318	12,484,646	22,662,008
Total primary government	\$ (32,888,849)	\$ (2,296,173)	\$ (36,258,068)	\$ (25,744,820)

Fiscal Year					
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$ 5,840,837	\$ 5,168,803	\$ 7,726,275	\$ 6,383,391	\$ 5,278,782	\$ 7,217,464
24,388,239	27,716,907	28,282,449	27,497,342	26,269,521	25,838,317
14,587,056	17,618,698	17,189,677	17,076,785	16,236,292	16,780,046
11,427,486	10,339,597	12,753,802	10,447,617	9,639,403	12,731,599
4,869,938	5,750,052	5,634,317	4,434,756	3,689,281	3,532,884
8,650,759	10,964,863	11,598,055	11,470,482	10,744,101	10,986,615
13,036,414	15,160,077	20,803,513	24,737,850	18,533,923	14,132,539
4,743,424	5,367,360	5,168,490	4,760,944	4,899,556	3,459,498
<u>87,544,153</u>	<u>98,086,357</u>	<u>109,156,578</u>	<u>106,809,167</u>	<u>95,290,859</u>	<u>94,678,962</u>
139,338,821	163,293,058	173,451,814	161,100,955	165,227,316	159,456,608
12,022,834	12,570,242	12,646,773	14,574,967	14,575,101	15,975,372
12,517,219	13,378,188	13,686,453	15,075,253	16,889,147	17,907,974
2,122,729	2,563,858	2,498,787	2,354,882	2,492,302	2,255,283
17,130,494	18,702,626	18,228,705	18,497,103	18,876,936	19,953,480
9,159,483	9,838,187	10,340,798	10,037,079	10,450,822	9,915,606
2,495,721	2,952,600	2,966,577	3,131,705	2,457,085	1,642,316
<u>194,787,301</u>	<u>223,298,759</u>	<u>233,819,907</u>	<u>224,771,944</u>	<u>230,968,709</u>	<u>227,106,639</u>
<u>\$ 282,331,454</u>	<u>\$ 321,385,116</u>	<u>\$ 342,976,485</u>	<u>\$ 331,581,111</u>	<u>\$ 326,259,568</u>	<u>\$ 321,785,601</u>
\$ 5,933,921	\$ 5,215,942	\$ 5,465,585	\$ 5,211,415	\$ 5,605,847	\$ 6,128,583
219,567	1,279,365	492,040	939,201	811,949	717,929
2,609,623	2,900,666	1,595,092	1,415,218	1,060,499	1,282,262
2,976,895	4,153,936	4,044,057	3,772,070	3,499,360	3,539,227
18,594,929	16,262,587	17,411,451	17,731,034	19,756,822	17,033,353
18,918,861	22,032,319	52,890,580	20,954,834	19,708,994	6,854,366
<u>49,253,796</u>	<u>51,844,815</u>	<u>81,898,805</u>	<u>50,023,772</u>	<u>50,443,471</u>	<u>35,555,720</u>
133,308,642	152,834,481	157,529,886	152,499,576	168,333,684	164,375,161
14,264,218	14,550,142	14,128,755	13,968,396	14,653,288	15,886,937
15,768,736	17,128,355	17,190,847	18,287,784	19,503,467	21,113,321
17,317,785	17,985,385	17,201,828	17,614,327	18,395,742	19,161,513
2,863,235	3,037,429	3,151,051	3,114,393	3,207,076	3,530,250
1,788,340	2,202,160	2,168,958	2,115,383	1,844,432	1,519,081
5,141,381	4,311,285	4,799,554	5,319,012	5,181,927	4,450,939
17,199,684	13,702,005	10,276,508	10,685,872	9,368,813	13,337,075
<u>207,652,021</u>	<u>225,751,242</u>	<u>226,447,387</u>	<u>223,604,743</u>	<u>240,488,429</u>	<u>243,374,277</u>
<u>\$ 256,905,817</u>	<u>\$ 277,596,057</u>	<u>\$ 308,346,192</u>	<u>\$ 273,628,515</u>	<u>\$ 290,931,900</u>	<u>\$ 278,929,997</u>
\$ (38,290,357)	\$ (46,241,542)	\$ (27,257,773)	\$ (56,785,395)	\$ (44,847,388)	\$ (59,123,242)
12,864,720	2,452,483	(7,372,520)	(1,167,201)	9,519,720	16,267,638
<u>\$ (25,425,637)</u>	<u>\$ (43,789,059)</u>	<u>\$ (34,630,293)</u>	<u>\$ (57,952,596)</u>	<u>\$ (35,327,668)</u>	<u>\$ (42,855,604)</u>

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

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
General Revenue and				
Other Changes in Net Assets				
Governmental Activities				
Taxes				
Sales taxes	\$ 19,327,138	\$ 20,297,843	\$ 21,696,313	\$ 23,857,074
Property taxes	13,275,953	16,965,869	17,900,941	25,735,494
In lieu	5,047,821	5,753,770	-	-
Transient and occupancy taxes	3,178,073	3,275,325	3,512,022	3,747,553
Motor vehicle in-lieu taxes	4,833,438	3,960,686	6,971,460	611,129
Franchise taxes	794,739	828,940	827,175	916,818
Other taxes	1,037,862	1,129,334	1,329,072	1,364,821
Investment earnings	3,276,758	2,031,348	3,106,598	3,355,569
Gain on sale of property	231,587	(337,650)	-	-
Miscellaneous	25,597	68,789	120,092	103,125
Transfers	(2,852,381)	(4,180,250)	7,666,014	3,794,368
Extraordinary gain	-	-	-	-
Total governmental activities	48,176,585	49,794,004	63,129,687	63,485,951
Business-type activities				
Investment earnings	3,940,608	1,866,949	3,657,749	3,785,359
Gain on sale of property	(430,458)	(42,005)	-	-
Miscellaneous	250	-	-	-
Transfers	2,852,381	4,180,250	(7,666,014)	(3,794,368)
Other items	-	(150,684)	-	-
Total business activities	6,362,781	5,854,510	(4,008,265)	(9,009)
Total primary government	\$ 54,539,366	\$ 55,648,514	\$ 59,121,422	\$ 63,476,942
Change in Net Assets				
Governmental activities	\$ 15,654,869	\$ 35,776,513	\$ 14,386,973	\$ 15,079,123
Adjustments	(7)	(237,621)	(738,651)	165,381
Total governmental activities	15,654,862	35,538,892	13,648,322	15,244,504
Business-type activities	5,995,648	17,575,828	8,476,381	22,652,999
Adjustments - business activities	1,935,651	-	-	497,306
Total business activities	7,931,299	17,575,828	8,476,381	23,150,305
Total changes in net assets - primary government	\$ 23,586,161	\$ 53,114,720	\$ 22,124,703	\$ 38,394,809

Source: City of Redding Comprehensive Annual Financial Report

Fiscal Year					
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$ 23,184,177	\$ 21,647,441	\$ 19,375,971	\$ 18,480,866	\$ 19,157,880	\$ 19,754,922
30,017,785	33,238,207	34,820,263	33,540,288	30,583,596	22,434,321
-	-	-	-	-	-
3,966,328	3,957,034	3,625,101	3,497,627	3,635,090	3,869,713
479,622	384,059	260,061	268,465	293,986	283,588
997,756	967,150	992,321	888,406	911,180	930,731
1,221,396	1,150,466	996,583	931,504	935,173	895,591
5,916,734	6,492,706	4,065,026	1,284,562	1,101,518	820,983
-	-	-	76,085	122,183	133,561
101,000	100,000	100,000	100,000	100,000	911,518
1,941,445	2,612,585	2,421,943	4,535,210	4,153,367	4,163,910
					10,409,692
<u>67,826,243</u>	<u>70,549,648</u>	<u>66,657,269</u>	<u>63,603,013</u>	<u>60,993,973</u>	<u>64,608,530</u>
8,459,278	7,738,038	6,272,631	3,398,687	1,150,239	1,251,057
-	-	-	-	-	-
-	-	-	-	-	-
(1,941,445)	(2,612,585)	(2,421,943)	(4,535,210)	(4,153,367)	(4,163,910)
4,685	2,496	979	315	945	630
<u>6,522,518</u>	<u>5,127,949</u>	<u>3,851,667</u>	<u>(1,136,208)</u>	<u>(3,002,183)</u>	<u>(2,912,223)</u>
<u>\$ 74,348,761</u>	<u>\$ 75,677,597</u>	<u>\$ 70,508,936</u>	<u>\$ 62,466,805</u>	<u>\$ 57,991,790</u>	<u>\$ 61,696,307</u>
\$ 29,535,886	\$ 24,308,106	\$ 39,399,496	\$ 6,817,618	\$ 16,146,585	\$ 5,485,288
10,592	-	-	-	-	-
<u>29,546,478</u>	<u>24,308,106</u>	<u>39,399,496</u>	<u>6,817,618</u>	<u>16,146,585</u>	<u>5,485,288</u>
19,387,238	7,580,432	(3,520,853)	(2,303,409)	6,517,537	13,355,415
(3,146,337)	-	-	-	-	-
<u>16,240,901</u>	<u>7,580,432</u>	<u>(3,520,853)</u>	<u>(2,303,409)</u>	<u>6,517,537</u>	<u>13,355,415</u>
<u>\$ 45,787,379</u>	<u>\$ 31,888,538</u>	<u>\$ 35,878,643</u>	<u>\$ 4,514,209</u>	<u>\$ 22,664,122</u>	<u>\$ 18,840,703</u>

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

	2002-03	2003-04	2004-05	2005-06
General Fund				
Reserved	\$ 4,330,021	\$ 5,604,846	\$ 7,960,371	\$ 5,088,973
Unreserved	10,767,456	20,908,746	14,051,582	14,409,873
Total general fund	<u>15,097,477</u>	<u>26,513,592</u>	<u>22,011,953</u>	<u>19,498,846</u>
All Other Governmental Funds				
Reserved	\$ 38,043,606	\$ 42,922,062	\$ 43,711,331	\$ 49,982,576
Unreserved, designated for, reported in:				
Special revenue funds	698,876	4,925,613	14,667,177	14,531,667
Capital projects funds	21,637,855	15,120,183	24,925,785	26,139,758
Unreserved, undesignated, reported in:				
Special revenue funds	2,548,815	3,130,866	877,114	2,435,338
Capital projects funds	(593,847)	(9,839,024)	296,773	675,765
Debt service funds	9,101,683	14,674,603	2,465,914	(1,271,925)
Total all other governmental funds	<u>\$ 71,436,988</u>	<u>\$ 70,934,303</u>	<u>\$ 86,944,094</u>	<u>\$ 92,493,179</u>
	<u>Fiscal Year</u>	<u>Fiscal Year</u>		
	2010-11	2011-12		
General Fund				
Nonspendable	1,710,364	1,743,974		
Restricted	1,418,289	1,410,393		
Assigned	1,881,098	1,466,454		
Unassigned	4,809,108	5,573,062		
Total general fund	<u>\$ 9,818,859</u>	<u>\$ 10,193,883</u>		
All Other Governmental Funds				
Nonspendable	1,697,328	68,104		
Restricted	100,880,968	63,902,312		
Assigned	-	-		
Unassigned	(1,975,049)	(249,411)		
Total all other governmental funds	<u>\$ 100,603,247</u>	<u>\$ 63,721,005</u>		

Source: City of Redding Comprehensive Annual Financial Report

Fiscal Year			
2006-07	2007-08	2008-09	2009-10
\$ 5,836,083	\$ 6,302,324	\$ 4,905,691	\$ 3,795,073
17,475,454	13,430,337	5,139,052	7,470,433
<u>23,311,537</u>	<u>19,732,661</u>	<u>10,044,743</u>	<u>11,265,506</u>
\$ 41,495,690	\$ 57,794,053	\$ 61,453,924	\$ 62,317,199
8,939,932	11,306,543	8,933,742	7,258,582
62,437,942	40,518,292	21,667,051	17,628,400
7,776,230	6,706,906	5,324,788	6,802,994
7,582,682	8,782,898	14,820,724	2,361,163
(1,267,509)	(1,241,046)	(1,213,848)	(1,196,710)
<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			
	2002-03	2003-04	2004-05	2005-06
Revenues				
Taxes	\$ 37,607,285	\$ 42,463,395	\$ 43,856,582	\$ 55,488,972
Licenses and permits	1,822,042	1,868,324	2,159,509	2,244,909
Intergovernmental revenues	24,465,420	26,857,196	29,538,610	20,651,015
Charges for services	2,128,300	2,343,447	2,698,496	3,087,242
Fines	852,813	985,786	1,063,502	800,275
Use of money and property	8,212,771	9,255,389	3,679,150	5,452,555
Interest revenue	2,922,392	1,833,241	2,854,682	3,167,557
Special assessments	1,599,284	1,522,665	2,887,274	1,524,188
Miscellaneous	3,845,229	5,197,696	6,145,044	8,676,756
Total revenues	83,455,536	92,327,139	94,882,849	101,093,469
Expenditures				
Community development	10,888,839	12,439,346	14,226,661	17,004,289
General government	6,339,169	6,403,628	6,648,418	6,994,486
Public safety	29,378,432	31,269,917	35,625,481	37,684,535
Public works	4,184,655	4,750,695	5,915,842	7,690,555
Planning	3,409,124	4,031,899	4,859,683	4,392,294
Recreation and culture	3,661,822	4,459,732	5,755,954	5,051,006
Midtown Mall	-	-	-	-
Capital outlay	16,912,493	21,921,650	13,206,504	15,007,032
Debt service:				
Principal retirement	2,770,161	2,016,759	4,012,357	4,562,460
Interest and fiscal charges	3,490,765	4,076,484	3,901,201	4,133,488
Bond issuance costs	246,818	982,578	349,311	-
Total expenditures	81,282,278	92,352,688	94,501,412	102,520,145
Excess of revenues over (under) expenditures	2,173,258	(25,549)	381,437	(1,426,676)

Fiscal Year					
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$ 59,524,861	\$ 60,575,049	\$ 59,231,951	\$ 56,847,912	\$ 55,531,852	\$ 47,806,603
1,589,747	1,409,549	919,484	904,249	853,202	915,422
25,835,843	32,130,286	44,205,365	30,291,860	41,308,531	22,835,959
3,730,253	4,828,400	3,693,777	3,218,326	2,697,345	2,765,973
926,522	1,089,317	1,333,019	1,395,523	1,046,207	1,500,026
5,639,155	6,318,669	6,434,661	6,015,841	6,311,596	6,638,286
5,526,660	6,120,195	3,624,089	1,007,459	1,001,286	740,063
1,464,323	1,671,937	1,684,815	796,878	751,326	761,787
6,853,688	4,936,950	6,115,887	3,045,835	3,048,462	2,587,503
<u>111,091,052</u>	<u>119,080,352</u>	<u>127,243,048</u>	<u>103,523,883</u>	<u>112,549,807</u>	<u>86,551,622</u>
14,262,851	15,625,733	6,997,295	5,795,422	5,202,372	5,627,595
7,296,375	6,926,626	21,607,335	25,226,846	18,035,641	16,360,799
38,417,064	42,538,068	44,305,381	42,179,779	41,483,662	40,629,153
5,920,843	5,878,230	7,861,504	5,031,215	4,456,262	4,089,781
4,714,858	5,419,587	5,437,393	4,172,970	3,485,319	3,106,140
5,719,996	7,418,515	7,439,993	6,889,257	6,372,869	6,273,179
-	-	-	-	-	-
26,539,273	35,872,742	50,136,882	24,231,055	24,467,682	12,195,037
4,324,708	5,533,870	5,710,487	6,775,043	5,229,044	5,706,539
4,493,534	5,473,145	5,231,749	4,781,807	4,698,793	3,348,200
677,851	5,650	-	-	-	-
<u>112,367,353</u>	<u>130,692,166</u>	<u>154,728,019</u>	<u>125,083,394</u>	<u>113,431,644</u>	<u>97,336,423</u>
<u>(1,276,301)</u>	<u>(11,611,814)</u>	<u>(27,484,971)</u>	<u>(21,559,511)</u>	<u>(881,837)</u>	<u>(10,784,801)</u>

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

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
Other Financing Sources (Uses)				
Sale of capital asset	280,637	77,735	33,058	838,344
Financing proceeds	235,193	-	290,891	39,878
Long-term debt issued	7,977,616	44,430,000	16,970,000	-
Bond discount	(40,250)	(51,342)	-	-
Premium on bonds issued	17,271	365,639	611,624	-
Proceeds of refunding bonds escrow agent	(2,001,298)	(29,465,181)	(10,548,316)	-
Extraordinary gain (loss)				
Transfers in	15,910,603	18,368,202	33,800,013	15,230,516
Transfers out	(18,762,985)	(22,548,453)	(29,764,223)	(11,646,084)
Total other financing sources (uses)	3,616,787	11,176,600	11,393,047	4,462,654
Net change in fund balances	\$ 5,790,045	\$ 11,151,051	\$ 11,774,484	\$ 3,035,978
Fund Balances (deficit), beginning of year, as originally stated	\$ 80,744,420	\$ 86,534,465	\$ 97,447,895	\$ 108,956,047
Prior period adjustment	-	(237,621)	(266,332)	-
Change in accounting principal	-	-	-	-
Fund Balances (deficit), beginning of year, as restated	80,744,420	86,296,844	97,181,563	108,956,047
Residual equity transfer in	-	-	-	-
Fund balances (deficit), end of year	\$ 86,534,465	\$ 97,447,895	\$ 108,956,047	\$ 111,992,025
Debt service as a percentage of noncapital expenditures	10%	13%	10%	10%

(Source: City of Redding Comprehensive Annual Financial Report)

Fiscal Year					
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
696,456	1,851,372	233,399	1,804,652	169,672	187,120
250,000	400,000	-	-	-	-
36,415,000	-	-	662,993	343,770	1,401,803
(266,824)	-	-	-	-	-
76,427	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
					(31,594,910)
11,213,114	11,351,753	19,768,205	17,190,872	10,531,521	11,087,998
(8,738,168)	(8,667,508)	(15,085,816)	(12,692,996)	(6,178,154)	(6,804,428)
39,646,005	4,935,617	4,915,788	6,965,521	4,866,809	(25,722,417)
<u>\$ 38,369,704</u>	<u>\$ (6,676,197)</u>	<u>\$ (22,569,183)</u>	<u>\$ (14,593,990)</u>	<u>\$ 3,984,972</u>	<u>\$ (36,507,218)</u>
\$ 108,956,047	\$ 150,276,504	\$ 143,600,307	\$ 121,031,125	\$ 106,437,134	\$ 110,422,106
(85,225)	-	-	-	-	-
-	-	-	-	-	-
108,870,822	150,276,504	143,600,307	121,031,125	106,437,134	110,422,106
-	-	-	-	-	-
<u>\$ 147,240,526</u>	<u>\$ 143,600,307</u>	<u>\$ 121,031,124</u>	<u>\$ 106,437,135</u>	<u>\$ 110,422,106</u>	<u>\$ 73,914,888</u>
11%	12%	10%	11%	11%	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
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
2010-2011	30,571	3,616	19,479	1,866	55,532
2011-2012	22,574	3,838	19,536	1,859	47,807

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 Nine Fiscal Years*

Type of Customer	Fiscal Year ended June 30,			
	2004		2005	
	Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)
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

Type of Customer	Fiscal Year ended June 30,			
	2009		2010	
	Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)
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
<u>41,769</u>	<u>791,153</u>	<u>42,416</u>	<u>803,009</u>	<u>42,767</u>	<u>791,337</u>

Fiscal Year ended June 30,			
2011		2012	
Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)
36,824	377,161	36,974	375,136
5,032	332,375	5,020	333,200
355	13,586	345	13,227
902	44,610	915	44,379
<u>43,113</u>	<u>767,732</u>	<u>43,254</u>	<u>765,942</u>

City of Redding
Electric Utility Rates
Last Nine 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	0.9890	6.31	14.54	0.1107	0.0514
2009	6.86	0.1067	6.86	15.70	0.1288	0.0598
2010	7.40	0.1151	7.40	16.90	0.1288	0.0598
2011	8.50	0.1239	11.00	21.00	0.137	0.0645
2012	9.80	0.1330	16.50	25.00	0.1448	0.0696

* 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
42.00	0.1409	0.0654	0.0552	0.0654
50.00	0.1519	0.0705	0.0595	0.0705

City of Redding
Principal Electric Utility Payers
Fiscal Years 2011-12 and 2005-06*

Utility Payer	June 30, 2012 Fiscal Year			June 30, 2006 Fiscal Year		
	2012 Utilities Paid	Rank	Percentage of City Total Utilities Paid	2006 Utilities Paid	Rank	Percentage of City Total Utilities Paid
Customer #1	\$4,723,910	1	4.42%	\$3,465,972	1	4.38%
Customer #2	1,536,264	2	1.44%	999,336	3	1.26%
Customer #3	1,472,984	3	1.38%	1,300,615	2	1.64%
Customer #4	1,126,353	4	1.05%	862,444	4	1.09%
Customer #5	788,867	5	0.74%			
Customer #6	762,175	6	0.71%			
Customer #7	745,398	7	0.70%			
Customer #8	623,136	8	0.58%	478,871	5	0.60%
Customer #9	595,006	9	0.56%	426,104	8	0.54%
Customer #10	592,297	10	0.55%	445,379	6	0.56%
Customer #11				429,352	7	0.54%
Customer #12				406,238	9	0.51%
Customer #13				391,892	10	0.49%
Total	\$12,966,390		12.13%	\$9,206,203		11.62%

* 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)

Fiscal Year Ending	Governmental Activities				
	Revenue Bonds	Tax Allocation Bonds (2)	Loans	Special Assessment Bonds	Capital Leases
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
2011	42,719	45,360	316	1,379	567
2012	40,022	-	1,360	1,097	388

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.

(2) Tax Allocation Bonds were associated with the various Redevelopment Agencies (RDAs). The RDAs' debt was removed from the City of Redding's totals as the RDAs were dissolved by the State of California in 2012.

Business-Type Activities

General Obligation Bonds	Revenue Bonds	Certificates of Participation	Loans	Special Assessment Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	(1)	Per Capita	(1)
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	11.23%		3,930	
-	28,632	183,290	39,750	-	199	347,098	11.38%		3,791	
-	25,641	178,160	44,289	-	3,238	341,669	10.38%		3,791	
-	22,723	172,780	65,362	-	2,930	306,663	9.70%		3,791	

City of Redding
Computation of Direct and Overlapping Debt
As of June 30, 2012

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Redding (4)	Amount Applicable to City of Redding
Direct:			
City of Redding: (1)			
City of Redding 1915 Act Bonds	\$ 1,097,000	100.000%	\$ 1,097,000
Revenue bonds	60,596,389	100.000%	60,596,389
Loans	66,722,299	100.000%	66,722,299
Certificates of participation	164,028,415	100.000%	164,028,415
Capital leases	3,318,271	100.000%	3,318,271
Total direct debt	295,762,374		295,762,374
Overlapping:			
Redding Redevelopment Agency (1)	43,170,000	88.596%	38,247,000
County of Shasta: (2)			
Bonds	45,504,360	50.104%	22,799,505
Notes	3,609,556	50.104%	1,808,532
Financing lease obligations	1,545,112	50.104%	774,163
Capital leases	650,929	50.104%	326,141
Shasta County Schools: (2)			
Enterprise School District	40,769,516	98.996%	40,360,190
Shasta Union High	22,397,943	68.293%	15,296,227
Gateway School	33,439,434	39.159%	13,094,548
Redding School District	12,505,000	99.139%	12,397,332
Columbia School District	3,375,000	75.425%	2,545,594
Shasta College	35,655,000	50.276%	17,925,908
Cascade School	3,177,733	2.206%	70,101
Pacheco School	3,299,956	55.639%	1,836,063
Grant School	1,237,457	4.078%	50,463
Centerville (3)	90,180	27.858%	25,122
Total overlapping debt	250,427,176		167,556,889
Total direct and overlapping debt	\$546,189,550		\$463,319,263

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 2010-11.

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Debt Limit	\$ 178,629	\$ 193,720	\$ 211,455	\$ 233,010	\$ 262,662
Total net debt applicable to limit	700	350	0	0	0
Legal debt margin	<u>\$ 177,929</u>	<u>\$ 193,370</u>	<u>\$ 211,455</u>	<u>\$ 233,010</u>	<u>\$ 262,662</u>
Total net debt applicable to the limit as a percentage of debt limit	0.39%	0.18%	0.00%	0.00%	0.00%

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

(1) Assessed valuation includes supplemental tax rolls.

Fiscal Year				
2008	2009	2010	2011	2012
\$ 286,996	\$ 300,235	\$ 292,840	\$ 279,873	\$ 260,142
0	0	0	0	0
<u>\$ 286,996</u>	<u>\$ 300,235</u>	<u>\$ 292,840</u>	<u>\$ 279,873</u>	<u>\$ 260,142</u>
0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2011-12

Assessed Value (1)	<u>\$ 6,937,111</u>
Debt Limit - 3.75% of Total Assessed Value	\$ 260,142
Amount of Debt Applicable to the Limit	<u>0</u>
Legal Debt Margin	<u>\$ 260,142</u>

City of Redding
Wastewater Revenue Bond Coverage
Last Ten Fiscal Years

	Fiscal Year Ending			
	2003	2004	2005	2006
Operating Revenue	9,492,114	10,459,146	11,806,688	12,700,189
Other Revenue**	49,248	470	-	12,459
Interest Revenue	599,133	229,254	585,167	613,530
Adjusted Revenue	10,140,495	10,688,870	12,391,855	13,326,178
25% of Adjusted Revenue	2,535,124	2,672,218	3,097,964	3,331,545
Actual Connection Fees	2,615,896	2,547,755	2,812,014	3,458,536
Allowable Connection Fees	2,535,124	2,547,755	2,812,014	3,331,545
Total Revenue	12,675,619	13,236,625	15,203,869	16,657,723
Operating Expense	(8,609,979)	(10,057,528)	(9,392,352)	(10,551,395)
Add back In-Lieu	903,180	1,337,400	1,237,100	751,380
Add back Depreciation/ Amortization	2,957,227	3,389,830	3,488,037	3,564,164
Net Operating Expense	(4,749,572)	(5,330,298)	(4,667,215)	(6,235,851)
Net Wastewater Revenues*	7,926,047	7,906,327	10,536,654	10,421,872
Total Debt Service	1,000,984	2,916,912	2,915,058	2,925,508
Debt Coverage Ratio	7.92	2.71	3.61	3.56

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

** Excludes capital grants.

Fiscal Year Ending					
2007	2008	2009	2010	2011	2012
15,696,939	17,108,790	17,165,662	18,280,681	19,492,643	21,099,386
88,188	19,663	25,186	2,152	10,824	13,935
1,473,122	1,605,727	1,266,665	649,481	215,469	350,722
<u>17,258,249</u>	<u>18,734,180</u>	<u>18,457,513</u>	<u>18,932,314</u>	<u>19,718,936</u>	<u>21,464,043</u>
4,314,562	4,683,545	4,614,378	4,733,079	4,929,734	5,366,011
2,941,713	2,933,424	1,680,074	1,717,427	1,335,741	664,223
<u>2,941,713</u>	<u>2,933,424</u>	<u>1,680,074</u>	<u>1,717,427</u>	<u>1,335,741</u>	<u>664,223</u>
<u>20,199,962</u>	<u>21,667,604</u>	<u>20,137,587</u>	<u>20,649,741</u>	<u>21,054,677</u>	<u>22,128,266</u>
(11,277,304)	(12,424,166)	(12,894,743)	(14,214,867)	(15,275,899)	(16,093,343)
-	-	-	-	-	-
3,488,891	3,817,656	4,021,167	4,361,325	4,896,408	5,141,880
<u>(7,788,413)</u>	<u>(8,606,510)</u>	<u>(8,873,576)</u>	<u>(9,853,542)</u>	<u>(10,379,491)</u>	<u>(10,951,463)</u>
<u>12,411,549</u>	<u>13,061,094</u>	<u>11,264,011</u>	<u>10,796,199</u>	<u>10,675,186</u>	<u>11,176,803</u>
<u>3,042,063</u>	<u>3,040,868</u>	<u>3,309,313</u>	<u>3,621,312</u>	<u>4,838,627</u>	<u>5,591,172</u>
<u>4.08</u>	<u>4.30</u>	<u>3.40</u>	<u>2.98</u>	<u>2.21</u>	<u>2.00</u>

City of Redding
Water Revenue Bond Coverage
Last Ten Fiscal Years

	Fiscal Year Ending			
	2003	2004	2005	2006
Operating Revenue	11,314,044	12,174,497	11,862,077	12,403,356
Other Revenue**	137,302	139,532	291,151	821,377
Interest Revenue	478,117	207,585	506,373	517,974
Adjusted Revenue	11,929,463	12,521,614	12,659,601	13,742,707
25% of Adjusted Revenue	2,982,366	3,130,404	3,164,900	3,435,677
Actual Connection Fees	1,884,456	1,506,985	1,541,114	3,047,465
Allowable Connection Fees	1,884,456	1,506,985	1,541,114	3,047,465
Total Revenue	13,813,919	14,028,599	14,200,715	16,790,172
Operating Expense	(8,691,621)	(9,472,975)	(9,288,618)	(10,321,364)
Add back In-Lieu	613,900	739,850	754,450	455,230
Add back Depreciation/ Amortization	1,924,183	2,073,982	2,166,769	2,277,378
Net Operating Expense	(6,153,538)	(6,659,143)	(6,367,399)	(7,588,756)
Net Water Revenues*	7,660,381	7,369,456	7,833,316	9,201,416
Total Debt Service	682,851	1,600,112	1,602,593	1,206,493
Debt Coverage Ratio	11.22	4.61	4.89	7.63

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

** Excludes capital grants.

Fiscal Year Ending					
2007	2008	2009	2010	2011	2012
13,824,991	14,341,120	13,914,397	13,748,499	14,427,814	15,655,601
661,080	209,022	194,358	219,897	225,474	231,336
1,139,710	907,870	734,418	479,524	199,863	205,711
<u>15,625,781</u>	<u>15,458,012</u>	<u>14,843,173</u>	<u>14,447,920</u>	<u>14,853,151</u>	<u>16,092,648</u>
3,906,445	3,864,503	3,710,793	3,611,980	3,713,288	4,023,162
2,779,003	2,049,142	1,437,290	1,294,343	1,018,718	602,128
<u>2,779,003</u>	<u>2,049,142</u>	<u>1,437,290</u>	<u>1,294,343</u>	<u>1,018,718</u>	<u>602,128</u>
<u>18,404,784</u>	<u>17,507,154</u>	<u>16,280,463</u>	<u>15,742,263</u>	<u>15,871,869</u>	<u>16,694,776</u>
(11,397,057)	(12,280,801)	(12,456,147)	(14,044,979)	(14,179,843)	(15,300,320)
-	-	-	-	-	-
2,431,867	2,705,995	3,020,054	3,300,595	3,322,769	3,482,093
<u>(8,965,190)</u>	<u>(9,574,806)</u>	<u>(9,436,093)</u>	<u>(10,744,384)</u>	<u>(10,857,074)</u>	<u>(11,818,227)</u>
<u>9,439,594</u>	<u>7,932,348</u>	<u>6,844,370</u>	<u>4,997,879</u>	<u>5,014,795</u>	<u>4,876,549</u>
<u>1,217,893</u>	<u>1,228,088</u>	<u>1,224,838</u>	<u>1,222,488</u>	<u>1,217,626</u>	<u>1,025,150</u>
<u>7.75</u>	<u>6.46</u>	<u>5.59</u>	<u>4.09</u>	<u>4.12</u>	<u>4.76</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>
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	142,101,108	38,929,919	53,668,382
2008-2009	157,477,449	152,534,009	37,000,967	41,944,407
2009-2010	153,119,347	141,852,601	33,562,914	44,829,660
2010-2011	168,305,285	146,270,267	31,793,172	53,828,190
2011-2012	164,353,261	135,263,876	34,352,264	63,441,649

Source: Electric Utility Bond Disclosure Reports

<u>Debt Service</u>	<u>Debt Service Coverage</u>
9,182,291	4.52
8,519,088	7.96
8,629,285	4.90
8,989,562	8.46
9,573,078	6.23
9,083,139	5.91
5,067,968	8.28
10,110,131	4.43
13,754,317	3.91
13,829,150	4.59

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>
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	3,089,978	34,260	9.20
2008-2009	59.82	90,931	3,182,130	34,995	14.50
2009-2010	59.82	89,878	3,049,381	33,928	15.10
2010-2011	59.82	90,050	3,156,072	35,048	14.90
2011-2012	59.82	90,200	3,161,330	35,048	13.00

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

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

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

Employer	2012			2003		
	Employees	Rank	Percentage of Total Area Employment	Employees	Rank	Percentage of Total Area Employment
Shasta County *	1,838	1	2.49%	2,003	1	2.65%
Mercy Medical Center	1,600	2	2.17%	1,550	2	2.05%
City of Redding **	773	3	1.05%	816	4	1.08%
Shasta Regional Medical Center	700	4	0.95%			
Shasta Community College	650	5	0.88%			
Oakdale Heights Management	580	6	0.79%			
Wal Mart	500	7	0.68%			
Blue Shield of California	470	8	0.64%			
Redding Rancheria	310	9	0.42%	674	5	0.89%
United States Post Office	300	10	0.41%			
Redding Medical Center				1,050	3	1.39%
Sierra Pacific Industries				650	6	0.86%
Shasta Nursery				600	7	0.79%
J & A Food Service				600	8	0.79%
Holiday Markets				356	9	0.47%
Total	<u>7,721</u>			<u>8,299</u>		

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

** Full-time budgeted positions.

In 2011-12 there were 701 full-time and 350 part-time/temporary positions filled.

In 2002-03 there were 816 full-time and 285 part-time/temporary positions filled.

Source: Derived roughly from the Employment Development Department's (EDD) listing of the top 25 employers in Shasta County.

City of Redding

Full-Time Budgeted City Government Employees by Function/Program

Last Nine Fiscal Years*

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

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

Source: City of Redding Personnel Division

2010	2011	2012
90	89	86
150	141	141
80	70	70
67	66	65
39	32	29
25	23	20
22	20	15
183	183	185
28	28	28
32	32	33
5	5	5
81	81	79
7	7	7
13	13	10
822	790	773

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

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

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

Source: City of Redding

2010	2011	2012
1	1	1
38	39	38
8	7	7
464.0	464.0	464.0
7,568	7,575	7,581
62	62	63
593	593	620
487	487	487
705	710	710
558	558.7	556
430	430.1	431.1
32	32	32
440.5	441	442
10,253	10,553	10,593
17	16	16

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

<u>Function/Program</u>	<u>Fiscal Year-Ended June 30,</u>		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police			
Calls for service	80,376	83,601	84,343
Felony arrests	2,222	2,328	2,533
Misdemeanor arrests	4,412	4,187	4,620
Total arrests	6,634	6,515	7,153
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

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

2007	2008	2009	2010	2011	2012
85,213	86,099	85,885	84,236	85,336	87,069
2,661	2,368	2,321	2,522	2,280	2,603
5,457	6,397	6,779	5,551	4,838	4,462
8,118	8,765	9,100	8,073	7,118	7,065
520	477	454	402	381	387
9,037	9,166	9,308	9,032	9,212	8,467
2,989	2,965	3,745	4,590	3,762	2,195
2.9	0.5	8.0	2.4	7.8	1.5
11.5	0	26	0	0	0
3,887	3,380	2,819	2,634	2,744	2,552
2,789	2,803	2,807	2,800	2,800	2,800
13,191	13,547	13,682	13,597	13,613	13,439
1,364	1,394	1,546	1,470	1,471	1,599
20	32	55	22	17	10
41	6	-	29	9	5
42,639	42,810	42,910	43,035	43,144	43,281
0.35	0.18	0.28	0.43	0.31	0.29
9.6	10.3	10.9	11.8	12.7	13.8
29,390	29,486	27,446	25,818	23,201	23,186
40,506	41,207	42,079	41,523	41,431	41,710
7.6	7.3	7.5	7.2	7.8	7.1
2.6	2.5	2.6	2.6	3.1	2.7
0.9%	1.3%	1.4%	1.4%	4.5%	4.3%
107,228	85,305	77,944	78,868	77,793	75,875
13,760	8,581	8,486	8,447	8,180	8,026
66,307	63,394	63,205	57,105	51,088	33,638
728,614	735,568	743,455	723,452	727,094	812,347

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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 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 111 T-hangars maintained and leased out by the City of Redding. The T-hangars are close to being full, with a few vacancies. Last fiscal year, a total of approximately 101,157 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 and is planning an 8,000 square foot addition over the next two years. 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 2011 calendar year, over 79,874 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 25,000 - 30,000 annual aircraft operations.

CITY OF REDDING

ELECTRIC UTILITY SYSTEM

History

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

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

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

Distribution Service

The City's Electric Utility currently provides service to its customers in an area approximately 61 square miles in size, with 62 miles of 115-kV lines and 726 miles of overhead and underground 12-kV distribution lines. The City is proud of its record over the past five years of 99.99 percent electric service availability to its customers.

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

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

Design and right-of-way acquisition for distribution service to the Stillwater Business Park was completed in FY08. The Stillwater 115-kV line termination work was completed on August 15, 2008. The Stillwater 115-kV transmission project began construction in April 2012, and is expected to be completed by the end of 2013. 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 2011-12 was a near normal hydro year and as a result Western provided 34% 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 went into service in August 2011. In addition to its own generation, the City has acquired several other sources of electric power through long-term, purchase-power contracts and through its membership in a joint powers agency consisting of Modesto Irrigation District, City of Santa Clara, and City of Redding (M-S-R). Through the M-S-R joint powers agency, the City entered into a long-term power purchase agreement for 70-MW of wind generated energy, with deliveries that began October 1, 2006. Further, on April 19, 2011, Redding entered into a thirty (30) year renewable energy purchase agreement with Trinity Public Utilities District (TPUD). Under the agreement, Redding will purchase the "Excess" energy and subsequent "Renewable Energy Credits" (REC's) from the upgrade of the Lewiston Dam Hydroelectric generator. This resource is anticipated to begin service in late 2013. The renewable energy from this small hydro project will qualify under California's renewable energy laws. 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, 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
2008	36,495	6,315	42,810
2009	36,616	6,294	42,910
2010	36,762	6,273	43,035
2011	36,832	6,312	43,144
2012	37,032	6,249	43,281

Source: Utility Billing System Marketing Report of Quarterly NAICS Usage

The total number of electric system customer accounts increased 2 percent during the last five years. The number of residential accounts increased 2 percent, while non-residential accounts decreased 1 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 approximate 5,200 acres were served. Recognizing the need for a systematic expansion of the Wastewater System, in 1956 the City commissioned the development of a master plan for the City to follow in making necessary improvements. As a result of this plan, which was updated in 1964, the

City added approximately 27 miles of sewer lines, primarily as a result of a series of sewer assessment districts, and in 1966 relocated its wastewater treatment plant from a location near the Cypress 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 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 upgrades are being constructed in seven Bid Packages. Bid Package I began

construction in the fall of 2006. Bid Package II began construction in the fall of 2007. Bid Package III began construction in the spring of 2008. Bid Package IV began construction in the fall of 2008. Bid Package V began construction in summer 2011. Bid Package VI began construction in the winter 2010. Bid Package VII began construction in spring 2012. The Plant expansion and upgrades are 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 in stages to treat an average dry weather flow capacity to 8 MGD and its peak wet weather flow capacity to 24 MGD. The first plant expansion project (Phase 1 A/B) began construction in the spring of 2012. 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, 2012. 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

	2007/08	2008/09	2009/10	2010/11	2011/12
Residential HEs	29,164	29,669	30,714	30,959	31,217
Commercial/Industrial HEs	11,342	11,538	11,365	10,047	10,493
Total System HEs	40,506	41,207	42,079	41,006	41,710
Annual System Growth	1.7%	2.1%	2%	(3%)	2%

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 ending June 30, 2012 is shown below.

Average Dry Weather Daily Flows Fiscal Years Ended June 30, 2012

	2007/08	2008/09	2009/10	2010/11	2011/12
Clear Creek Plant	7.29	7.5	7.2	7.8	7.1
Stillwater Plant	2.5	2.6	2.6	3.1	2.7
Total Wastewater System	9.79	10.1	9.8	10.9	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 March 2012-February 2013 delivery from that contract was 6,140 acre-feet. Water charges under this contract total \$48.87 per acre-foot (\$15.04 average water cost, \$18.83 average restoration and Trinity PUD fee and a variable \$15.00-\$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	2007/08	2008/09	2009/10	2010/11	2011/12
Number of customers/services	27,907	28,051	28,165	28,817	28,839
Number of new meter sets	142	154	114	102	99
Quantity of water produced (acre feet)	29,486	27,446	25,818	23,201	23,186
Percentage of days water quality met standards	100%	100%	100%	100%	100%
Number of service calls (Includes water quality)	1,624	1,333	1,639	1,552	1,901
Miles of water mains	550	556	558	559	556*
Number of main and water service failures/disruptions per year	346	542	526	502	406
Miles of substandard mains	44	43	42	42	42
Customers/service connections per employee	1,034	1,122	1,173	1,173	1,143

* Reconciled to reflect pipes abandoned as part of pipe replacement projects.

Current System

Buckeye Zone

The Buckeye Water District water system was acquired by the City of Redding in 1967 following dissolution of that District. Water supply for that District was extremely limited. Upon assuming the operation of the Buckeye system, the City of Redding provided the additional supply by pumping from the northern end of its water system. Pump House No. 3, located at the foot of North Market Street hill, and Pump House No. 4, off Benton Drive northeast of the Diestlehorst Bridge, serve the Buckeye Zone. Storage for the Buckeye Zone is located 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. In 2010, an additional 30-inch main from Pump Plant No. 1 was installed to the FWTP.

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-- Since 2006, one 4 MG steel reservoir at Foothill Blvd 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 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 2002, 2.5 miles of 24-inch transmission main was constructed from Rancho Road north along Airport Road in the Enterprise Zone to maximize the production of the groundwater wells. In 1991 another 2 MGD capacity well was added to the Enterprise Zone. Two additional 2MGD capacity wells were added during 2003. In 2007 another 2 MGD capacity well was added to the Enterprise Zone and in 2008 an additional 2 MGD capacity well was added.

Groundwater is treated with 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 the majority of the polybutylene services, and continue to replace services as necessary in the course of their normal workload. 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 are programmed, designed, and installed in accordance with this plan. The system is well maintained in all regards, including raw water supply, pumping structures, equipment, transmission lines, and water treatment facilities. However, continual renewed investment in capital facilities such as distribution pipelines, reservoirs, and wells will be necessary to maintain the current level of service, due to the demands of population growth and aging infrastructure.

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 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, 2012:

Workload and Performance Measures	2008/09	2009/10	2010/11	2011/12
Miles of Storm Drain Pipe	241	240.4	243	243
Miles of Channels/Ditches	195	191.1	197	197
Miles of Maintained Channels/Ditches	47	22.31	22	22
Number of Inlets	10,090	10,253	10,553	10,593
Number of Outfalls	1,665	1,719	1,719	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 five employees, which has not changed since 1993, even with increased permit requirements for inspection and maintenance of storm drain facilities.

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

REPORT OF INDEPENDENT AUDITORS
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

David H. Scott, CPA
a professional corporation
Keith E. Hunting, CPA
Vivian R. Piché, CPA
Paul J. Catanese, CPA, M.B.A.
a professional corporation
Larry Dahl, CPA

Gerald R. Edina, CPA

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redding, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City's financial statements and have issued our report thereon dated December 20, 2012. 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.

Internal Control Over Financial Reporting

Management of City of Redding, California, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Audit Committee, City Council, others within the entity, and 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.

D. H. Scott & Company LLP

Redding, California
December 20, 2012

City of Redding

Redding Municipal Airport

Schedule of Passenger Facility Charges Collected and Expended and Interest Collected

For the quarters ended September 30, 2011, December 31, 2011, March 31, 2012, and June 30, 2012

Application 07-03-C-3-00-RDD

	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
Unexpended (over expended) passenger facility charges and interest, beginning of period	\$ 124,689	\$ -	\$ -	\$ -
Passenger facility charges collected	(124,680)	-	-	-
Interest earned (Note 1)	-	-	-	-
Subtotal	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses for approved passenger facility charges projects	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unexpended (over expended) passenger facility charges and interest, end of period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Note 1: No interest was allocated on Passenger Facility Charges since the Airport expended \$149,549 on Application #11-04-C-11-RDD (No. 4) prior to June 30, 2011. Per the FAA, reporting on Application No. 4 will not commence until Application No. 3 is closed.

Application 11-04-C-11-RDD

	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
Unexpended (over expended) passenger facility charges and interest, beginning of period	\$ -	\$ (6,777)	\$ 20,766	\$ 37,043
Passenger facility charges collected	144,449	29,277	30,247	22,750
Interest earned (Note 1)	-	31	53	51
Subtotal	<u>144,449</u>	<u>22,531</u>	<u>51,066</u>	<u>59,844</u>
Expenses for approved passenger facility charges projects	<u>(151,226)</u>	<u>(1,765)</u>	<u>(14,023)</u>	<u>(22,066)</u>