

City of Redding

Redding, California

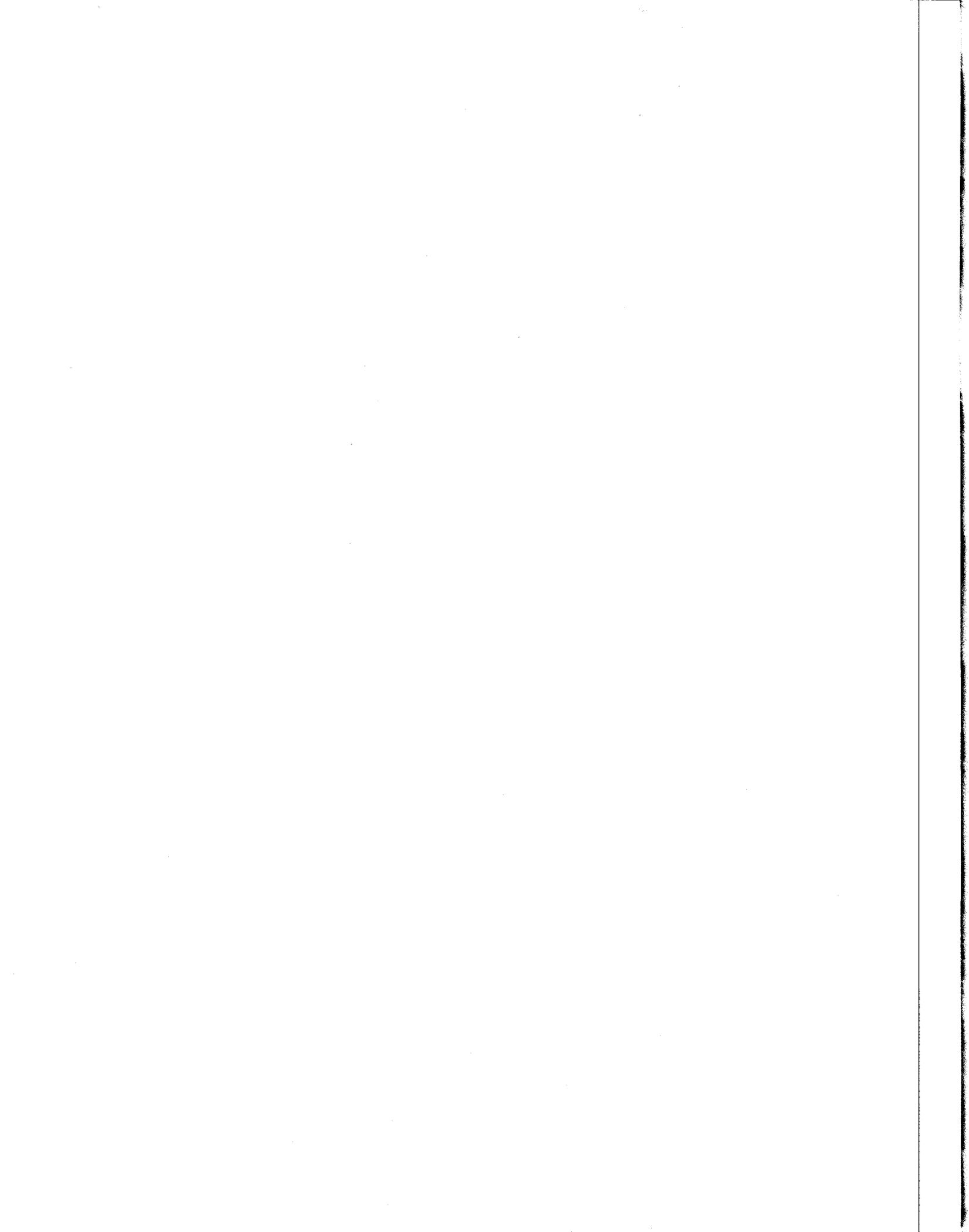


Comprehensive Annual Financial Report

For the Year ended June 30, 2006

ISSUED BY FINANCE DIVISION

STEPHEN W. STRONG
FINANCE OFFICER



City of Redding
Comprehensive Annual Financial Report
For the year ended June 30, 2006

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INTRODUCTORY SECTION

CITY OF REDDING



ADMINISTRATIVE SERVICES DEPARTMENT

FINANCE DIVISION

777 Cypress Avenue, Redding, CA 96001

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

530.225.4079 FAX 530.225.4324

December 22, 2006

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, 2006. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and result of operations of the City in accordance with generally accepted accounting principles; and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been made.

Caporicci & Larson, LLP, a firm of licensed certified public accountants has issued an unqualified ("clean") opinion on the City of Redding's financial statements for fiscal year ended June 30, 2006.

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 89,973 and encompasses approximately 60 square miles within the corporate limits. Extracting timber and the processing of wood byproducts along with agriculture, tourism and government have historically been the pillars of the local economy. Over the past few decades, there has been a general shift toward a service-based economy.

REPORTING ENTITY AND ITS SERVICES

This report includes all of the funds of the City. Financial information for separate legal entities related to the City of Redding includes the Redding Housing Authority, Redding Redevelopment Agency, Redding Area Bus Authority, the Redding Joint Powers Financing Authority and the Redding Capital Services Corporation. All are accounted for in the City's financial statements in accordance with Governmental Accounting and Financial Reporting Standards. Component unit financial reports are on file with the City.

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

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

LOCAL ECONOMY

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

Population Characteristics - The City was one of the fastest growing cities in California between 1970 and 1990, growing to 66,462 residents in 1990 from 16,659 in 1970. Since 1990 the City's population growth has been approximately 2% per year. The City's population of 89,973 has increased 11.3% 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 2006:

Year	City of Redding		Shasta County	
	Population	Annualized Percent Change Over Interval	Population	Annualized Percent Change Over Population
1970	16,659	3.04%	77,640	9.67%
1980	41,995	15.21%	119,449	5.38%
1990	66,432	5.83%	147,036	2.31%
2000	80,865	2.17%	163,256	1.10%
2001	82,543	2.08%	165,669	1.48%
2002	84,560	2.44%	169,300	2.19%
2003	85,703	1.35%	172,000	1.59%
2004	87,280	1.84%	175,705	2.15%
2005	88,459	1.35%	178,197	1.21%
2006	89,973	1.71%	181,368	1.78%

Source: 1970-2000 data from U.S. Census; 2001 – 06 data from the California State Department of Finance as of January 1.

The City's population, over the next 10 years, is projected to grow by approximately 15,000 an increase of approximately 16.7%. The Redding area is expected to maintain approximately 50% of the total Shasta County population because of a variety of factors that will support urban development, including utilities (wastewater, storm drainage, water, electric, and solid waste), employment, regional shopping, transportation services, and reduced commuting.

Housing Costs - Housing in the City is less costly than in many other urban areas in the State of California and on the West Coast. The following table sets forth the median price of housing in other urban areas of California as compared to Redding as of June 2006:

Region	Single Family Homes
Redding	\$320,000
Sacramento	\$384,240
Los Angeles County	\$580,140
Orange County	\$725,190
San Francisco	\$760,930

Source: California Association of Realtors & Shasta County Board of Realtors

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

The major non-local government employers in the City and the County include those in medical services, heavy forest products, and retail services. Major employers in the City of Redding, their products or services, and the approximate number of their respective full time employees as of June 2006 are listed in the following table:

<u>Employer</u>	<u>Product/Services</u>	<u>Employees</u>
Shasta County	County Government	1,915
Mercy Medical Center	Medical Facilities/Services	1,643
City of Redding	Municipal Government	854
Shasta Reg. Medical Cntr.	Medical Facilities/Services	775
Shasta Community College	Junior College	700
Redding Rancheria	Casino/Health Clinic	450
Wal Mart	Retail	450
Blue Shield of California	Health Care Insurance	435
United States Post Office	Postal Service	300
Motel 6	Hospitality	282

Source: derived from State of California Employment Development Department

According to the State Employment Development Department, the unemployment rate of the City's metropolitan area was 6.3% on June 30, 2006. The following table sets forth the number and rate (expressed as a percentage) of unemployed persons living within the City's metropolitan area for the month of June 1997 through June 2006:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Labor Force</u>	<u>Unemployment</u> <u>Number</u>	<u>Rate</u>
1997	73,400	6,500	8.9%
1998	72,400	6,600	9.2%
1999	73,100	5,100	7.0%
2000	75,700	4,400	5.8%
2001	77,200	4,400	5.7%
2002	82,400	5,600	6.7%
2003	83,900	6,200	7.4%
2004	83,800	6,200	7.4%
2005	82,500	5,700	6.9%
2006	82,200	5,200	6.3%

Source: State Department of Employment

Construction Activity - For the past ten calendar years ending December 2005, the City issued building permits valued at a total of \$1,349,059,146. New construction over the ten-year period represents 74% of the total construction activity. For the 2005 calendar year 4,645 building permits were issued, with a total permit valuation of \$222,735,090. The City of Redding is experiencing high growth at this time. Current trends indicate that the City of Redding's construction activity will decline in the upcoming year.

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

	2003	2004	2005
Value Single Family*	\$85,405,901	\$73,217,109	\$120,544,146
Number of Permits	471	383	720
Value Multi-dwellings	\$7,852,015	\$11,364,890	\$14,892,727
Number of Permits	7	6	30
Number of Units	129	225	216
Value Business	\$25,138,672	\$29,032,702	\$32,379,315
Number of Permits	74	70	68
Value Total all Permits	\$183,513,594	\$156,729,228	\$222,735,090
Total permits **	4242	4073	4645

* Value of new Construction only

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

Source: COR Development Services Dept.

Commerce - The City is a regional center of commerce for several Northern California counties. This is evidenced by its many shopping centers and malls. Support for retail sales is derived from a retail trade area population of approximately 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 reached \$2,046,597,100 in calendar year 2005, an 7.8% increase over the same period for 2004.

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

Source: California State Board of Equalization

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

The City is served by the Union Pacific Railroad and Amtrak for rail transportation. Greyhound serves the City with bus service. United Express Airlines and Horizon Air provide air service from Redding Municipal Airport to cities throughout California and the Pacific Northwest.

“THE RIDE” is the City’s multi-bus transportation system and offers thirteen different fixed routes, rural service and demand response (curb-to-curb) services. THE RIDE had an average total monthly ridership of approximately 61,000 for fiscal year 2005-06.

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 29 elementary schools, 13 middle schools, and 15 high schools. Shasta College, a two-year institution, offers both day and evening courses to approximately 9,300 students. Simpson University, a four-year liberal arts institution, has current enrollment of approximately 1,100 students.

The City’s parks system includes 66 developed parks, encompassing 585 acres. Included in this total acreage are 175 acres of natural area parks (improved open space), and 60 miles of trails. In addition, the City has 14 special purpose facilities, including the Redding Convention Center, which hosts cultural/performing arts programs, conferences, and conventions; The Redding Aquatic Center; the Redding Big League Dreams Sports Park; the Senior Citizens Center; 3 boat ramp facilities providing access to the Sacramento River; and various community centers and special event venues such as the Martin Luther King, Jr. Center, the Caldwell Recreation Center, and the Civic Center's Community Room.

The City serves as the primary medical center for Northern California. The City’s two general care hospitals serve approximately 360,000 people in Shasta, Tehama, Trinity, Siskiyou, and

Lassen counties. The two hospitals have a total of 519 beds and employ approximately 2,400 staff members. In addition, the City also has several specialized hospitals.

LONG-TERM FINANCIAL PLANNING

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

City plans include developing four soccer fields adjacent to Big League Dreams Sports Park, which should be completed by early 2007. Long range plans also include the development of Stillwater Business Park. The Stillwater Business Park is envisioned as a medium to large parcel business park necessary to support the economic development goals of the City of Redding and the region. The core facility will consist of 687 acres, of which approximately 340 acres will be developed and more that 300 acres set aside as preserve. The Business Park design will allow for various uses which include Light Industrial, General Industrial and Professional Offices. Other park amenities will also include restaurant, fitness center, day care facilities, and a complete pedestrian/bicycle trail system. The project is designed to accommodate as many as 7,500 employees and an estimated 4,400,000 square feet of floor area.

FEDERAL GRANTS SINGLE AUDIT APPROACH

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

As a recipient of Federal, State, and County financial assistance, the City of Redding is responsible for implementing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. The results of the City of Redding's single audit for the fiscal year ended June 30, 2006 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, 2005. This was the 22nd consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an

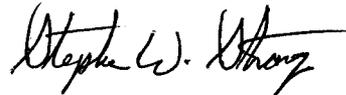
easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

ACKNOWLEDGMENTS

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



Stephen W. Strong
Finance Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redding California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.



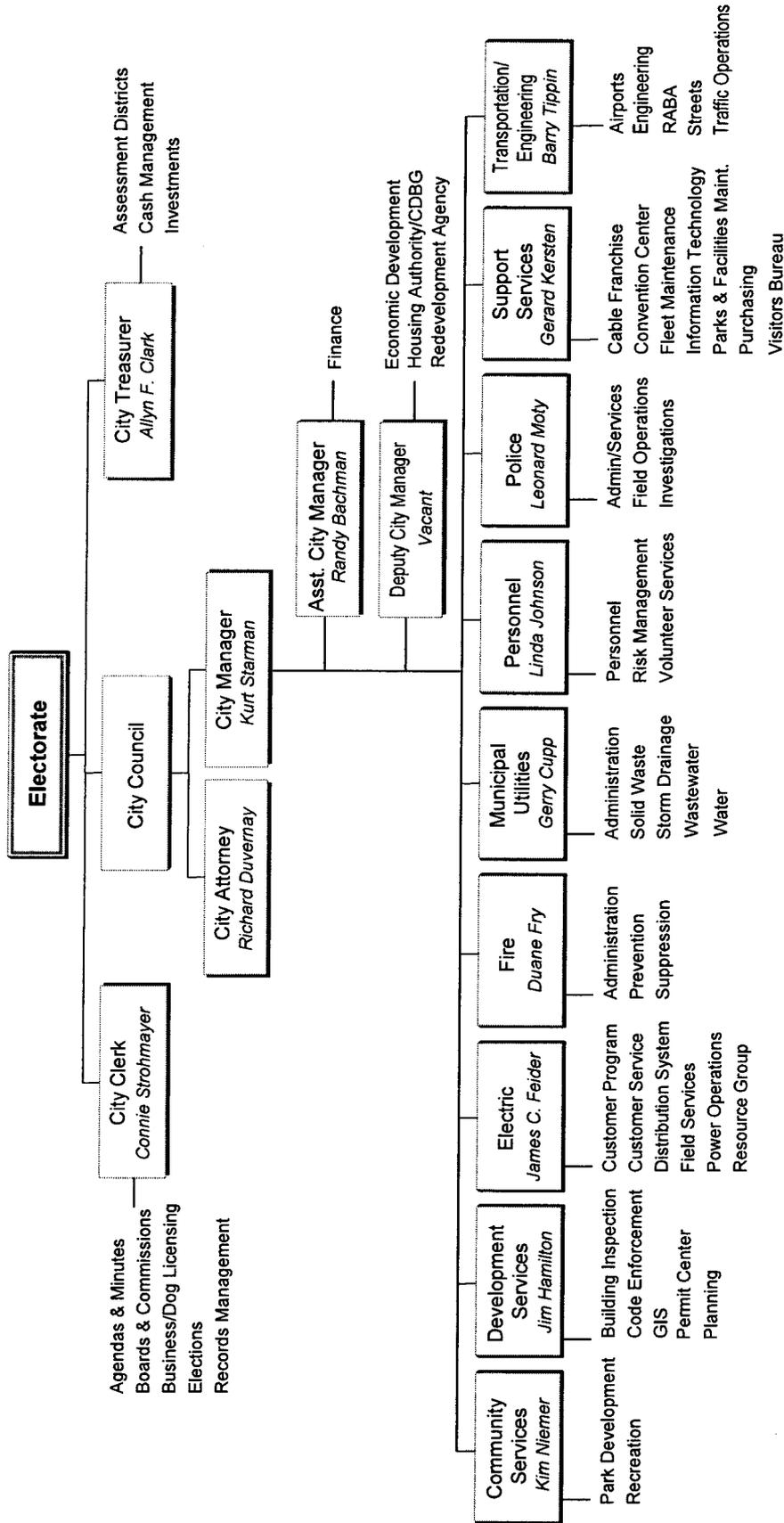
Carla E. Perry

President

Jeffrey R. Emmer

Executive Director

City of Redding Organization Chart



MUNICIPAL OFFICIALS

City Council

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

Administrative Personnel

City Manager.....Kurt J. Starman
Assistant City Manager..... Randy Bachman
Deputy City Manager vacant
City Attorney Richard Duvernay
City Clerk Connie Strohmayer
City Treasurer Allyn Feci Clark
Director of Community Services Kim Niemer
Director of Development Services Jim Hamilton
Director of Electric..... Jim Feider
Director of Engineering & Transportation.....Barry Tippin
Director of Municipal Utilities Gerry Cupp
Director of Personnel Linda Johnson
Director of Support Services Gerard Kersten
Fire ChiefDuane D. Fry
Police Chief.....Leonard F. Moty

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redding, California (City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the City adopted Statement of the Governmental Accounting Standards Board No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, No. 44, *Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)*, No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits*.

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San Diego
4858 Mercury, Suite 106
San Diego, California 92111

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

The accompanying Required Supplementary Information, such as management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

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

Capricci & Carson

Oakland, California
November 3, 2006

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, 2006. 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 38).

FINANCIAL HIGHLIGHTS

- The City's net assets increased by \$37.7 million. The governmental net assets increased by \$15.1 million and the business-type net assets increased by \$22.6 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$112 million, an increase of \$3 million in comparison with the prior year. Approximately 53.4% of this total amount, \$59.8 million, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$14.4 million, or 20.8% of the total general fund expenditures. This is a \$0.3 million increase from the prior year.
- The City net debt increased by \$19 million. The City issued new debt totaling \$30.8 million during the current fiscal year. The increase was due to issuing \$30.7 million of Electric system Certificate of Participation to help finance the Electric Utility's capital improvement program over the next few years, and \$0.1 million for new equipment capital leases. The City debt decreased by \$11.9 million due to regular scheduled debt service.

USING THIS FINANCIAL REPORT/ OVERVIEW OF REPORT

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements to provide the reader further understanding of the City.

Government-wide Financial Statements

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

Statement of Net Assets: This statement presents information on all the City's assets and liabilities, with the difference between the two reported as **net assets**. Over time, the change in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages 38 - 41 of this report.

Fund Financial Statements

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

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

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

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in governmental fund statement of revenues, expenditures, and changes

in fund balances for the General Fund, which is considered to be a major fund. Data from the other fifteen 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 46-51 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 54-63 of this report.

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

The basic fiduciary fund financial statement can be found on page 67 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 70-111 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. During the City's fiscal year ended 2006, net assets changed as follows: (all amounts are in thousands)

	Government Activities	Business Activities	Total
Beginning net assets, restated	\$ 227,816	\$ 317,839	\$ 545,655
Increase net assets	\$ 15,079	\$ 22,653	\$ 37,732
Ending net assts	<u>\$ 242,895</u>	<u>\$ 340,492</u>	<u>\$ 583,387</u>

The City's total net assets increased by 6.9% from a year ago, increasing from \$545.7 million to \$583.4 million. Net assets from governmental activities increased by 6.6% while net assets from business activities increased by 7.1%. The \$15.1 million increase in net assets from governmental activities is primarily due to the purchase and/or construction of capital assets, which does not result in an offsetting expense in the current year government-wide financial statements.

The \$22.7 million increase in net assets from business-type activities is primarily due to funds being accumulated for current and future capital projects offset by a planned draw down of Electric reserves.

The following schedule displays a summary breakdown of the City's net assets as of June 30, 2006 and 2005:

Net Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 147,421	\$ 147,949	\$ 191,973	\$ 140,500	\$ 339,394	\$ 288,449
Capital Assets, net	202,476	192,035	346,112	345,419	548,588	537,454
Total Assets	<u>349,897</u>	<u>339,984</u>	<u>538,085</u>	<u>485,919</u>	<u>887,982</u>	<u>825,903</u>
Current liabilities	19,205	15,654	28,619	25,779	47,824	41,433
Long Term Liabilities	87,797	96,514	168,974	142,798	256,771	239,312
Total Liabilities	<u>107,002</u>	<u>112,168</u>	<u>197,593</u>	<u>168,577</u>	<u>304,595</u>	<u>280,745</u>
Net Assets:						
Invested in capital assets, net of related debt	172,814	160,992	190,162	220,180	362,976	381,172
Restricted	41,538	40,434	33,452	34,051	74,990	74,485
Unrestricted	28,543	26,390	116,878	63,608	145,421	89,998
Total net assets	<u>\$ 242,895</u>	<u>\$ 227,816</u>	<u>\$ 340,492</u>	<u>\$ 317,839</u>	<u>\$ 583,387</u>	<u>\$ 545,655</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 \$583 million at the June 30, 2006. Most of the City's net assets (62%) 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, (13%) represent resources that are subject to external restrictions as to how they may be used. The remaining balance of \$145.4 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 \$ 28.5 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	
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues						
Charges for service	\$ 10,208	\$ 8,801	\$ 186,413	\$ 171,677	\$ 196,621	\$ 180,478
Operating grants	17,524	16,331	4,153	4,000	21,677	20,331
Capital grants and contributions	10,835	11,838	15,773	17,316	26,608	29,154
General Revenues						
Sales Tax	23,857	21,696			23,857	21,696
Property Tax	25,735	17,901			25,735	17,901
Motor Vehicle In-Lieu	611	6,971			611	6,971
Investment earnings	3,356	3,107	3,785	3,658	7,141	6,765
Other	6,133	5,788			6,133	5,788
Total Revenues	<u>98,259</u>	<u>92,433</u>	<u>210,124</u>	<u>196,651</u>	<u>308,383</u>	<u>289,084</u>
Expenses:						
General Government	6,044	7,823			6,044	7,823
Police	22,938	22,640			22,938	22,640
Fire	13,897	13,615			13,897	13,615
Public Works	11,351	8,440			11,351	8,440
Planning	3,894	4,871			3,894	4,871
Recreation and Culture	8,390	9,076			8,390	9,076
Community Development	16,349	15,517			16,349	15,517
Interest on Long-term debt	4,111	3,731			4,111	3,731
Electric			131,049	132,690	131,049	132,690
Water			10,878	9,780	10,878	9,780
Wastewater			11,719	10,609	11,719	10,609
Storm Drainage			1,847	1,510	1,847	1,510
Solid Waste			16,433	14,617	16,433	14,617
Transportation			9,172	8,302	9,172	8,302
Convention Center			2,579	2,503	2,579	2,503
Total Expenses	<u>86,974</u>	<u>85,713</u>	<u>183,677</u>	<u>180,011</u>	<u>270,651</u>	<u>265,724</u>
Increase in net assets before transfers	11,285	6,720	26,447	16,143	37,732	23,360
Transfers	3,794	7,666	(3,794)	(7,666)	-	-
Increase in net assets	<u>15,079</u>	<u>14,386</u>	<u>22,653</u>	<u>8,477</u>	<u>37,732</u>	<u>22,863</u>
Net assets July 1, as restated	<u>227,816</u>	<u>213,430</u>	<u>317,839</u>	<u>308,865</u>	<u>545,655</u>	<u>522,295</u>
Net assets June 30	<u>\$ 242,895</u>	<u>\$ 227,816</u>	<u>\$ 340,492</u>	<u>\$ 317,342</u>	<u>\$ 583,387</u>	<u>\$ 545,158</u>

Governmental Activities

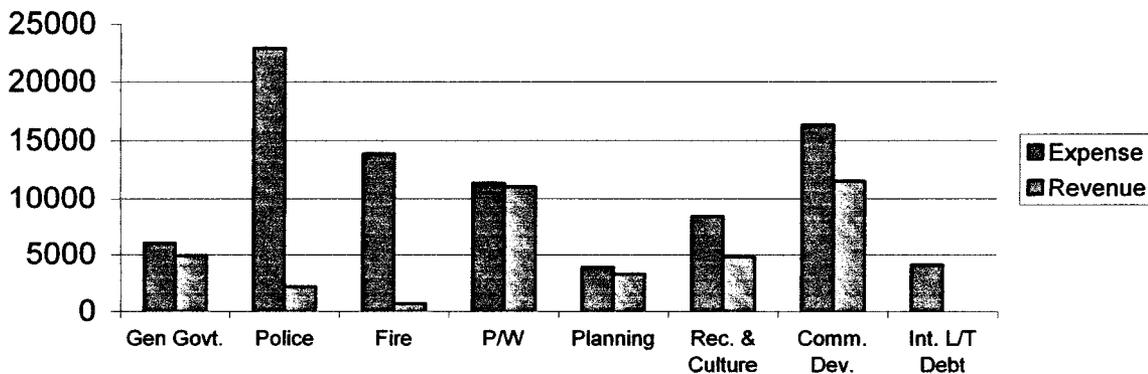
The governmental activities program expenses exceed program revenues by \$48.4 million, however general revenues and transfers were \$63.5 million resulting in an increase in governmental activities net assets of \$15.1 million. This increase accounted for 40% of the total growth in the net assets of the City.

Taxes increased by 25% from the prior year. \$5.4 million of this increase was due to a shift by the State of motor vehicle in-lieu reimbursements to the City to the City's property tax allocation. Taxes increased by 11.5% when the \$5.4 million is excluded from the City's tax amount. This increase in taxes is primarily due to the continued strong economy. Tax rates were not increased during the year.

Motor vehicle in-lieu is down over \$6 million in fiscal year ended (FYE) 2006 as compared to fiscal year ended 2005. The reduction is due to the following two reasons: First, the State has changed the way motor vehicle in-lieu is allocated and shifted \$5.4 million of the amount previously allocated to the City to property tax. Second, in FYE 2005 the State paid the City an additional \$1.5 million of motor vehicle in-lieu that it had withheld from FYE 2004 payments.

Governmental activity expense increased by \$1.2 million or 1.4%. Public works expense increased \$2.9 million or 34.5%. The increase is due to \$1.4 million spent on improvements made to the Midtown Mall in anticipation of the construction of a new Health Sciences Building for Shasta College and \$1.1 million additional funds spent on street maintenance. General government expense decreased by \$1.8 million due to a prior year one-time expense of \$2.3 million for the new Shasta County Library.

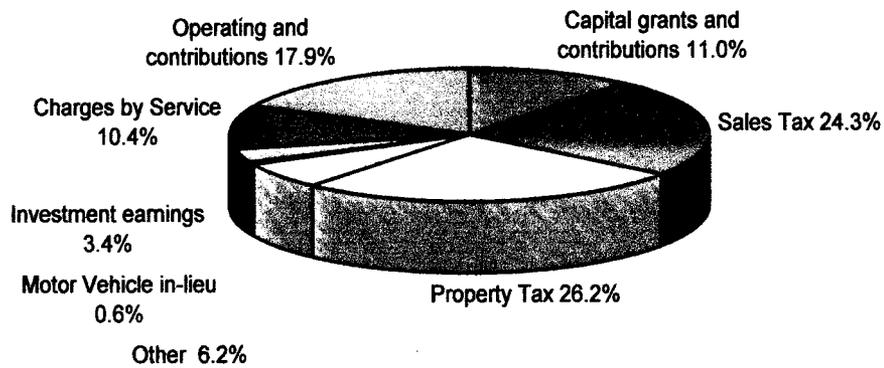
Expenses and Program Revenues - Governmental Activities
(in thousands)



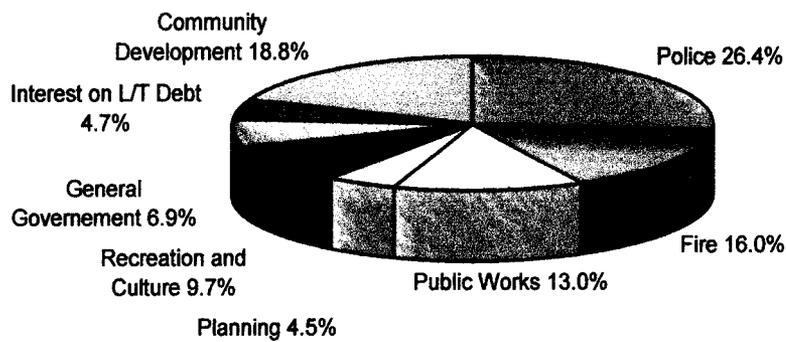
As shown in the expenses and program revenue graph above, Public Works revenues were just slightly less than expenses. The reason for this is that program revenues from Public Works include \$6.6 million in capital grants and contributions. The capital grants and contributions were used for capital assets as they could not be used to cover operating expenses.

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

Revenues by Source - Governmental Activities



Expenses by Source - Governmental Activities



Business-Type Activities

Business-type activities increased the City's net assets by \$22.7 million, accounting for 60% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Revenues exceed expenses for water, wastewater, and storm drainage as funds are being accumulated for current and future capital projects. The increase in net assets for Electric was principally due to a \$6.4 million contract termination payment and higher than anticipated wholesale power sales.

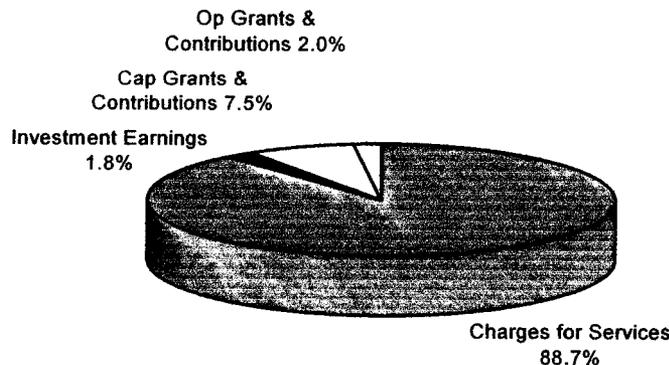
The following schedule shows business-type activities revenues and expenses.

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

	Revenue		Expense		Changes in net assets	
	2006	2005	2006	2005	2006	2005
Electric	\$ 141,615	\$ 129,520	\$ 131,049	\$ 133,187	\$ 10,566	\$ (3,667)
Water	17,452	15,550	10,878	9,780	6,574	5,770
Wastewater	17,377	16,506	11,719	10,609	5,658	5,897
Storm Drainage	2,556	3,738	1,847	1,510	709	2,228
Solid Waste	16,658	16,029	16,433	14,617	225	1,412
Transportation	9,950	10,866	9,172	8,302	778	2,564
Convention Center	731	784	2,579	2,503	(1,848)	(1,719)
Investment earnings	3,785	3,658			3,785	3,658
Transfers	(3,794)	(7,666)			(3,794)	(7,666)
Total	\$ 206,330	\$ 188,985	\$ 183,677	\$ 180,508	\$ 22,653	\$ 8,477

The Electric Utility change in net assets is \$14.2 million more than in the prior year primarily due to a \$6.4 million contract termination payment and improved cost structure of power.

Revenues by Source - Business-Type Activities



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

	Net Assets July 1, 2005 as restated	Changes in Net Assets	Net Assets July 1, 2006
Electric Utility	\$ 146,142	\$ 8,506	\$ 154,648
Water Utility	49,748	6,608	56,356
Wastewater Utility	61,141	5,457	66,598
Solid Waste Collection/Disposal	24,203	791	24,994

**Net Assets - Restricted and Unrestricted
Major Proprietary Funds as of June 30, 2006
(in thousands)**

	Invested in Capital Assets, Net of Related Debt	Restricted Net Assets	Unrestricted Net Assets	Total Net Assets
Electric Utility	\$ 58,126	\$ 12,625	\$ 83,897	\$ 154,648
Water Utility	35,414	2,985	17,957	56,356
Wastewater Utility	39,925	14,927	11,746	66,598
Solid Waste Collection/Disposal	13,725	984	10,285	24,994

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, 2006 was the first year of the two-year budget process. Differences between the original General Fund budget and the amended General Fund budget expenditures are shown below:

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

	<u>Original</u>	<u>Amended</u>	<u>Increase</u>
General Government	\$ 9,983	\$ 12,260	\$ 2,277
Public Safety:			
Police	23,259	24,723	1,464
Fire Safety	14,080	14,479	399
Public Works	9,259	11,937	2,678
Planning	4,863	4,547	(316)
Recreation and culture	5,111	5,284	173
Principal payments	964	1,152	188
Interest Payments & bond costs	1,239	1,271	32
Total Expenditures	<u>\$ 68,758</u>	<u>\$ 75,653</u>	<u>\$ 6,895</u>

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

- An additional \$2 million was appropriated for the Stillwater Business Park development. The Stillwater Business Park is expected to cost between \$50 and \$70 million and will be financed through various combinations of utility funding, grant funding, tax increment funding and debt proceeds.
- Due to additional gas tax and other funding, an additional \$1.6 million was appropriated for street maintenance and overlay work. Three positions were added in the fire Department and additional overtime for a total of \$0.4 million.
- \$2.2 million was appropriated for grant and grant-type revenue obtained by the City after the budget was adopted.
- The City does not budget for certain equipment (primarily rolling stock) in the General fund, but transfers cash from another fund and appropriates the amounts in the General Fund when the equipment is purchased. Additional equipment appropriations totaled \$0.4 million.
- Other miscellaneous appropriations totaled \$0.7 million or 1% of the original adopted budget.

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

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, totaled \$549 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 \$11 million (a 5.5% increase for governmental activities and 0.2% for business-type activities).

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

- Developers added an estimated \$4.7 million of water, wastewater, electric and storm drainage improvements.
- Developers added an estimated \$2.1 million of streets and sidewalks.
- Work was completed on the \$2.8 million fire Station #8. The current year cost of the project was \$1.8 million.
- Construction work commenced on the four-field, year-round soccer facility, which is expected to be completed in early 2007 at a cost of \$10 million. The current year cost of the project is \$2.6 million.
- \$4.1 million was spent to purchase a back-up turbine for the electric generation facilities
- The City spent \$1.3 million for fish screens at its water pump house on the Sacramento River.
- \$1.2 million was spent on the \$2.5 million upgrade of the City's 800 MHz radio system.

Changes in capital assets consist of the following:

Changes in Capital Assets
(in thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 22,411	\$ 317	\$ (182)	\$ 22,546
Construction in progress	6,768	6,259	(524)	12,503
Total capital assets, not being depreciated	<u>29,179</u>	<u>6,576</u>	<u>(706)</u>	<u>35,049</u>
Capital assets, being depreciated:				
Buildings	37,690	2,804	(24)	40,470
Improvements other than buildings	180,934	3,318	(108,274)	75,978
Infrastructure		113,335	-	113,335
Automotive equipment	9,003	1,550	(466)	10,087
Furnishings and equipment	5,441	265	(84)	5,622
Assets under capital lease	812	39	(327)	524
Total capital assets, being depreciated	<u>233,880</u>	<u>121,311</u>	<u>(109,175)</u>	<u>246,016</u>
Less accumulated depreciation for:				
Buildings	(12,149)	(1,156)	20	(13,285)
Improvements other than buildings	(47,933)	(3,527)	34,154	(17,306)
Infrastructure		(36,330)		(36,330)
Automotive equipment	(6,182)	(880)	443	(6,619)
Furnishings and equipment	(4,527)	(273)	48	(4,752)
Assets under capital lease	(399)	(16)	118	(297)
Transfers between categories				-
Accumulated depreciation transferred		34,271	(34,271)	-
Total accumulated depreciation	<u>(71,190)</u>	<u>(7,911)</u>	<u>512</u>	<u>(78,589)</u>
Total capital assets, being depreciated, net	<u>162,690</u>	<u>113,400</u>	<u>(108,663)</u>	<u>167,427</u>
Governmental activities capital assets, net	<u>\$ 191,869</u>	<u>\$ 119,976</u>	<u>\$ (109,369)</u>	<u>\$ 202,476</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 17,129	\$ 30	\$ (289)	16,870
Construction in progress	4,091	4,846	(582)	8,355
Total capital assets, not being depreciated	<u>21,220</u>	<u>4,876</u>	<u>(871)</u>	<u>25,225</u>
Capital assets, being depreciated:				
Utility plants	467,558	16,283	(1,048)	482,793
Buildings	40,515	311		40,826
Improvements other than buildings	31,492	1,292		32,784
Automotive equipment	25,305	1,838	(1,645)	25,498
Furnishings and equipment	16,053	1,127	(362)	16,818
Assets under capital lease	1,050	75	(490)	635
Total capital assets, being depreciated	<u>581,973</u>	<u>20,926</u>	<u>(3,545)</u>	<u>599,354</u>
Less accumulated depreciation for:				
Utility plants	(195,612)	(16,703)	933	(211,382)
Buildings	(19,410)	(1,131)	-	(20,541)
Improvements other than buildings	(16,083)	(2,213)	-	(18,296)
Automotive equipment	(14,455)	(1,895)	1,525	(14,825)
Furnishings and equipment	(11,655)	(1,572)	118	(13,109)
Assets under capital lease	(559)	(64)	307	(316)
Transfers between categories			177	177
Total accumulated depreciation	<u>(257,774)</u>	<u>(23,578)</u>	<u>3,060</u>	<u>(278,469)</u>
Total capital assets, being depreciated, net	<u>324,199</u>	<u>(2,652)</u>	<u>(485)</u>	<u>320,885</u>
Business-type activities capital assets, net	<u>\$ 345,419</u>	<u>\$ 2,224</u>	<u>\$ (1,356)</u>	<u>\$ 346,110</u>

See Note 4 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, 2005	Additions/ Transfers	Reductions	Balance June 30, 2006
Governmental activities:				
Capital Leases Payable	\$ 839	\$ 40	\$ 191	\$ 688
Lease revenue bonds	34,426	-	1,534	32,892
1993 revenue bonds	-	-	-	-
Redevelopment bonds	41,425	-	1,540	39,885
Special assessment debt	7,367	-	1,067	6,300
State Loans	138	-	60	78
Total governmental activities	<u>84,195</u>	<u>40</u>	<u>4,392</u>	<u>79,843</u>
Business -Type Activities				
General Obligation debt				
State loans payable	14,433	-	693	13,740
Revenue bonds	42,304	-	2,591	39,713
Certificates of participation	98,915	30,700	4,055	125,560
Capital leases	436	75	82	429
Special Assessment debt (payable from enterprise funds)	171	0	31	140
Total Business-type activities	<u>156,259</u>	<u>30,775</u>	<u>7,452</u>	<u>179,582</u>
Total outstanding long term debt	<u><u>\$ 240,454</u></u>	<u><u>\$ 30,815</u></u>	<u><u>\$ 11,844</u></u>	<u><u>\$ 259,425</u></u>

The City's total debt increased by \$19 million during the year ending June 30, 2006. The increase is due primarily to issuing \$30.7 million in Electric system Certificates of Participation to help finance the Electric Utility's capital improvement program over the next few years. This increase was partially offset by the decrease due to regular scheduled debt payments.

Currently, the City's legal debt margin is \$233 million. However, this relates only to general obligation type bonds. Other factors such as available revenues, special assessment pledges, etc. will affect the City's actual capacity to issue future debt.

Additional information on the City's long-term debt can be found in note 7 on pages 90-97 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City of Redding has experienced a steady increase in population since 1998 of one to four percent per year while the unemployment rate has decreased from 9.2% in 1998 to 6.3% in 2006.
- Inflationary trends in the region compare favorably to national indices.

- Overall tax revenue for the City has increased by 11% during the year. This was primarily due to the strong housing market. The City expects the housing market to weaken during the coming year and the tax growth rate to return to approximately 4.5% during the fiscal year 2006-07.

All of these factors were considered in preparing the City's budget for 2006-07 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund decreased to \$19.5 million. The City appropriated \$3 million of this amount for spending in the 2006-07 fiscal year budget. This amount, adjusted for certain known factors, has been included in the City's 10-year financial plan and the City continues to maintain above a 5% cash reserve in all years.

Most of the Utilities have a planned rate increase of approximately 3% that their budgets were built on for fiscal year 2006-07.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. This report can be found on the City of Redding website, www.ci.redding.ca.us under City Departments, Administrative Services, Finance. Questions concerning any information provided in this report or request for additional financial information should be directed to:

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Redding
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 70,948,295	\$ 114,298,615	\$ 185,246,910
Receivables:			
Interest	2,073,570	914,276	2,987,846
Accounts, net	795,568	22,049,908	22,845,476
Taxes	6,564,018	-	6,564,018
Current intergovernmental	5,686,741	1,184,124	6,870,865
Notes	20,754,396	-	20,754,396
Special assessments	5,277,465	-	5,277,465
PacifiCorp Energy	-	1,872,010	1,872,010
Other	402,965	-	402,965
Internal balances	5,161,092	(5,161,092)	-
Inventories	375,814	7,120,893	7,496,707
Prepaid items	180,222	1,320,000	1,500,222
Deposits	25,000	-	25,000
Assets held for sale	1,197,608	-	1,197,608
Restricted assets:			
Cash and investments	25,360,250	37,373,012	62,733,262
Interest receivable	209,832	246,006	455,838
Taxes receivable	645,836	-	645,836
Long-term intergovernmental receivable	167,839	-	167,839
Prepaid power	-	1,668,372	1,668,372
Prepaid purchase cost	-	8,390,000	8,390,000
Financing costs, net	1,594,396	666,607	2,261,003
Capital assets:			
Land and construction in progress	35,049,312	25,226,032	60,275,344
Other capital assets, net of depreciation	167,426,634	320,885,797	488,312,431
Investment in JPA	-	30,614	30,614
Total assets	349,896,853	538,085,174	887,982,027

(Continued)

City of Redding
Statement of Net Assets
June 30, 2006

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Accounts payable	1,474,811	9,745,417	11,220,228
Accrued liabilities	3,035,323	1,251,247	4,286,570
Intergovernmental payable	47,936	3,123,639	3,171,575
Accrued interest payable	1,094,553	562,263	1,656,816
Unearned revenue	1,057,746	1,348,363	2,406,109
Landfill closing costs, due within one year	-	100,000	100,000
Claims and judgements payable, due within one year	4,087,622	-	4,087,622
Deposits	146,843	3,970,863	4,117,706
Compensated absences, due within one year	2,501,838	1,726,891	4,228,729
Long-term debt, due within one year	4,281,884	6,790,516	11,072,400
Accounts payable from restricted	1,478,408	-	1,478,408
Claims and judgements payable, due in more than one year	6,165,258	-	6,165,258
Landfill closing costs, due in more than one year	-	1,823,309	1,823,309
Accrued compensated absences, due in more than one year	6,722,020	4,071,942	10,793,962
Long-term debt, due in more than one year	74,907,442	163,078,858	237,986,300
Total liabilities	107,001,684	197,593,308	304,594,992
NET ASSETS			
Invested in capital assets, net of related debt	172,814,117	190,161,873	362,975,990
Restricted for:			
Capital outlay	-	23,633,021	23,633,021
Debt service	948,487	8,856,076	9,804,563
Housing	21,910,863	-	21,910,863
Community development	16,423,089	-	16,423,089
Public works	2,255,157	-	2,255,157
Benton landfill closure	-	963,288	963,288
Unrestricted	28,543,456	116,877,608	145,421,064
Total net assets	\$ 242,895,169	\$ 340,491,866	\$ 583,387,035

(Concluded)

See accompanying Notes to Basic Financial Statements.

City of Redding
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2006

Functions / Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 6,043,808	\$ 4,669,323	\$ 272,090	\$ -	\$ 4,941,413
Police	22,938,459	887,458	1,303,178	-	2,190,636
Fire	13,896,656	272,301	95,429	332,108	699,838
Public works	11,350,449	269,504	4,238,136	6,551,515	11,059,155
Planning	3,894,286	3,204,622	106,454	-	3,311,076
Recreation and culture	8,390,240	863,130	18,413	3,951,300	4,832,843
Community development	16,349,078	41,336	11,490,426	-	11,531,762
Interest on long-term debt	4,110,575	-	-	-	-
Total governmental activities	86,973,551	10,207,674	17,524,126	10,834,923	38,566,723
Business-type activities:					
Electric	131,048,566	140,336,132	3,000	1,275,919	141,615,051
Water	10,878,391	12,540,136	-	4,912,065	17,452,201
Wastewater	11,718,895	12,709,979	-	4,666,848	17,376,827
Storm drainage	1,846,993	929,145	-	1,627,155	2,556,300
Solid waste	16,433,051	16,608,413	49,170	-	16,657,583
Transportation	9,172,005	2,558,384	4,100,290	3,291,178	9,949,852
Convention center	2,578,833	730,928	-	-	730,928
Total business-type activities	183,676,734	186,413,117	4,152,460	15,773,165	206,338,742
Total primary government	\$ 270,650,285	\$ 196,620,791	\$ 21,676,586	\$ 26,608,088	\$ 244,905,465

General Revenues and Transfers:

Taxes:

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

Total taxes

Investment income (loss)

Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Prior period adjustments

Net assets - beginning of year (as restated)

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
\$ (1,102,395)	\$ -	\$ (1,102,395)
(20,747,823)	-	(20,747,823)
(13,196,818)	-	(13,196,818)
(291,294)	-	(291,294)
(583,210)	-	(583,210)
(3,557,397)	-	(3,557,397)
(4,817,316)	-	(4,817,316)
(4,110,575)	-	(4,110,575)
<u>(48,406,828)</u>	<u>-</u>	<u>(48,406,828)</u>
-	10,566,485	10,566,485
-	6,573,810	6,573,810
-	5,657,932	5,657,932
-	709,307	709,307
-	224,532	224,532
-	777,847	777,847
-	(1,847,905)	(1,847,905)
-	<u>22,662,008</u>	<u>22,662,008</u>
<u>(48,406,828)</u>	<u>22,662,008</u>	<u>(25,744,820)</u>
12,757,582	-	12,757,582
12,977,912	-	12,977,912
3,747,553	-	3,747,553
23,857,074	-	23,857,074
611,129	-	611,129
916,818	-	916,818
1,364,821	-	1,364,821
<u>56,232,889</u>	<u>-</u>	<u>56,232,889</u>
3,355,569	3,785,359	7,140,928
103,125	-	103,125
3,794,368	(3,794,368)	-
<u>63,485,951</u>	<u>(9,009)</u>	<u>63,476,942</u>
15,079,123	22,652,999	37,732,122
227,650,665	317,341,561	544,992,226
165,381	497,306	662,687
<u>227,816,046</u>	<u>317,838,867</u>	<u>545,654,913</u>
<u>\$ 242,895,169</u>	<u>\$ 340,491,866</u>	<u>\$ 583,387,035</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

City of Redding
Balance Sheet
Governmental Funds
June 30, 2006

	General Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 12,608,438	\$ 49,898,291	\$ 62,506,729
Interest receivable	105,785	1,888,928	1,994,713
Accounts receivable, net	647,276	121,488	768,764
Intergovernmental receivable	1,540,914	4,313,666	5,854,580
Taxes receivable	5,939,323	624,695	6,564,018
Other receivable	375,049	27,920	402,969
Due from other funds	512,347	-	512,347
Inventories	283,083	-	283,083
Restricted assets:			
Cash and investments	1,487,518	23,872,732	25,360,250
Interest receivable	1,424	208,408	209,832
Taxes receivable	-	645,836	645,836
Interfund receivable	-	53,959	53,959
Deposits	-	25,000	25,000
Assets held for sale	-	1,197,608	1,197,608
Advances to other funds	4,705,945	1,195,579	5,901,524
Special assessments receivable	-	5,277,465	5,277,465
Notes receivable	-	20,754,396	20,754,396
Total assets	\$ 28,207,102	\$ 110,105,971	\$ 138,313,073

(Continued)

City of Redding
Balance Sheet
Governmental Funds
June 30, 2006

	General Fund	Non Major Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 407,651	\$ 772,402	\$ 1,180,053
Accrued liabilities	2,422,788	380,976	2,803,764
Intergovernmental payable	44,862	1,955	46,817
Due to other funds	-	279,107	279,107
Accounts payable from restricted assets	100,756	1,377,652	1,478,408
Interfund payable	50,671	63,288	113,959
Deferred revenues	3,764,987	9,868,835	13,633,822
Deposits	5,788	136,285	142,073
Advances from other funds	1,910,753	4,732,292	6,643,045
Total liabilities	8,708,256	17,612,792	26,321,048
Fund Balances:			
Reserved for:			
Inventories	283,083	-	283,083
Noncurrent advances	4,705,945	1,152,341	5,858,286
Debt service	-	8,961,748	8,961,748
Capital projects	99,945	19,469,212	19,569,157
Noncurrent notes receivable	-	20,399,275	20,399,275
Unreserved, designated for:			
Encumbrances	1,312,107	-	1,312,107
Rolling stock	1,455,145	-	1,455,145
Future expenditures/contingencies	4,305,000	-	4,305,000
Reported in:			
Special revenue	-	14,531,667	14,531,667
Capital projects	-	26,139,758	26,139,758
Unreserved, undesignated reported in:			
General fund	7,337,621	-	7,337,621
Special revenue funds	-	2,435,338	2,435,338
Capital projects fund	-	675,765	675,765
Debt service funds	-	(1,271,925)	(1,271,925)
Total fund balances	19,498,846	92,493,179	111,992,025
Total liabilities and fund balances	\$ 28,207,102	\$ 110,105,971	\$ 138,313,073

See accompanying Notes to Basic Financial Statements.

(Concluded)

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City of Redding
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2006

Total Fund Balances - Total Governmental Funds	\$ 111,992,025
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.	267,699,454
Accumulated depreciation has not been included in the governmental fund financial statements.	(70,579,712)
Financing costs net of amortization	1,594,392
Long-term debt that has not been included in the governmental fund activity.	(79,189,326)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(1,094,553)
Revenue reported as deferred revenue in the governmental funds was recorded as revenue in the statement of activities.	12,601,314
Internal service fund net assets included in the governmental activities on the statement of activities.	8,397,869
Accrued vacation and other leave not reported in governmental funds, but recorded as expense in the statement of activities.	<u>(8,526,294)</u>
Net Assets of Governmental Activities	<u>\$ 242,895,169</u>

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, 2006

	General Fund	Non Major Governmental Funds	Total Governmental Funds
REVENUES:			
Property taxes	\$ 12,906,700	\$ 12,977,912	\$ 25,884,612
Sales and use taxes	23,302,651	272,517	23,575,168
Other taxes	6,029,192	-	6,029,192
Special assessments	3,185	1,521,003	1,524,188
Licenses and permits	2,174,350	70,559	2,244,909
Intergovernmental revenues	2,926,496	17,724,519	20,651,015
Charges for services	3,087,242	-	3,087,242
Fines, forfeitures, and penalties	677,217	123,058	800,275
Use of money and property	5,345,044	107,511	5,452,555
Interest revenue	264,428	2,903,129	3,167,557
Other	821,556	7,855,200	8,676,756
Total revenues	57,538,061	43,555,408	101,093,469
EXPENDITURES:			
Current:			
General government	6,854,279	140,207	6,994,486
Community Development	-	17,004,289	17,004,289
Public safety:			
Police	22,869,218	143,945	23,013,163
Fire	14,671,372	-	14,671,372
Public works	7,401,722	288,833	7,690,555
Planning	4,392,294	-	4,392,294
Recreation and culture	4,968,181	82,825	5,051,006
Capital outlay	5,432,655	9,574,377	15,007,032
Debt service:			
Principal	1,149,460	3,413,000	4,562,460
Interest and fiscal charges	1,434,363	2,699,125	4,133,488
Total expenditures	69,173,544	33,346,601	102,520,145
REVENUES OVER (UNDER) EXPENDITURES	(11,635,483)	10,208,807	(1,426,676)
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	838,344	-	838,344
Capital leases issued	39,878	-	39,878
Transfers in	12,272,757	2,957,759	15,230,516
Transfers out	(4,193,984)	(7,452,100)	(11,646,084)
Total other financing sources (uses)	8,956,995	(4,494,341)	4,462,654
Net change in fund balances	(2,678,488)	5,714,466	3,035,978
FUND BALANCES:			
Beginning of year	22,011,953	86,944,094	108,956,047
Prior period adjustments	165,381	(165,381)	-
Beginning of year, as restated	22,177,334	86,778,713	108,956,047
End of year	\$ 19,498,846	\$ 92,493,179	\$ 111,992,025

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, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 3,035,978
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.	15,821,408
Transfers of capital assets from enterprise funds to governmental funds	210,000
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in Governmental Funds.	(7,183,384)
Disposal of capital assets is reported in the Governmental-Wide Statement of Activities and Changes in Net Assets, but they do 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	(155,643)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,969,344)
Bond proceeds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets.	(39,878)
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.	4,562,460
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they 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 prior year.	91,010
Compensated absences in the statement of activities is reported as an expense but is not reported in the governmental funds.	(189,748)
Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities.	1,896,264
Change in Net Assets of Governmental Activities	\$ 15,079,123

See accompanying Notes to Basic Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

Enterprise Funds:

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

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

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

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

Internal Service Funds:

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

City of Redding
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Enterprise Funds		
	Electric	Water	Waste
	Utility	Utility	Water Utility
ASSETS			
Current assets:			
Cash and investments	\$ 51,458,008	\$ 20,315,624	\$ 24,691,646
Interest receivable	392,811	168,878	206,336
Accounts receivable, net	17,506,986	1,548,485	1,260,344
Prepaid items	1,320,000	-	-
Intergovernmental receivable	-	-	-
Inventories	6,397,503	524,613	60,558
Interfund receivable	-	-	-
Pacificorp Energy receivable	1,872,010	-	-
Total current assets	78,947,318	22,557,600	26,218,884
Noncurrent assets:			
Restricted assets:			
Cash and investments	34,175,382	1,231,708	41
Interest receivable	230,868	14,721	-
Total restricted assets	34,406,250	1,246,429	41
Capital assets:			
Land	3,496,868	393,928	2,732,530
Construction in progress	1,682,646	3,077,755	2,859,555
Utility plants	280,864,145	69,533,731	111,164,905
Buildings	4,585,086	3,073,925	2,323,037
Improvements other than buildings	2,707,889	-	65,984
Automotive equipment	3,411,001	1,549,405	996,136
Furnishings and equipment	6,741,868	417,436	911,158
Assets under capital lease	-	-	-
Total capital assets	303,489,503	78,046,180	121,053,305
Less: accumulated depreciation	(138,507,838)	(32,096,972)	(49,905,019)
Net capital assets	164,981,665	45,949,208	71,148,286
Other assets:			
Power acquisition costs, net	1,668,372	-	-
Prepaid purchase cost	8,390,000	-	-
Advances to other funds	2,538,503	-	1,434,505
Financing costs, net	-	221,709	284,384
Investment in JPA	30,614	-	-
Total other assets	12,627,489	221,709	1,718,889
Total noncurrent assets	212,015,404	47,417,346	72,867,216
Total assets	290,962,722	69,974,946	99,086,100

Solid Waste Collection/ Disposal	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 14,229,886	\$ 3,603,451	\$ 114,298,615	\$ 8,441,566
123,126	23,125	914,276	78,857
1,599,776	134,317	22,049,908	26,804
-	-	1,320,000	180,222
20,874	1,163,250	1,184,124	-
-	138,219	7,120,893	92,731
-	-	-	145,000
-	-	1,872,010	-
15,973,662	5,062,362	148,759,826	8,965,180
1,872,313	93,568	37,373,012	-
76	341	246,006	-
1,872,389	93,909	37,619,018	-
1,309,597	8,938,037	16,870,960	110,810
54,863	680,253	8,355,072	1,152,632
-	21,230,115	482,792,896	-
14,141,504	16,701,510	40,825,062	-
824,625	29,185,381	32,783,879	128,249
11,538,006	8,004,093	25,498,641	10,086,222
6,552,050	2,195,268	16,817,780	1,653,221
-	634,209	634,209	235,193
34,420,645	87,568,866	624,578,499	13,366,327
(15,981,638)	(41,975,203)	(278,466,670)	(8,010,123)
18,439,007	45,593,663	346,111,829	5,356,204
-	-	1,668,372	-
-	-	8,390,000	-
-	-	3,973,008	3,526,149
133,365	27,149	666,607	-
-	-	30,614	-
133,365	27,149	14,728,601	3,526,149
20,444,761	45,714,721	398,459,448	8,882,353
36,418,423	50,777,083	547,219,274	17,847,533

City of Redding
Statement of Net Assets
Proprietary Funds, Continued
June 30, 2006

	Enterprise Funds		
	Electric	Water	Waste
	Utility	Utility	Water Utility
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	7,356,339	992,821	420,392
Accrued liabilities	727,357	108,789	105,454
Accrued interest payable	219,347	42,156	180,568
Claims and judgements payable	-	-	-
Intergovernmental payable	3,078,591	33,206	1,753
Due to other funds	-	-	-
Deferred revenues	414,678	-	-
Deposits	1,950,301	-	-
Interfund payable	-	-	-
Accrued compensated absences, due with in one year	968,139	187,288	163,424
Landfill closure costs, due with in one year	-	-	-
Capital leases, due with in one year	-	-	-
Long-term debt, due with in one year	3,642,603	646,539	1,080,124
State loan, due with in one year	-	-	642,196
Total current liabilities (payable from current assets)	18,357,355	2,010,799	2,593,911
Long-term liabilities:			
Accrued compensated absences, due in more than one year	2,125,924	485,317	392,925
Landfill closure costs, due in more than one year	-	-	-
Advances from other funds	-	-	-
Capital leases, due in more than one year	-	-	-
Long-term debt, due in more than one year	115,831,593	11,123,089	16,631,359
State loan, due in more than one year	-	-	12,869,931
Total long-term liabilities	117,957,517	11,608,406	29,894,215
Total liabilities	136,314,872	13,619,205	32,488,126
NET ASSETS			
Invested in capital assets, net of related debt	58,126,050	35,413,524	39,924,676
Restricted for:			
Capital projects	3,768,683	2,984,782	14,927,331
Debt service	8,856,076	-	-
Benton landfill closure	-	-	-
Unrestricted	83,897,041	17,957,435	11,745,967
Total net assets	\$ 154,647,850	\$ 56,355,741	\$ 66,597,974

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental	
Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Total	Internal Service Funds	Activities
462,467	513,398	9,745,417	294,758	
225,331	84,316	1,251,247	231,560	
94,577	25,615	562,263	-	
-	-	-	10,252,880	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.
9,705	384	3,123,639	1,119	
-	233,240	233,240	-	
6,385	927,300	1,348,363	25,238	Proprietary Funds total net assets \$ 343,452,722
2,009,877	10,685	3,970,863	4,770	
-	85,000	85,000	-	Less business-type portion of the Internal Service Fund (2,960,856)
297,531	110,509	1,726,891	187,336	
100,000	-	100,000	-	
-	54,301	54,301	-	Statement of Activities:
597,699	74,148	6,041,113	-	Change in Net Assets \$ 340,491,866
-	52,906	695,102	-	
<u>3,803,572</u>	<u>2,171,802</u>	<u>28,937,439</u>	<u>10,997,661</u>	
776,128	291,648	4,071,942	510,229	
1,823,309	-	1,823,309	-	
-	5,855,004	5,855,004	902,632	
-	374,583	374,583	-	
5,021,526	1,051,510	149,659,077	-	
-	175,267	13,045,198	-	
<u>7,620,963</u>	<u>7,748,012</u>	<u>174,829,113</u>	<u>1,412,861</u>	
<u>11,424,535</u>	<u>9,919,814</u>	<u>203,766,552</u>	<u>12,410,522</u>	
13,724,708	42,972,915	190,161,873	5,356,204	
20,880	1,931,345	23,633,021	-	
-	-	8,856,076	-	
963,288	-	963,288	-	
10,285,012	(4,046,991)	119,838,464	80,807	
<u>\$ 24,993,888</u>	<u>\$ 40,857,269</u>	<u>\$ 343,452,722</u>	<u>\$ 5,437,011</u>	

(Concluded)

City of Redding
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2006

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
OPERATING REVENUES:			
User fees and charges	\$ 74,453,321	\$ 12,380,944	\$ 12,698,056
Wholesale power sales	55,367,604	-	-
Rental charges	-	-	-
Other operating revenue	10,515,206	22,412	2,133
Total operating revenues	140,336,131	12,403,356	12,700,189
OPERATING EXPENSES:			
Cost of power, water, and transportation	60,816,691	343,242	-
Maintenance, operations, and administration	51,390,611	7,700,744	6,987,231
Depreciation and amortization	13,302,067	2,277,378	3,564,164
Total operating expenses	125,509,369	10,321,364	10,551,395
OPERATING INCOME (LOSS)	14,826,762	2,081,992	2,148,794
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	2,173,436	517,974	613,530
Interest expense	(5,583,647)	(583,835)	(1,231,619)
Intergovernmental revenues	-	683,878	-
Gain (loss) on disposal of assets	(65,446)	(1,694)	926
Other non-operating revenues (expenses)	162,232	3,184,964	3,470,995
Total nonoperating revenues (expenses)	(3,313,425)	3,801,287	2,853,832
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	11,513,337	5,883,279	5,002,626
Capital contributions	1,116,687	1,180,003	1,205,643
Transfers in	-	-	-
Transfers out	(4,123,790)	(455,230)	(751,380)
Change in net assets	8,506,234	6,608,052	5,456,889
NET ASSETS:			
Beginning of year	145,644,310	49,747,689	61,141,085
Prior period adjustments	497,306	-	-
Beginning of year, as restated	146,141,616	49,747,689	61,141,085
End of year	\$ 154,647,850	\$ 56,355,741	\$ 66,597,974

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 15,046,400	\$ 2,378,601	\$ 116,957,322	\$ 42,329,725
-	-	55,367,604	-
-	1,070,398	1,070,398	-
1,560,121	763,857	12,863,729	44,781
16,606,521	4,212,856	186,259,053	42,374,506
-	2,588,268	63,748,201	-
13,984,040	7,069,172	87,131,798	41,121,921
1,812,371	3,868,641	24,824,621	903,503
15,796,411	13,526,081	175,704,620	42,025,424
810,110	(9,313,225)	10,554,433	349,082
401,778	78,642	3,785,360	316,357
(320,514)	(114,618)	(7,834,233)	-
49,170	4,019,500	4,752,548	-
13,790	1,750	(50,674)	15,733
(69,685)	761,354	7,509,860	-
74,539	4,746,628	8,162,861	332,090
884,649	(4,566,597)	18,717,294	681,172
-	4,243,370	7,745,703	1,199,525
-	1,857,982	1,857,982	-
(93,850)	(228,100)	(5,652,350)	(64)
790,799	1,306,655	22,668,629	1,880,633
24,203,089	39,550,614	320,286,787	3,556,378
-	-	497,306	-
24,203,089	39,550,614	320,784,093	3,556,378
\$ 24,993,888	\$ 40,857,269	\$ 343,452,722	\$ 5,437,011

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

Proprietary Funds changes in net assets \$ 22,668,629

Add internal Service Funds income - business-type activity (15,630)

Statement of Activities:
Change in Net Assets \$ 22,652,999

City of Redding
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2006

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 127,386,120	\$ 12,161,262	\$ 12,525,929
Cash paid to suppliers	(92,445,569)	(5,104,851)	(4,069,467)
Cash paid to employees	(18,655,149)	(2,904,594)	(2,956,131)
Other income received	10,515,206	22,412	2,133
Net cash provided (used) by operating activities	26,800,608	4,174,229	5,502,464
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Intergovernmental revenue received	-	59,500	-
Operating grants received	-	-	-
Advances from other funds	-	-	-
Repayment of advances from other funds	-	-	-
Advances to other funds	(65,000)	-	(72,918)
Repayment of advances to other funds	175,460	-	169,870
Transfers in	-	-	-
Transfers out	(4,123,790)	(455,230)	(751,380)
Cash received from rents	-	-	-
Net cash provided (used) by noncapital financing activities	(4,013,330)	(395,730)	(654,428)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grant received	-	698,350	-
Proceeds from sale of assets	62,544	20,266	926
Purchase of capital assets	(8,889,084)	(3,530,255)	(3,656,007)
Interest paid	(4,902,420)	(526,491)	(1,054,586)
Proceeds from from long term debt	32,850,645	-	-
Principal paid on long-term debt	(4,055,000)	(680,000)	(1,870,923)
Proceeds from capital leases	-	-	-
Principal paid on capital leases	-	-	-
Cash collected for future capital outlay	162,232	3,184,964	3,470,995
Net cash provided (used) by capital and related financing activities	15,228,917	(833,166)	(3,109,595)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment revenue received	1,893,047	477,940	583,611
Net cash provided (used) by investing activities	1,893,047	477,940	583,611
Net increase (decrease) in cash and cash equivalents	39,909,242	3,423,273	2,322,052
CASH AND CASH EQUIVALENTS:			
Beginning of year	45,724,148	18,124,059	22,369,635
End of year	<u>\$ 85,633,390</u>	<u>\$ 21,547,332</u>	<u>\$ 24,691,687</u>

Solid Waste Collection/ Disposal	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 18,441,703	\$ 4,228,768	\$ 174,743,782	\$ 42,361,950
(11,285,472)	(6,775,266)	(119,680,625)	(37,885,605)
(5,829,596)	(2,248,187)	(32,593,657)	(4,892,593)
1,560,121	-	12,099,872	26
<u>2,886,756</u>	<u>(4,794,685)</u>	<u>34,569,372</u>	<u>(416,222)</u>
34,610	4,231,153	4,325,263	-
-	86,391	86,391	-
-	901,245	901,245	902,632
-	(2,910,959)	(2,910,959)	(1,619,754)
-	-	(137,918)	479,101
-	-	345,330	-
-	1,857,982	1,857,982	-
(93,850)	(228,100)	(5,652,350)	(64)
1,892	-	1,892	-
<u>(57,348)</u>	<u>3,937,712</u>	<u>(1,183,124)</u>	<u>(238,085)</u>
-	2,875,785	3,574,135	-
98,865	290,255	472,856	39,239
(1,730,401)	(1,302,080)	(19,107,827)	(1,315,161)
(282,504)	(113,466)	(6,879,467)	-
-	-	32,850,645	-
(620,000)	(143,226)	(7,369,149)	-
-	75,000	75,000	-
-	(82,593)	(82,593)	-
-	674,963	7,493,154	-
<u>(2,534,040)</u>	<u>2,274,638</u>	<u>11,026,754</u>	<u>(1,275,922)</u>
395,603	72,723	3,422,924	310,632
<u>395,603</u>	<u>72,723</u>	<u>3,422,924</u>	<u>310,632</u>
690,971	1,490,388	47,835,926	(1,619,597)
15,411,228	2,206,631	103,835,701	10,061,163
<u>\$ 16,102,199</u>	<u>\$ 3,697,019</u>	<u>\$ 151,671,627</u>	<u>\$ 8,441,566</u>

(Continued)

City of Redding
Statement of Cash Flows
Proprietary Funds, Continued
For the year ended June 30, 2006

	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)	\$ 14,826,762	\$ 2,081,992	\$ 2,148,794
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	13,302,067	2,277,378	3,564,164
(Increase) decrease in accounts receivable	(2,434,805)	(219,682)	(172,127)
(Increase) decrease in inventories	205,007	9,668	11,063
(Increase) decrease in prepaid items	-	-	-
(Increase) decrease in investment in JPA	(1,567)	-	-
Increase (decrease) in accounts payable	452,051	41,077	(20,184)
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in accrued liabilities	79,345	7,219	10,712
Increase (decrease) in claims and judgments payable	-	-	-
Increase (decrease) in deposits	178,908	-	-
Increase (decrease) in intergovernmental payable	129,576	(32,454)	(13,498)
Increase (decrease) in deferred revenues	27,681	-	-
Increase (decrease) in accrued compensated absences	35,583	9,031	(26,460)
Increase (decrease) in accrued landfill closure costs	-	-	-
Total adjustments	11,973,846	2,092,237	3,353,670
Net cash provided (used) by operating activities	\$ 26,800,608	\$ 4,174,229	\$ 5,502,464
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Plant contributed from developers	\$ 1,116,687	\$ 1,169,454	\$ 1,183,611
Equipment contributed from customers	-	-	-
Equipment contributed from other governmental agencies	-	10,549	22,032
Total contributed capital	\$ 1,116,687	\$ 1,180,003	\$ 1,205,643

See accompanying Notes to Basic Financial Statements.

Solid Waste Collection/ Disposal	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 810,110	\$ (9,313,225)	\$ 10,554,433	\$ 349,082
1,812,371	3,868,641	24,824,621	903,503
(9,536)	5,227	(2,830,923)	(12,530)
-	(10,613)	215,125	(10,448)
-	-	-	(340)
-	-	(1,567)	-
95,865	(144,555)	424,254	29,738
-	(56,645)	(56,645)	-
35,341	11,684	144,301	45,209
-	-	-	(1,614,220)
160,274	10,685	349,867	(2,894)
(6,075)	(82,664)	(5,115)	(653)
(4,396)	910,811	934,096	-
76,091	5,969	100,214	(102,669)
(83,289)	-	(83,289)	-
<u>2,076,646</u>	<u>4,518,540</u>	<u>24,014,939</u>	<u>(765,304)</u>
<u>\$ 2,886,756</u>	<u>\$ (4,794,685)</u>	<u>\$ 34,569,372</u>	<u>\$ (416,222)</u>
\$ -	\$ 1,190,475	\$ 4,660,227	\$ -
-	-	-	1,147,566
-	-	32,581	-
<u>\$ -</u>	<u>\$ 1,190,475</u>	<u>\$ 4,692,808</u>	<u>\$ 1,147,566</u>

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FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Funds

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

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City of Redding
Statement of Agency Net Assets
Agency Funds
June 30, 2006

ASSETS

Cash and cash equivalents	\$	1,638,786
Accounts receivable		7,322
Interest receivable		30,033
Total assets	\$	1,676,141

LIABILITIES

Deposits	\$	1,676,141
Total liabilities	\$	1,676,141

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, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

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

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

D. Basis of Presentation

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Basis of Presentation, Continued

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

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

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

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Basis of Presentation, Continued

Fiduciary Funds

Agency Funds - used to account for assets held by a governmental unit as an agent for individuals, governmental entities (other than the City) and non-public organizations. This fund is used to account for deposits and collects monies for various community events which are remitted to the organizers.

The government reports the following major governmental fund:

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

The government reports the following major proprietary funds:

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

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

City of Redding

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Basis of Presentation, Continued

and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City has elected to follow Governmental Accounting Standards Board (GASB) pronouncements, and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement Number 20.

E. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. Cash deposits are stated at cost, which approximates fair value. Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement Number 31. Investment income is recorded as revenue in the individual funds based on the computed average interest rate of all investments and the average daily cash balance of each fund. For purposes of the statement of cash flows of the proprietary fund types, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

General Receivables and Property Taxes Receivable

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

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

Inventories

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Capital Assets, Continued

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

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

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

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

Pension Plan

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

Vacation and Sick Pay

Vacation pay is vested to the employees as it accrues and is payable upon retirement or termination. Sick leave, however, does not vest to the employees and is payable only when sick leave is taken, except when an individual has been employed by the City for ten years or longer. If the employee severs their relationship with the City after having been employed ten or more years, they receive from 33-1/3% to 60% payoffs depending on length of service. If the employee retires from the City after 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.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Vacation and Sick Pay, Continued

Vacation pay and one-third to six-tenths of the sick pay of employees with terms of services equal to or exceeding ten years have been accrued in the accompanying government-wide financial statements and the accompanying proprietary fund financial statements.

Comp-time accruals

Non-exempt employees have the option of taking time off for over-time worked and accruing the comp-time. The majority of the amount accrued at June 30, 2006 is paid out by union agreement in December of each year following the close of the fiscal year. Therefore, the City has considered the amount matured and accrues the comp-time balance in the fund statements.

Deferred Revenue

The City reports deferred revenue on its balance sheet. Deferred revenues arise 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, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Fund Equity

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

Net Assets

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

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

Use of Estimates

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

F. Implementation of New GASB Pronouncements

New Pronouncements

In 2006, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statement:

- GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries - The Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Implementation of New GASB Pronouncements, Continued

- Statement No. 44, Economic Condition Reporting: The Statistical Section (Amendment of NCGA Statement 1) - The Statement establishes the objectives of the statistical section and the five categories of information it contains: financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.
- GASB Statement No. 46, Net Assets Restricted by Enabling Legislation - The Statement addresses selected issues and amends GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specifies accounting and financial reporting requirements for restricted net assets.
- GASB Statement No. 47, Accounting for Termination Benefits - The Statement provides accounting guidance for state and local governmental employers regarding benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement requires recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2006, are as follows:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental	Business	Total	Statement of	Total
	Activities	Activities		Net Assets	
Cash and investments	\$ 70,948,295	\$ 114,298,615	\$ 185,246,910	\$ 1,638,786	\$ 186,885,696
Restricted cash and investments	\$ 25,360,250	\$ 37,373,012	\$ 62,733,262	\$ -	\$ 62,733,262

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

City of Redding

Notes to Basic Financial Statements, Continued For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

Deposits - At June 30, 2006, the carrying amount of the City's deposits was \$10,152,076, of which \$1,452,607 was restricted and \$8,699,469 was unrestricted. The bank balance was \$10,913,174. Of the bank balance, \$486,836 was covered by Federal depository insurance, and \$10,426,338 was covered by collateral held in the pledging bank's trust department. Such collateral is in the City's name (although there is no Government or City Code requirement that collateral be held in the City's name.)

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

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

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

In accordance with authorized investment laws, LAIF invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2006, 2.567% 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, 2006

2. CASH AND INVESTMENTS, Continued

At June 30, 2006, the City's investments and deposits were as follows:

	Cash and Investments		
	Fair Value		Total
	Unrestricted	Restricted	
Deposits	\$ 8,699,469	\$ 1,452,607	\$ 10,152,076
Medium Term Corporate Notes	10,541,540	-	10,541,540
Federal Agency Bonds	119,466,287	430,625	119,896,912
U.S. Treasury Notes	1,484,700	3,975,798	5,460,498
Local Agency Investment Fund	41,307,898	14,593,059	55,900,957
Guaranteed investment agreement	-	31,165,692	31,165,692
Mutual Funds	5,385,802	11,115,481	16,501,283
Total Investments	178,186,227	61,280,655	239,466,882
Total Cash and Investments	\$ 186,885,696	\$ 62,733,262	\$ 249,618,958

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City varies its maturity dates through out the five-year maturity period. The investments with maturities greater than 5 years pertain to investment agreements within our bond issues. These agreements afford the City long-term fixed interest rates for the duration of the bond issue, with the option to utilize those funds for debt service payments and at the City's option replenish those funds at the fixed rate until the maturity of the investment agreements.

As of June 30, 2006, the City had the following investments and maturities (amounts are in thousands):

Unrestricted:	Investments Maturities (in Years)		
	Fair	Less	
	Value	Than 1	1-5
Investment Type			
Medium Term Corporate Notes	\$ 10,541,540	\$ 5,137,591	\$ 5,403,949
Federal Agency Bonds	119,466,287	22,164,715	97,301,572
U.S. Treasury Notes	1,484,700	-	1,484,700
Investment in State Treasurer's			
Investment Pool	41,307,898	41,307,898	-
Mutual Funds	5,385,802	-	5,385,802
Total	\$ 178,186,227	\$ 68,610,204	\$ 109,576,023

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

Restricted: Investment Type	Investments Maturities (in Years)			
	Fair Value	Less Than 1	1-5	More Than 5
Federal Agency Bonds	\$ 430,625	\$ -	\$ 430,625	\$ -
U.S. Treasury Notes	3,975,798	3,975,798	-	-
Investment in State Treasurer's Investment Pool	14,593,059	14,593,059	-	-
Guaranteed investment agreement	31,165,692	-	25,293,642	5,872,050
Mutual Funds	12,062,238	-	12,062,238	-
Total	\$ 62,227,412	\$ 18,568,857	\$ 37,786,505	\$ 5,872,050

Credit Risk - As of June 30, 2006, the City's investments in Federal Agency Bonds were rated Aaa by Moody's Investors Service. The City's investments in Medium Term Corporate Notes were rated A1, Aa1, Aa2, and Aaa by Moody's Investors Service. Investment in LAIF are not rated as LAIF is a State sponsored investment pool.

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, 2006.

3. INTERFUND ACTIVITIES

Due To Other Funds	Due From Other Funds	
	General Fund	Total
Governmental funds:		
Nonmajor Governmental Funds	\$ 279,107	\$ 279,107
Enterprise funds:		
Nonmajor Enterprise Funds	233,240	233,240
Total	\$ 512,347	\$ 512,347

Interfund Payable	Interfund Receivable		Total
	Nonmajor Governmental Funds	Internal Service Funds	
Governmental funds:			
General Fund	\$ 50,671	\$ -	\$ 50,671
Nonmajor Governmental Funds	3,288	60,000	63,288
Enterprise funds:			
Nonmajor Enterprise Funds	-	85,000	85,000
Total	\$ 53,959	\$ 145,000	\$ 198,959

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

4. CAPITAL ASSETS

Changes in capital assets consisted of the following:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 22,411,068	\$ 316,621	\$ (181,614)	\$ 22,546,075
Construction in process	6,767,582	5,735,655	-	12,503,237
Total capital assets, not being depreciated	<u>29,178,650</u>	<u>6,052,276</u>	<u>(181,614)</u>	<u>35,049,312</u>
Capital assets, being depreciated:				
Buildings	37,690,168	2,803,926	(23,645)	40,470,449
Improvements other than buildings	180,933,608	3,318,228	(108,273,970)	75,977,866
Infrastructure	-	113,334,772	-	113,334,772
Automotive equipment	9,002,899	1,549,689	(466,366)	10,086,222
Furnishings and equipment	5,440,536	229,410	(47,857)	5,622,089
Assets under capital lease:				
Furnishings and equipment	250,000	39,878	-	289,878
Automotive equipment	561,456	-	(326,263)	235,193
Total capital assets, being depreciated	<u>233,878,667</u>	<u>121,275,903</u>	<u>(109,138,101)</u>	<u>246,016,469</u>
Accumulated depreciation:				
Buildings	(12,148,642)	(1,155,791)	19,764	(13,284,669)
Improvements other than buildings	(47,932,509)	(3,527,110)	34,153,680	(17,305,939)
Infrastructure	-	(36,330,124)	-	(36,330,124)
Automotive equipment	(6,181,718)	(879,950)	442,864	(6,618,804)
Furnishings and equipment	(4,527,272)	(273,179)	47,854	(4,752,597)
Assets under capital lease:				
Furnishings and equipment	(250,000)	(665)	-	(250,665)
Automotive equipment	(149,030)	(15,679)	117,672	(47,037)
Accumulated depreciation transferred between asset categories				
	-	34,271,352	(34,271,352)	-
Total accumulated depreciation	<u>(71,189,171)</u>	<u>(7,911,146)</u>	<u>510,482</u>	<u>(78,589,835)</u>
Total capital assets, being depreciated, net	<u>162,689,496</u>	<u>113,364,757</u>	<u>(108,627,619)</u>	<u>167,426,634</u>
Total governmental activities	<u>\$ 191,868,146</u>	<u>\$ 119,417,033</u>	<u>\$ (108,809,233)</u>	<u>\$ 202,475,946</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

4. CAPITAL ASSETS, Continued

Depreciation expense was charged to governmental activities as follows:

Program	Depreciation	Amortization	Total
General government	\$ 1,304,660	\$ -	\$ 1,304,660
Police	608,584	-	608,584
Fire	268,661	-	268,661
Public works	2,553,154	-	2,553,154
Recreation and culture	3,135,361	-	3,135,361
Community development	40,726	106,314	147,040
Total depreciation - governmental functions	\$ 7,911,146	\$ 106,314	\$ 8,017,460

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

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 17,129,498	\$ 29,967	\$ (288,506)	\$ 16,870,959
Construction in progress	4,090,699	4,266,536	(2,162)	8,355,073
Total capital assets, not being depreciated	21,220,197	4,296,503	(290,668)	25,226,032
Capital assets, being depreciated:				
Utility plants	467,558,155	16,282,950	(1,048,209)	482,792,896
Buildings	40,514,536	310,525	-	40,825,061
Improvements other than buildings	31,492,268	1,291,611	-	32,783,879
Automotive equipment	25,305,537	1,838,292	(1,645,189)	25,498,640
Furnishings and equipment	16,052,709	883,010	(117,939)	16,817,780
Assets under capital lease:				
Furnishings and equipment	728,174	75,000	(168,964)	634,210
Automotive equipment	321,428	-	(321,428)	-
Total capital assets, being depreciated	581,972,807	20,681,388	(3,301,729)	599,352,466
Less accumulated depreciation for:				
Utility plants	(195,612,192)	(16,702,738)	932,894	(211,382,036)
Buildings	(19,410,350)	(1,130,675)	-	(20,541,025)
Improvements other than buildings	(16,082,886)	(2,212,583)	-	(18,295,469)
Automotive equipment	(14,455,321)	(1,894,843)	1,525,498	(14,824,666)
Furnishings and equipment	(11,654,516)	(1,571,517)	117,938	(13,108,095)
Assets under capital lease:				
Furnishings and equipment	(381,887)	(63,734)	130,243	(315,378)
Automotive equipment	(176,945)	-	176,945	-
Accumulated depreciation transferred between asset categories	-	307,196	(307,196)	-
Total accumulated depreciation	(257,774,097)	(23,268,894)	2,576,322	(278,466,669)
Total capital assets, being depreciated, net	324,198,710	(2,587,506)	(725,407)	320,885,797
Total business-type activities	\$ 345,418,907	\$ 1,708,997	\$ (1,016,075)	\$ 346,111,829

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

4. CAPITAL ASSETS, Continued

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

	Depreciation Expense	Amortization Expense	Total
Electric	\$ 11,799,991	\$ 1,502,076	\$ 13,302,067
Water	2,264,092	13,286	2,277,378
Wastewater	3,538,885	25,279	3,564,164
Storm drainage	1,014,178	-	1,014,178
Solid waste	1,798,922	13,449	1,812,371
Transportation	2,679,084	1,002	2,680,086
Convention center	173,742	635	174,377
Total depreciation and amortization expense-business-type activities	<u>\$ 23,268,894</u>	<u>\$ 1,555,727</u>	<u>\$ 24,824,621</u>

5. SELF-INSURANCE

The City administers self-insurance programs for employee health, property, general liability, and workers' compensation. These insurance activities are accounted for in the risk management internal service fund. The liability for insurance claims is estimated on a case-by-case basis for all pending claims. There has been no significant reduction in any of the insurance coverages from the prior year. Costs in the City's Risk Management Fund have not exceeded charges to the various funds of the City and its component units. Settled claims resulting from these risks have not exceeded co-insurance plan coverage or commercial insurance coverage in any of the past three fiscal years.

Employee Health Insurance is administered through a private carrier. The City is self-insured up to \$150,000 with an insurance company co-insuring claims from \$150,001 to the statutory limit. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged estimated claims expense based on salary. The interfund charges are reported as an expense or expenditure in the at risk fund. The estimated liability for pending and incurred but not reported employee health insurance claims at June 30, 2006, has been included as an accrued liability in the risk management internal service fund.

Workers' Compensation Insurance is administered as a co-insurance plan. The City is self-insured up to \$1,000,000 with an insurance company co-insuring claims from \$1,000,001 to \$25,000,000. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience and salary costs. The interfund charges are reported as an expense or expenditure in the fund at risk. The estimated liability for pending and incurred but not reported claims at June 30, 2006, has been included in the Risk Management Fund's claims payable amount as of June 30, 2006.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. SELF-INSURANCE, Continued

Liability Insurance is administered as a co-insurance plan. The City is self-insured up to \$500,000 with an insurance company co-insuring claims from \$500,001 to \$25,000,000. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience and salary. The interfund charges are reported as an expense or expenditure in the funds at risk. Incurred but not reported claims liability has been included in the claims payable amount as of June 30, 2006.

Property Insurance is administered as a co-insurance plan. The City is self-insured for claims up to \$25,000. An insurance company co-insures claims over \$25,000. Additionally, the City has acquired earthquake and flood coverage for the Redding Power Plant up to \$10,000,000. The deductibles on these policies are 5% of insured value and \$500,000 respectively. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience and salary costs. The interfund charges are reported as an expense or expenditure in the funds at risk. Incurred but not reported claims liability has been included in the claims payable amount as of June 30, 2006.

The following is a reconciliation of changes in claims liability amounts in fiscal year ended June 30 were :

<u>Worker's Compensation</u>				
For the Years Ended June 30,	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30
2004	\$ 5,660,000	\$ 5,237,430	\$ (1,757,430)	\$ 9,140,000
2005	9,140,000	1,299,849	(1,469,849)	8,970,000
2006	8,970,000	172,711	(1,434,711)	7,708,000

<u>General Liability</u>				
For the Years Ended June 30,	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30
2004	\$ 1,960,000	\$ 836,332	\$ (786,332)	\$ 2,010,000
2005	2,010,000	333,853	(543,853)	1,800,000
2006	1,800,000	636,039	(975,039)	1,461,000

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. SELF-INSURANCE, Continued

For the Years Ended June 30,	Claims Payable July 1	<u>Health and Dental</u>		Claims Payable June 30
		Claims Incurred	Claims Payments	
2004	\$ 970,000	\$ 8,440,725	\$ (8,524,465)	\$ 886,260
2005	886,260	10,684,045	(10,473,205)	1,097,100
2006	1,097,100	11,815,123	(11,828,343)	1,083,880

6. JOINT VENTURES

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

M-S-R Public Power Agency

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

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

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

The activities of M-S-R consist principally of 28.8% ownership interest in a 498-megawatt coal-fire electricity generating plant located in New Mexico (the "San Juan" plant). The San Juan plant began commercial operation in 1982 and is owned jointly by the Public Service Company of New Mexico (38.5%), M-S-R (28.8%), and four other municipal power entities (32.7%). The Agency is also a participant in the Southwest Transmission Project, a 500 kilovolt alternating current transmission project between Central Arizona and Southern California which provides a firm transmission for most of the transmission path between the San Juan plant and the members' distribution systems.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. JOINT VENTURES, Continued

Summary audited financial information of the M-S-R Public Power Agency as of and for the year ended December 31, 2005, is as follows (in thousands):

Total Assets	\$ 246,933	Total revenues	\$ 95,430
	<u> </u>	Total expenses	<u>(86,513)</u>
Total liabilities	\$ 472,650		
Total members' deficit	<u>(225,717)</u>	Net income	8,917
		Members' deficit, January 1, 2005	(231,415)
Total liabilities & members' deficit	<u>\$ 246,933</u>	Member distributions	<u>(3,219)</u>
		Members' deficit, December 31, 2005	<u>\$ (225,717)</u>

The debt of the Agency is comprised entirely of revenue bonds totaling \$425.6 million. These bonds are secured by a pledge and assignment of the net electric revenues of the Agency and are supported by take-and-pay commitments of the participants.

The City utilizes the equity method of accounting for M-S-R Public Power Agency. The City has invested \$17.4 million in this joint venture. However, operating losses have caused the City to have a deficit equity in the Agency of \$33.86 million at December 31, 2005. 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, 2006, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in operating expenses.

Transmission Agency of Northern California

The Transmission Agency of Northern California (TANC) is a joint powers agency organized for the principal purpose to provide electric transmission or other facilities for the use of its members. The City has a 8.28% ownership interest in TANC. The first transmission construction project undertaken by TANC was the development of the California-Oregon Transmission Project (COTP). The project is a 339 mile long, 500 kilovolt alternating current transmission project between southern Oregon and central California. TANC's ownership of COTP transfer capability is 1242 megawatts (MW) and TANC pays 73% of the operating costs. The City's share of the project is 104 MW.

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, 2006.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. JOINT VENTURES, Continued

Summarized financial information of TANC as of and for the year ended June 30, 2006 is as follows (in thousands):

Total assets	\$ 438,792
Total liabilities	\$ 438,397
Total net assets	395
Total liabilities and net assets	\$ 438,792
Net increase (decrease) in net assets	\$ 25

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

Contingent Liability

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

	Total Debt	City of Redding's Participating Share	City of Redding's Contingent liability
M-S-R	\$ 425,637,000	15.00%	\$ 63,845,550
TANC	408,788,596	8.28%	33,847,696
Total	\$ 834,425,596		\$ 97,693,246

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.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT

The following is a summary of long-term obligations of the City at June 30, 2006.

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006	Due within One Year
Governmental Activities:					
Long-term debt:					
Capital lease payable	\$ 839,113	\$ 39,877	\$ 190,944	\$ 688,046	\$ 183,568
Revenue bonds	34,425,744	-	1,534,100	32,891,644	1,619,100
Redevelopment bonds	41,425,000	-	1,540,000	39,885,000	1,585,000
Special assessment debt with governmental commitment	7,367,231	-	1,207,478	6,159,753	878,800
State loans	137,817	-	59,417	78,400	23,881
Long-term debt before unamortized amounts	84,194,905	39,877	4,531,939	79,702,843	4,290,349
Unamortized loss on defeasance of debt	(1,291,552)	-	(69,428)	(1,222,124)	(69,428)
Bond premiums	926,487	-	70,339	856,148	70,340
Bond discount	(156,917)	-	(9,376)	(147,541)	(9,377)
Total governmental activities long-term debt	83,672,923	39,877	4,523,474	79,189,326	4,281,884
Business-type activities:					
Long-term debt:					
State loans payable	14,433,027	-	692,727	13,740,300	695,102
Revenue bonds	42,304,256	-	2,590,900	39,713,356	2,655,900
Certificates of participation	98,915,000	30,700,000	4,055,000	125,560,000	4,205,000
Capital leases	436,476	75,000	82,593	428,883	54,301
Special assessment debt	170,769	-	30,522	140,247	32,200
Long-term debt before unamortized amounts	156,259,528	30,775,000	7,451,742	179,582,786	7,642,503
Unamortized deferred loss on defeasance of debt	(13,569,127)	-	(994,178)	(12,574,949)	(994,178)
Bond premium	817,239	2,150,647	106,349	2,861,537	142,191
Total business-type activities long-term debt	143,507,640	32,925,647	6,563,913	169,869,374	6,790,516
Total long-term debt	\$ 227,180,563	\$ 32,965,524	\$ 11,087,387	\$ 249,058,700	\$ 11,072,400

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT, Continued

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
<u>Redevelopment Agency Obligation Bonds</u>		
Tax Allocation Bonds, Series A:		
Interest from 2.61% to 6.4% payable on March 1 and September 1; maturities payable on September 1 in annual redemptions from \$280,000 to \$545,000; final payment September 1, 2016. Original issue: \$6,000,000. Proceeds from the Series A Bonds are used for housing projects. Payable from tax increment of the Canby-Hilltop-Cypress Redevelopment Area.	\$ 4,710,000	\$ -
Tax Allocation Bonds, Series B:		
Interest from 4.5% to 4.875% payable March 1 and September 1; maturities are payable beginning September 1, 2016 in annual redemptions from \$105,000 to \$745,000; final payment September 1, 2021. Original issue: \$3,500,000. Proceeds from the Series B Bond are used for housing projects. Payable from tax increment of the Canby-Hilltop-Cypress Redevelopment Area.	3,500,000	-
Tax Allocation Bonds, Series A 2003:		
Interest from 2.0% to 5.0% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$240,000 to \$2,055,000; final payment September 1, 2023. Original issue \$28,935,000. Proceeds from the Series A Bonds 2003 are being used to finance various capital improvements within the Canby-Hilltop-Cypress Redevelopment Area. Payable from tax increment of the Canby-Hilltop-Cypress Redevelopment Area.	26,835,000	-
Tax Allocation Bonds, Series 2003:		
Interest from 2.0% to 5.375%, payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$170,000 to \$305,000; final payment September 1, 2018. Original issue \$5,185,000. Proceeds from the Series 2003 Bonds are being used to finance various capital improvements within the Market Street Redevelopment Area. Payable from tax increment of the Market Street Redevelopment Area.	4,840,000	-
Total Redevelopment Agency Bonds outstanding	\$ 39,885,000	\$ -

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT, Continued

	Governmental Activities	Business-Type Activities
<u>Special Assessment Debt with Governmental Commitment</u>		
1915 Act Assessment District Bonds:		
Interest from 4.70% to 9.25% payable on March 2 and September 2; maturities payable on September 2 in annual redemptions from \$2,000 to \$820,000; final payment September 2, 2019. Original issues totaled \$22,778,150. Payable from annual installments of unpaid special assessments on certain parcels of property within each assessment district.	\$ 6,159,753	\$ -
Interest from 4.40% to 5.6%, payable on March 2 and September 2; maturities payable on September 2 in annual redemptions ranging from \$27,470 to \$38,076, final payment September 2, 2011. Reassessment issues totaled \$345,964. Payable from annual installments of unpaid special assessments on certain parcels of property within each assessment district.	-	140,247
Total 1915 Act Assessment District Bonds	\$ 6,159,753	\$ 140,247

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.	\$ -	\$ 12,705,000
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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 Water Utility Fund.	-	19,930,000
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City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT, Continued

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Revenue Bonds, Continued</u>		
2003 Lease Revenue Bond, Series A and Series B:		
<p>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 Wastewater Utility Fund.</p> <p>Series A, Serial/Term Bonds: Serial Bonds interest from 2% to 5% payable on March 1 and September 1; maturities payable annually on March 1 in annual redemptions from \$170,000 to \$290,000; final payment due March 1, 2019. Original issue \$3,535,000. Term Bonds, (1) bear interest at 4.75% maturity payable on March 1, 2023, in the amount of \$1,310,000; (2) bear interest at 4.875%, maturity payable on March 1, 2028, in the amount of \$680,000; (3) bear interest at 5.0% maturity payable on March 1, 2033, in the amount of \$865,000.</p>		
	\$ 4,796,644	\$ 1,048,356
<p>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, 2033, in the amount of \$2,280,000.</p>		
	2,645,000	-
2004 Lease Revenue Bonds:		
<p>Issued to finance the purchase and renovation of certain public safety and recreation facilities of the City of Redding. Payable from General Fund revenues.</p> <p>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.</p>		
	9,405,000	6,030,000
<p>Series B, Serial/Term Bonds: Serial Bonds interest from 3.0% to 5.0%, payable on March 1 and to \$1,305,000; final payment on March 1, 2020. Original issue: \$16,970,000. Term Bonds bear interest at (1) 5.00% maturity payable on March 1, 2022 in the amount of \$1,090,000; (2) bear interest at 5.0% maturity payable on March 1, 2024 in the amount of \$1,200,000; (3) bear interest at 4.625% maturity payable on March 1, 2026 in the amount of \$1,320,000.</p>		
	16,045,000	-
Total revenue bonds	<u>\$ 32,891,644</u>	<u>\$ 39,713,356</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT, Continued

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>State Loans</u>		
1984 California Airport Loan (Municipal) Original loan amount was \$88,705. Annual installments of \$3,548 plus interest at 9.2499% payable on January 9, maturity payable on January 9, 2010.	\$ -	\$ 14,193
1986 California Airport Loan (Municipal) Original loan amount was \$33,640. Annual installments of \$1,346 plus interest at 7.4258% payable on January 31, maturity payable on January 31, 2011.	-	6,728
1990 California Loan Agreement (Benton) Original loan amount was \$140,000. Annual installments of \$9,333 plus interest at 6.845% payable on March 17, maturity payable on March 17, 2007.	-	9,333
1997 California Airport Loan (Benton) Original loan amount was \$235,000. Annual installments ranging from \$10,740 to \$27,100, including interest at 5.4804% payable August 20, maturity payable on August 20, 2010.	-	103,384
1998 California Airport Loan (Municipal) Original loan amount was \$83,000. Annual installments ranging from \$3,793 to \$9,571, including interest at 4.9874% payable August 4, maturity payable on August 4, 2010.	-	44,342
1999 California Airport Loan (Municipal) Original loan amount was \$80,746. Annual installments ranging from \$43,690 to \$9,311, including interest at 4.78% payable August 13, maturity payable on August 13, 2012.	-	50,193
<u>State Water Resources Control Board Interceptor Loan</u>		
The total loan amount was for \$15,344,784. In 2002 \$4,731,445 was drawn and in 2003 the remaining balance of \$10,613,339 was drawn to construct the Westside Wastewater interceptor. Annual installments ranging from \$610,061 to \$968,335 plus interest payable February 20, maturity payable on February 20, 2023.	-	13,512,127
<u>Streets - LED</u>		
Original loan amount was \$381,080. Biannual installments of \$22,742, including interest at 5.4% payable December 22 and June 22, maturity payable on June 22, 2023.	9,720	-
<u>Police and Fire - LED</u>		
Original loan amount was \$163,068. Biannual installments of \$10,144, including interest at 5.4% payable December 22 and June 22, maturity payable on June 22, 2013.	68,680	-
Total state loans	<u>\$ 78,400</u>	<u>\$ 13,740,300</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT, Continued

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Capital Leases Payable</u>		
The capital leases payable from governmental activities were \$688,046 for fiscal year ended June 30, 2006.	\$ 688,046	\$ -
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, 2006, the capital leases in the enterprise funds were \$428,883.	-	428,883
Total Capital Leases Payable	\$ 688,046	\$ 428,883
<u>Certificates of Participation</u>		
2002 Electric System Revenue Certificates of Participation -Series 2002:		
\$98,915,000 Bonds due in annual principal installments of \$4,055,000 to \$8,100,000, semi-annual interest installments of \$109,500 to \$1,409,413 as well as weekly variable interest rate payments of \$333,923 to \$2,772,382 on \$67,250,000 of Auction Rate securities. These are subject to a swap agreement with Salomon Smith Barney which results in a fixed rate of 4.1225%. See Swap Payments and Associated Debt below for more information on the swap. Bonds are payable through June 1, 2022; interest accrues at 3.25% to 5.375%. The maximum debt service payments is \$8,433,923. Original issue of \$110,055,000. Payable from the operating revenues of the Electric Utility.	-	94,860,000
2005 Electric System Revenue Certificates of Participation -Series 2005:		
\$30,700,000 Bonds due in annual principal installments of \$1,755,000 to \$3,105,000; starting June 30, 2023. Annual interest installments of \$155,250 to \$1,507,475, payable on June 30. Bonds are payable through June 30, 2035, interest accrues at 4.5% to 5%. Original issue of \$30,700,000. Payable from the operating revenues of the Electric Utility.	-	30,700,000
Total Certificates of Participation	\$ -	\$ 125,560,000

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT, Continued

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Summary of Outstanding Debt:		
Total Outstanding Debt	\$ 79,702,843	\$ 179,582,786
Add: Bond Premiums	856,148	2,861,541
Less: Bond Discounts	(147,541)	-
Less: Unamortized deferred loss on defeased debt	<u>(1,222,124)</u>	<u>(12,574,949)</u>
Total Outstanding Debt, net of premiums, discounts, unamortized deferred loss	<u>\$ 79,189,326</u>	<u>\$ 169,869,378</u>

Swap Payments and Associated Debt

Using rates as of June 30, 2006 debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term. As rates vary, variable-rate bond interest payments and net swap payments will vary.

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

For the Year Ending June 30,	<u>Variable Rate Bonds</u>		Interest Rate	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swaps, net</u>	
2006	\$ -	\$ 2,447,900	\$ 539,083	\$ 2,986,983
2007	-	2,447,900	539,083	2,986,983
2008	-	2,447,900	539,083	2,986,983
2009	275,000	2,437,890	536,878	3,249,768
2010	3,175,000	2,322,320	511,427	6,008,747
2011-2015	18,175,000	9,684,220	2,132,683	29,991,903
2016-2020	29,775,000	5,393,570	1,187,786	36,356,356
2021-2022	15,850,000	294,840	64,930	16,209,770
Total	<u>\$ 67,250,000</u>	<u>\$ 27,476,540</u>	<u>\$ 6,050,953</u>	<u>\$ 100,777,493</u>

See Note 19 for additional information on the Interest Rate Swap.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT, Continued

The annual requirements to amortize all debt outstanding as of June 30, 2006, 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
2007	\$ 4,290,349	\$ 3,046,174	\$ 7,642,503	\$ 7,418,869	\$ 11,932,852	\$ 10,465,043
2008	4,351,734	2,869,838	7,894,453	7,171,815	12,246,187	10,041,653
2009	4,500,706	2,679,983	8,169,588	6,893,697	12,670,294	9,573,680
2010	4,583,678	2,479,892	8,468,727	6,578,904	13,052,405	9,058,796
2011	4,634,702	2,295,594	8,714,072	6,250,641	13,348,774	8,546,235
2012-2016	21,115,098	8,524,039	46,382,767	25,747,425	67,497,865	34,271,464
2017-2021	20,323,652	4,287,460	49,606,470	15,792,435	69,930,122	20,079,895
2022-2026	13,652,924	1,408,125	19,509,206	7,598,949	33,162,130	9,007,074
2027-2031	1,520,000	448,877	11,625,000	4,692,500	13,145,000	5,141,377
2032-2035	730,000	59,319	11,570,000	1,481,250	12,300,000	1,540,569
Total	\$ 79,702,843	\$ 28,099,301	\$ 179,582,786	\$ 89,626,485	\$ 259,285,629	\$ 117,725,786

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LEASES

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

Fiscal Year Ended June 30,	Capital Leases
2007	\$ 296,894
2008	270,821
2009	244,746
2010	141,240
2011	127,128
2012-2016	<u>244,215</u>
Total minimum lease payments	1,325,044
Less amount representing interest	<u>(208,115)</u>
Present value of minimum lease payments	<u>\$ 1,116,929</u>

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

General	\$ 798,199
Convention center	359,462
Airports	77,626
Electric utility	<u>89,757</u>
Total debt service	<u>\$ 1,325,044</u>

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. ADVANCES TO AND FROM OTHER FUNDS

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

Advances from other funds	Advances to other funds					Total
	General Fund	Nonmajor Governmental Funds	Electric Utility	Waste Water Utility	Internal Service Funds	
Governmental funds:						
General Fund	\$ -	\$ 474,715	\$ 1,436,038	\$ -	\$ -	\$ 1,910,753
Nonmajor Governmental Funds	442,159	720,864	1,102,465	502,904	1,963,900	4,732,292
Internal Service Fund	-	-	-	-	902,632	902,632
Enterprise funds:						
Nonmajor Enterprise Funds	4,263,786	-	-	931,601	659,617	5,855,004
Total	\$ 4,705,945	\$ 1,195,579	\$ 2,538,503	\$ 1,434,505	\$ 3,526,149	\$ 13,400,681

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

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

2. The Electric Utility loaned the Parking Fund additional funds for another parking structure at the Downtown Mall.
3. The Redevelopment Agency financed the Midtown Mall Parking structure with lease revenue bonds. Repayment of the lease revenue bonds was to be made from the Redevelopment Agency's property tax increment revenues. However, as the revenue was often less than the annual debt service on the bonds, the Midtown Project fund leased the parking facility to the City to finance the debt service. A reciprocal agreement between the Midtown Project Fund and the City provided for the reimbursement of the lease payments from property tax increment revenue. Therefore, in substance, the lease revenues paid for the bond debt service (now paid off) while the tax increment revenues reduce the lease liability from the Midtown Project Fund to the City. An advance from the City's Parking Fund to the Midtown Project Fund accounts for the outstanding lease liability to the City. This advance will be paid from future property tax increment. Also, in recent years the General Fund has advanced funds to the Parking Fund to cover advances to the Midtown Project and operating expenditures.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. ADVANCES TO AND FROM OTHER FUNDS, Continued

4. In recent years the General Fund has advanced \$8,917,054 to the Airport Fund to finance improvements and operating expenses. The Airport Fund has repaid \$5,466,652 to date. This leaves a balance of \$3,450,402 due to the General Fund, of which \$139,963 has been classified as due to other funds.
5. In recent years the General Fund has advanced \$1,110,847 to the Convention Center Fund to finance improvements and operating expenses. The Convention Center has repaid \$157,500 to date. This leaves a balance of \$953,347 due to the General Fund.
6. The Electric Fund advanced the General Fund to finance a property purchase. The advance is to be repaid including interest at the City's average earnings on its pooled cash accounts.
7. Under an agreement, the Wastewater Fund is paying the Airport Fund's sewer special assessment. The advance is to be repaid including interest at the City's average earnings on its pooled cash accounts.
8. The Wastewater Fund advanced funds to the 1915 Act Assessment District Bonds Funds to cover delinquent assessments on wastewater improvements in the assessment districts.
9. The Risk Management Fund advanced funds for the construction of Enterprise Park. The funds are being repaid with interest.
10. The Risk Management Fund advanced funds to the Convention Center Fund to finance additional improvements.
11. The City of Redding and the Redevelopment Agency entered into a repayment agreement executed on May 18, 1999, for the SHASTECH Project Area. The City agreed to provide funds in an amount not to exceed \$2,000,000 from its Risk Management Fund for the Clover Creek Drainage Project. The loan will accrue interest at the same rate as the City's pooled cash account. The Agency agreed to make annual payments of principal and interest starting fiscal year 2009-2010. The funding source for such payments will be tax increment revenue or bond proceeds secured by the SHASTECH Redevelopment project.
12. In 2005 the Redding Redevelopment Agency and the Redding Housing Authority each prepaid ten year's rent for use of the Civic Center. These entities have received a discounted rent in exchange for the prepayment. The prepayment is being accounted for as an advance to the General Fund and amortized over the 10 year period.
13. The Risk Management Fund advanced funds to the Communications Fund to finance the upgrade of the City's 800 megahertz communications system.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

10. INDIVIDUAL FUND DISCLOSURES

Parking Special Revenue Fund - The deficit of \$278,181 in this fund arose from both the general fund advance to the Parking Fund and the operational loss over the past ten years. This project is being financed by parking meter funds, parking fines and property tax increment payments. The deficit will take a number of years to eliminate.

Midtown Project Debt Service Fund - The deficit of \$1,271,925 in this fund arose as a result of Proposition 13 whereby property tax increment revenues in the project area were not increased to the level necessary to make debt service payments. In addition, the deficit also increased due to the advances received in prior years from the Electric Utility Enterprise Fund to construct the bi-level and underground parking structures in downtown Redding.

Convention Center Enterprise Fund - The deficit of \$677,841 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.

11. RETIREMENT PLANS

Information for the year ended June 30, 2006, has been used in the following note when possible. However, information provided by the California Public Employees Retirement System (PERS) for the year ended June 30, 2006 was not available. Therefore, PERS information has been prepared using information for the year ended June 30, 2005. Public Agency Retirement Services (PARS) has been prepared using information for the year ended June 30, 2005.

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 California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City of Redding selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through action of the City Council. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

11. RETIREMENT PLANS, Continued

Funding Policy

Miscellaneous Plan - Active plan members are required to contribute 7% of their annual covered salary. This member contribution is paid by the City in accordance with labor agreements. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2005/06 was 13.539%. The contribution requirements of the plan members are established by State statute and the employer contribution rates are established and may be amended by CalPERS.

Safety Plan - The funding policy for the Safety Plan is the same as for the Miscellaneous except that active plan members are required to contribute 9% of their annual covered salary and the required employer contribution rate for fiscal year 2005/06 was 36.515%. 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 2005-06 ranged from 5.26% to 7.92%.

Annual Pension Cost

For fiscal year 2005/06 the City's annual pension cost was \$7,344,708 for the Miscellaneous Plan and \$6,079,197 for the Safety Plan. The City made all of the employer contributions to the retirement plans in July of 2005. If contributions had been made on a bi-weekly basis, the pension cost would have been \$7,991,886 and \$6,739,798 for the Miscellaneous Plan and the Safety Plan respectively. The City agreed with CalPERS to make these contributions at the beginning of the year resulting in savings of \$647,178 for Miscellaneous Plan and \$660,601 for the Safety Plan. The required contributions for fiscal year 2005/06 were determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. For fiscal year 2005/06 the City of Redding's annual pension cost to PARS was \$2,503,813. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members and from 3.25% to 13.15% for safety members, and (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0% and a production growth component of 0.25%. The actuarial assumptions used by PARS are consistent with those used by CalPERS with the exception of a 7.5% investment rate of return.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

11. RETIREMENT PLANS, Continued

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

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

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

11. RETIREMENT PLANS, Continued

THREE-YEAR TREND INFORMATION FOR PERS

Miscellaneous Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/04	\$ 2,394,556	100%	\$ -
06/30/05	5,366,361	100%	-
06/30/06	7,344,708	100%	-

Safety Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/04	\$ 1,185,266	100%	\$ -
06/30/05	6,083,134	100%	-
06/30/06	6,079,197	100%	-

THREE-YEAR TREND INFORMATION FOR PARS

Miscellaneous Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/04	\$ -	100%	\$ -
06/30/05	1,123,749	100%	-
06/30/06	2,503,813	100%	-

12. POST-RETIREMENT BENEFITS

The City provides post-retirement medical coverage to all full-time employees and their dependents who go directly from active status to retirement. The authority for this coverage is union contracts for union employees and council resolution for all other employees. Currently, 257 retirees are eligible to receive this benefit. The cost of the coverage, financed on a pay-as-you-go basis, is shared equally between the City and the retirees. The amounts received and expended for this coverage flow through the risk management internal service fund. The total cost of providing this coverage for the fiscal year ended June 30, 2006, was \$1,763,702.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

13. POSTCLOSURE CARE COSTS

State and federal laws and regulations required the City of Redding to place a final cover on Benton Landfill, which closed in 1990. The City has completed the final cover and other closure items required. The City is also required under state and federal laws and regulations to perform certain maintenance and monitoring functions at the landfill site for the next 19 years. The remaining estimated liability for landfill postclosure care cost was \$2,006,593 as of June 30, 2005. Expenses of \$83,789 were incurred during the 2005-06 fiscal year leaving the estimated remaining liability for landfill postclosure care costs at \$1,923,309 as of June 30, 2006. 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, 2006. There is no requirement to currently fund this amount. The cost for postclosure care at the landfill and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) will be covered by charges to solidwaste rate payers.

14. COMMITMENTS AND CONTINGENCIES

- A. A number of construction contracts existed at June 30, 2006. The unexpended authorized amount of \$16,185,181 represents a commitment by the City.
- B. The City's Electric Utility (REU) is obligated to purchase from M-S-R Public Power Agency on a take-or-pay basis a 15% entitlement share of M-S-R's share in the San Juan Resource, which includes approximately 21.5 MW of capacity and associated energy from M-S-R San Juan Unit No. 4. REU has entered into an exchange agreement with PacifiCorp in the Southwest on a year-round basis. In exchange, PacifiCorp delivers energy (50 MW of capacity) to REU at the California Oregon border during the summer months (May-October). The annual energy amount exchanged is about 115 GWH.
- C. The City's Electric Utility (REU) began taking delivery from a new power supplier America Electric Power (AEP) on November 1, 2004. The AEP contract is for the delivery of 25MW of capacity and associated energy (219,000 Mwh per year). Deliveries will continue through October 31, 2014. REU is obligated to purchase this power regardless of the City's electric demands. The annual obligation is approximately \$9 million per year. The power rates under the contract are currently very favorable to Redding when compared to today's market.
- D. The City's Electric Utility (REU) is contractually obligated to purchase 7,500 Dth/dy of pipeline capacity, connecting the AECO supply hub to the California border, from TransCanada affiliates through 2023. REU is also contractually obligated to purchase 1,000 Dth/dy of pipeline capacity, connecting the OPAL supply hub to the California Intrastate system at Topock, California, from the Kern River company through 2017. The annual obligation is approximately \$3 million per year.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

14. COMMITMENTS AND CONTINGENCIES, Continued

- E. The City's Electric Utility (REU) is contractually committed to purchase approximately \$11,000,000 per year of natural gas for the years 2006-2008 which represents approximately 80% of REU's expected requirement for its baseload Unit #5. REU has contractual commitments in 2009 for approximately \$7,500,000 and 2010 for approximately \$6,000,000. Respectively, this represents approximately 55% and 30% of the expected yearly requirement for Unit #5. Lastly, for the period 2011 through 2015, the contractual commitments to purchase natural gas equate to approximately \$11,000,000 per year covering about 65% of the fuel requirements for the expected operating level of Unit 5.
- F. The City's Electric Utility (REU) entered into a natural gas storage contract with Lodi Gas Storage from July 1, 2004 - March 31, 2007 at an annual cost of approximately \$250,000. REU has the right to store up to 300,000 Dth at one time. Subsequently, REU entered into a natural gas storage contract with Wild Goose Storage from April 1, 2007, to March 31, 2009, at an annual cost of approximately \$800,000.
- G. The City's Electric Utility (REU) through 2004 purchased the bulk of its retail power needs (up to 80%) from the Western Area Power Administration (Western). On January 1, 2005, REU's contractual relationship with Western changed to reflect Western's hydro-only based generation system with no thermal generation plant backup. Under the new arrangements, Western will be providing approximately 25% of REU's retail power needs. REU has anticipated this significant resource change and added an additional 43MW of local base load generation capacity in addition to the new 25MW contract with AEP.
- H. The City's Electric Utility (REU) has contractually committed to purchase power from M-S-R Public Power Agency on an as-delivered basis from a Pacific Northwest wind project. REU's share of the output from the wind project will be approximately 200,000 MWH per year. The twenty-year contract has a \$12,000,000 annual expected expense. The wind based energy from this contract is a major source of eligible renewable energy with the associated environmental attributes available to meet REU's renewable resource portfolio requirements.
- I. REU delivered energy over the PG&E electric system for calendar year 2005 under the existing South of Tesla transmission contract. PG&E has disputed Redding's payment of delivery losses to the California ISO system under the California ISO's tariff rather than under the terms of the contract with PG&E. The loss dispute with PG&E was settled in 2006 along with a favorable transmission route settlement for the South of Tesla service provided by PG&E.
- J. In addition to the eligible renewable wind based energy covered in the previous item, the City's Electric utility (REU) has contractually committed to purchase eligible renewable power from RLC. This purchase is for 8 MW of biomass-generated energy. Delivery is scheduled to begin on July 1, 2007, and provide approximately 60,000 MWH per year. The 15 year contract has an expected \$4,000,000 annual expense.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

14. COMMITMENTS AND CONTINGENCIES, Continued

Conduit Debt

In 2001 Redding Redevelopment Agency issued conduit bonds to provide financing for improvements at various school sites for the Redding School District. The bonds do not constitute an obligation of the Redding Redevelopment Agency. The bonds are secured by the land and improvements to Bonnyview Elementary School located at 5080 Bidwell Road, Redding, CA 96001. On June 30, 2006, the total outstanding principal on the bonds was \$5,075,000.

15. TRANSFERS

The following operating transfers were made during the fiscal year ended June 30, 2006:

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Non-major Governmental</u>	<u>Non-major Enterprise</u>	
Governmental Funds:				
Major Funds:				
General Fund	\$ -	\$ 2,336,002	\$ 1,857,982	\$ 4,193,984
Non-Major governmental funds	6,830,343	621,757	-	7,452,100
Enterprise Funds:				
Major enterprise funds:				
Electric	4,123,790	-	-	4,123,790
Water	455,230	-	-	455,230
Wastewater	751,380	-	-	751,380
Solid Waste	93,850	-	-	93,850
Non-Major enterprise funds	228,100	-	-	228,100
Interservice funds	64	-	-	64
Subtotal	12,482,757	2,957,759	1,857,982	17,298,498
Less capital assets transferred to governmental funds from nonmajor enterprise funds:	(210,000)	-	-	(210,000)
Total	\$ 12,272,757	\$ 2,957,759	\$ 1,857,982	\$ 17,088,498

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

15. TRANSFERS, Continued

The reasons for these transfers are set forth below:

- The General Fund transferred one half of the transient occupancy tax to the Convention Center per City policy.
- The Enterprise Funds transfer funds to the General Fund in lieu of property tax.
- The General Fund transferred monies to Parks for development of the Soccer Park and for additional parking at Caldwell Park.
- Within the Nonmajor Governmental Funds, gas taxes and other special revenues are transferred to the General Fund to pay for related expenditures. In addition, there were one-time transfers from closed Special Assessment Districts and a transfer from the Redevelopment agency to establish an endowment for maintenance of the Clover Creek Preserve. There were also transfers between Nonmajor Governmental Funds. These included moving excess cash in RRA debt service to RRA capital projects and transfer of RRA monies to Community Development for use on qualified low-income housing.
- Nonmajor Enterprise Funds transferred funds to the General Fund in lieu of property taxes.

16. PRIOR PERIOD ADJUSTMENTS TO NET ASSETS AND FUND BALANCE

A. Government-Wide Statements

During the fiscal year 2006 the City recorded two prior period adjustments to correct accounting errors.

	Net Assets as Previously Reported	Accounting Adjustment		Net Assets as Restated
		Revenue	Inventory	
Government-Wide Activities:				
Net assets - Governmental Activities	\$ 227,650,665	\$ 165,381	\$ -	\$ 227,816,046
Net assets - Business-type Activities	\$ 317,341,561	\$ -	\$ 497,306	\$ 317,838,867

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

16. PRIOR PERIOD ADJUSTMENTS TO NET ASSETS AND FUND BALANCE, Continued

B. Fund Financial Statements

The City recorded the following prior period adjustment to correct an accounting error.

	Beginning Fund Balances/ Retained Earnings	<u>Adjustments</u> Accounting Corrections	Restated Fund Balances/ Retained Earnings
General Fund	\$ 22,011,953	\$ 165,381	\$ 22,177,334
Special Revenue Fund			
Parking	(797,644)	539,183	(258,461)
Debt Service Fund			
Midtown	(733,677)	(539,183)	(1,272,860)
Capital Projects Funds			
General Capital Projects	21,336,880	(165,381)	21,171,499
Enterprise Fund			
Electric	145,644,310	497,306	146,141,616

Administrative staff expense, for park development projects, was originally recorded in the General Fund in prior years. The expense is expected to be reimbursed by the State of California Parks Department. However the state decided that the staff expense should be allocated to the individual projects in the City's Park Development Division.

An accounting correction was made to the long-term advance in the Parking Special Revenue Fund. It was determined by the City that the advance was the responsibility of the Midtown Debt Service Fund and will be repaid with tax increment revenue from that fund.

Electric's power plant inventory was adjusted to reflected purchases in prior years. These items were incorrectly posted to expense at the time of purchase rather than inventory.

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

17. SPECIAL ASSESSMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 6, Accounting and Financial Reporting for Special Assessments, which became effective for periods beginning after June 15, 1987. The City implemented the provisions of this statement in the year ended June 30, 1988. As a result of the implementation of Statement No. 6, it was determined that the City is obligated in some manner on the 1915 Act Assessment District Bonds. The obligation is a result of the City management's prior practice of temporarily advancing funds to the assessment districts when delinquencies exceed the amounts available in the assessment district's cash reserve fund if directed by Council. These advances are repaid when delinquencies are received. In 1999, Council directed staff not to advance funds to assessment districts unless legally obligated to do so.

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

The amount of outstanding delinquencies for the years ending June 30, 2006, was \$3,164.

18. INTEREST RATE SWAP

Objective of the Interest Rate Exchange The City of Redding had one open interest rate swap as of June 30, 2006. It has as its objective to lower the City's borrowing costs. The intention of the swap was to effectively change the City of Redding's variable interest rate on the \$55.825 million 2002 Series C-1 Certificates and its \$13.425 million 2002 Series C-2 Certificates to a synthetic fixed rate of 4.122%, excluding associated costs of remarketing variable rate debt. This compared favorably against fixed-rate bonds at the time of issuance in April 2002.

Terms Under the exchange, the City of Redding pays the counterparty a fixed payment of 4.1225% and receives a variable payment computes as 65 percent of the London Interbank Offered Rate (LIBOR). As of June 30, 2006, the exchange had a notional amount of \$67.25 million. The exchange was entered into at the same time the bonds were issued (April 2002). The notional amount of the exchange and the outstanding amount of associated Certificates decline starting in June 2009. The Certificates' variable-rate coupons are assumed to be based on The Bond Market Association Municipal Swap Index™ (BMA). The Certificates have a final maturity on June 1, 2022. The exchange terminates on June 1, 2022. As of June 30, 2006, rates were as follows:

City of Redding
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

18. INTEREST RATE SWAP, Continued

Fair Value Because interest rates have declined since execution of the swap, first swap had a negative fair value of \$2,348,587 as of June 30, 2006. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk As of June 30, 2006, the City of Redding was not exposed to credit risk because the exchange had a negative fair market value. However, should interest rates change and the fair value of the exchange becomes a positive, the City of Redding would be exposed to credit risk in the amount of the exchange's fair value. The counterparty (Citigroup Inc) was rated Aa1 by the Moody's Investors Service, AA- by Standard & Poor's, and AA+ by Fitch Ratings. To mitigate the potential for credit risk, the counterparty is required to post collateral should the fair value exceed certain thresholds. While the counterparty is rated Aa3 or higher by Moody's and AA- or higher by Standard & Poor's, the threshold amount is \$25 million.

Basis Risk As noted above, the exchange exposes the City of Redding to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates' moving to convergence, the expected cost savings of the exchange may not be realized.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Redding
Required Supplementary Information
For the year ended June 30, 2006

1. BUDGETARY PRINCIPLES

Budget Data

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

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

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

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

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

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

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

Budgetary Basis Reconciliation

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

City of Redding

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

General Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 10,538,000	\$ 12,798,000	\$ 12,906,700	\$ 108,700
Sales and use taxes	21,559,000	22,370,000	22,368,334	(1,666)
Other taxes	5,699,000	5,781,000	5,993,801	212,801
Licenses and permits	1,899,000	2,199,000	2,174,350	(24,650)
Intergovernmental revenues	1,605,000	3,694,649	4,026,632	331,983
Charges for services	2,387,000	3,016,150	2,982,040	(34,110)
Fines, forfeitures, and penalties	686,000	526,000	677,217	151,217
Use of money and property	4,224,830	5,181,640	5,230,265	48,625
Interest revenue	501,960	451,000	331,551	(119,449)
Other revenue	358,500	793,784	732,190	(61,594)
Total revenues	49,458,290	56,811,223	57,423,080	611,857
EXPENDITURES:				
Current:				
General government	9,982,867	12,260,094	10,084,430	2,175,664
Public safety:				
Police	23,258,660	24,723,170	23,681,243	1,041,927
Fire safety	14,080,490	14,477,870	14,192,095	285,775
Public works	9,258,750	11,936,890	9,481,823	2,455,067
Planning	4,863,190	4,546,767	4,455,393	91,374
Recreation and culture	5,111,370	5,284,540	5,076,774	207,766
Principal payments	963,720	1,152,500	1,149,460	3,040
Interest and fiscal charges	1,238,760	1,271,140	1,358,504	(87,364)
Total expenditures	68,757,807	75,652,971	69,479,722	6,173,249
REVENUES OVER (UNDER) EXPENDITURES	(19,299,517)	(18,841,748)	(12,056,642)	6,785,106
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	6,000	133,820	800,808	666,988
Capital lease proceeds	-	-	39,878	39,878
Transfers in	13,518,160	13,190,795	15,619,697	2,428,902
Transfers out	(2,783,300)	(5,247,189)	(5,415,315)	(168,126)
Total other financing sources (uses)	10,740,860	8,077,426	11,045,068	2,967,642
Net change in fund balances	(8,558,657)	(10,764,322)	(1,011,574)	9,752,748
BUDGETARY FUND BALANCES:				
Beginning of year, as restated	22,177,334	22,177,334	22,177,334	-
End of year	\$ 13,618,677	\$ 11,413,012	\$ 21,165,760	\$ 9,752,748

(Continued)

City of Redding

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

For the year ended June 30, 2006

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances.	\$ 19,498,846
1. The City budgets for taxes on a cash basis.	398,293
2. The City budgets for grants on a cash basis.	(312,864)
3. Timing difference due to GASB #33.	(37,087)
4. The City does not budget for accounts payable adjustments.	55,016
5. The City does not budget for benefit accruals.	(28,653)
6. Financial statement only interest income adjustment for GASB #31.	135,697
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.	(348,994)
8. The does not budget for special assessments.	(3,185)
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.	2,348,428
10. The City does not budget for interest on the long-term advances.	75,859
11. Encumbrances are not included in the Statement of Revenues, Expenditures and Changes in Fund Balance.	(1,618,100)
12. The City budgeted for prepaid rent for the Housing Authority and the Redding Redevelopment Agency.	505,285
13. The City does not budget for developer's fees that are prepaid.	(82,998)
14. The budgeted for fire apparatus in a previous year that was received in the current year.	580,217
Budgetary Fund Balance	<u>\$ 21,165,760</u>

(Concluded)

City of Redding
Required Supplementary Information
For the year ended June 30, 2006

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
6/30/03	\$ 149,609,393	\$ 137,010,678	\$ 12,598,715	91.58%	\$ 32,172,756	39.16%
6/30/04	165,712,187	145,592,841	20,119,346	87.86%	35,350,372	56.91%
6/30/05	191,249,929	161,319,439	29,930,490	84.35%	37,748,891	79.29%

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
6/30/03	\$ 108,467,887	\$ 87,062,682	\$ 21,405,205	80.27%	\$ 12,258,462	174.62%
6/30/04	119,090,618	93,580,504	25,510,114	78.58%	13,365,411	190.87%
6/30/05	130,280,103	103,381,992	26,898,111	79.35%	14,277,944	188.39%

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	Unfunded Actuarial Liability as a Percentage of Covered Payroll
1/1/05	\$ 17,267,376	\$ -	\$ 17,276,376	0.00%	\$ 34,315,284	50.35%

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.

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

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NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS, Continued

Redevelopment Agency Funds:

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

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

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

CAPITAL PROJECTS FUNDS:

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

General Capital Projects

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

Redevelopment Agency Funds:

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

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

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

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 Redding Redevelopment Agency tax allocation bonds. Current activity is ongoing and will span several years.

City of Redding
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2006

	Special Revenue					Debt Service	
	Parking	Street Maintenance	Community Development	Housing	General Special Revenue	Landscape Maintenance District	1915 ACT Assessment District Bonds
ASSETS							
Cash and investments	\$ 5,177	\$ 1,489,067	\$ 1,058,804	\$ 12,000,359	\$ -	\$ 283,185	\$ 2,414,529
Interest receivable, unrestricted	408	-	836,179	726,443	-	2,443	17,126
Accounts receivable, net	-	-	-	120,799	-	689	-
Intergovernmental receivable	-	917,768	1,209,934	30,368	-	-	-
Taxes receivable	-	-	-	456,097	-	-	-
Other receivable	-	-	24,798	3,089	-	33	-
Restricted cash and investments	-	-	-	2,013,986	-	-	908,758
Restricted interest receivable	-	-	-	53,330	-	-	3,265
Restricted taxes receivable	-	-	-	-	-	-	-
Interfund receivables	3,288	-	-	32,218	-	-	-
Deposits	-	-	-	-	-	-	-
Assets held for resale	-	-	-	1,197,608	-	-	-
Advances to other funds	720,863	-	-	301,836	-	-	-
Special assessments receivable	-	-	-	-	-	6,899	5,270,566
Notes receivable	-	-	14,368,150	6,386,246	-	-	-
Total assets	\$ 729,736	\$ 2,406,835	\$ 17,497,865	\$ 23,322,379	\$ -	\$ 293,249	\$ 8,614,244
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,242	\$ -	\$ 78,937	\$ 24,819	\$ -	\$ -	\$ -
Accrued liabilities	5,793	-	47,966	1,093	-	-	-
Intergovernmental payable	1,395	-	-	560	-	-	-
Due to other funds	-	-	116,975	50,888	-	-	-
Restricted accounts payable	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	-
Deferred revenues	3,288	151,678	830,898	1,197,871	-	3,279	5,270,566
Deposits	-	-	-	136,285	-	-	-
Advances from other funds	996,199	-	-	-	-	-	502,904
Total liabilities	1,007,917	151,678	1,074,776	1,411,516	-	3,279	5,773,470
Fund Balances (deficit):							
Reserved for:							
Debt Service	-	-	-	-	-	-	2,840,774
Capital projects	-	2,255,157	-	-	-	-	-
Noncurrent advances	720,863	-	-	258,598	-	-	-
Notes receivable	-	-	14,032,518	6,366,757	-	-	-
Unreserved, designated for:							
Encumbrances	-	-	2,379,985	1,494,829	-	-	-
Housing	-	-	-	10,656,853	-	-	-
Capital projects	-	-	-	-	-	-	-
Unreserved, undesignated	(999,044)	-	10,586	3,133,826	-	289,970	-
Total fund balances	(278,181)	2,255,157	16,423,089	21,910,863	-	289,970	2,840,774
Total liabilities and fund balances	\$ 729,736	\$ 2,406,835	\$ 17,497,865	\$ 23,322,379	\$ -	\$ 293,249	\$ 8,614,244

Debt Service			Capital Projects					Total
Midtown Project Bonds	Canby/ Hilltop/ Cypress Project Bonds	Market Street Project Bonds	General Capital Projects	Canby/ Hilltop/ Cypress Project	Market Street Project	Buckeye Project	SHASTEC Project	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 22,610,699	\$ 5,769,980	\$ 1,306,592	\$ 278,915	\$ 2,680,984	\$ 49,898,291
-	-	-	170,566	87,060	13,810	3,152	31,741	1,888,928
-	-	-	-	-	-	-	-	121,488
-	-	-	2,155,596	-	-	-	-	4,313,666
-	-	-	-	5,517	2,152	27,843	133,086	624,695
-	-	-	-	-	-	-	-	27,920
-	4,949,174	926,101	6,021,676	7,976,858	819,298	-	256,881	23,872,732
-	8,218	1,546	31,841	93,740	16,468	-	-	208,408
1,927	418,548	225,361	-	-	-	-	-	645,836
-	-	-	-	18,453	-	-	-	53,959
-	-	-	-	25,000	-	-	-	25,000
-	-	-	-	-	-	-	-	1,197,608
-	-	-	-	172,880	-	-	-	1,195,579
-	-	-	-	-	-	-	-	5,277,465
-	-	-	-	-	-	-	-	20,754,396
<u>\$ 1,927</u>	<u>\$ 5,375,940</u>	<u>\$ 1,153,008</u>	<u>\$ 30,990,378</u>	<u>\$ 14,149,488</u>	<u>\$ 2,158,320</u>	<u>\$ 309,910</u>	<u>\$ 3,102,692</u>	<u>\$ 110,105,971</u>

\$ -	\$ -	\$ -	\$ 547,513	\$ 90,123	\$ 140	\$ -	\$ 29,628	\$ 772,402
-	-	-	89,245	26,240	-	-	210,639	380,976
-	-	-	-	-	-	-	-	1,955
-	-	-	-	111,244	-	-	-	279,107
-	-	-	1,377,652	-	-	-	-	1,377,652
3,288	-	-	60,000	-	-	-	-	63,288
1,275	262,464	145,510	1,915,266	-	-	12,936	73,804	9,868,835
-	-	-	-	-	-	-	-	136,285
1,269,289	-	-	269,260	-	-	-	1,694,640	4,732,292
<u>1,273,852</u>	<u>262,464</u>	<u>145,510</u>	<u>4,258,936</u>	<u>227,607</u>	<u>140</u>	<u>12,936</u>	<u>2,008,711</u>	<u>17,612,792</u>

-	5,113,476	1,007,498	-	-	-	-	-	8,961,748
-	-	-	16,773,875	159,899	280,281	-	-	19,469,212
-	-	-	-	172,880	-	-	-	1,152,341
-	-	-	-	-	-	-	-	20,399,275
-	-	-	8,470,662	252,584	130,000	-	263,626	12,991,686
-	-	-	-	-	-	-	-	10,656,853
-	-	-	1,486,905	13,336,518	1,747,899	206,770	244,794	17,022,886
(1,271,925)	-	-	-	-	-	90,204	585,561	1,839,178
<u>(1,271,925)</u>	<u>5,113,476</u>	<u>1,007,498</u>	<u>26,731,442</u>	<u>13,921,881</u>	<u>2,158,180</u>	<u>296,974</u>	<u>1,093,981</u>	<u>92,493,179</u>
<u>\$ 1,927</u>	<u>\$ 5,375,940</u>	<u>\$ 1,153,008</u>	<u>\$ 30,990,378</u>	<u>\$ 14,149,488</u>	<u>\$ 2,158,320</u>	<u>\$ 309,910</u>	<u>\$ 3,102,692</u>	<u>\$ 110,105,971</u>

City of Redding
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2006

	Special Revenue				General Special Revenue	Landscape Maintenance District	Debt Service 1915 ACT Assessment District Bonds
	Parking	Street Maintenance	Community Development	Housing			
REVENUES:							
Property taxes	\$ -	\$ -	\$ -	\$ 2,588,894	\$ -	\$ -	\$ -
Sales tax revenue	-	-	-	-	272,517	-	-
Special assessments	-	-	-	-	-	153,893	1,367,110
Licenses, fees and permits	70,559	-	-	-	-	-	-
Intergovernmental revenues	-	3,609,323	2,942,024	7,190,361	-	-	-
Fines, forfeitures and penalties	123,058	-	-	-	-	-	-
Use of money and property	-	-	-	3,125	-	-	-
Interest revenue	24,835	105,476	321,949	860,046	-	6,513	93,013
Other revenues	-	-	1,000,740	457,090	-	-	-
Total revenues	218,452	3,714,799	4,264,713	11,099,516	272,517	160,406	1,460,123
EXPENDITURES:							
Current:							
General Government	-	-	-	-	-	-	10,650
Community Development	-	-	1,983,202	9,283,735	-	-	-
Public safety	143,945	-	-	-	-	-	-
Public works	94,227	-	-	-	-	166,496	-
Recreation and culture	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	305,000	-	-	1,238,000
Interest and fiscal charges	-	-	10,220	472,252	-	-	409,372
Total expenditures	238,172	-	1,993,422	10,060,987	-	166,496	1,658,022
REVENUE OVER (UNDER) EXPENDITURE	(19,720)	3,714,799	2,271,291	1,038,529	272,517	(6,090)	(197,899)
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	250,000	-	-	-	-
Transfers out	-	(5,880,454)	-	(250,000)	(272,517)	-	(160,918)
Total other financing sources (uses)	-	(5,880,454)	250,000	(250,000)	(272,517)	-	(160,918)
Net change in fund balances	(19,720)	(2,165,655)	2,521,291	788,529	-	(6,090)	(358,817)
FUND BALANCES:							
Beginning of year	(797,644)	4,420,812	13,901,798	21,122,334	-	296,060	3,199,591
Residual equity transfer	-	-	-	-	-	-	-
Prior period adjustment	539,183	-	-	-	-	-	-
Beginning of year, as restated	(258,461)	4,420,812	13,901,798	21,122,334	-	296,060	3,199,591
End of year	\$ (278,181)	\$ 2,255,157	\$ 16,423,089	\$ 21,910,863	\$ -	\$ 289,970	\$ 2,840,774

Midtown Project Bonds	Debt Service		General Capital Projects	Capital Projects				Total Non-Major Governmental Funds
	Canby/ Hilltop/ Cypress Project Bonds	Market Street Project Bonds		Canby/ Hilltop/ Cypress Project	Market Street Project	Buckeye Project	SHASTEC Project	
\$ 34,434	\$ 2,666,889	\$ 496,629	\$ -	\$ 3,694,898	\$ 1,873,985	\$ 255,439	\$ 1,366,744	\$ 12,977,912
-	-	-	-	-	-	-	-	272,517
-	-	-	-	-	-	-	-	1,521,003
-	-	-	-	-	-	-	-	70,559
-	-	-	3,424,714	-	-	-	558,097	17,724,519
-	-	-	-	-	-	-	-	123,058
-	-	-	-	72,081	32,305	-	-	107,511
88	84,783	15,967	506,603	628,921	132,747	9,882	112,306	2,903,129
40	-	-	6,289,121	65,763	7,698	344	34,404	7,855,200
<u>34,562</u>	<u>2,751,672</u>	<u>512,596</u>	<u>10,220,438</u>	<u>4,461,663</u>	<u>2,046,735</u>	<u>265,665</u>	<u>2,071,551</u>	<u>43,555,408</u>
2,461	92,644	34,409	43	-	-	-	-	140,207
-	-	-	-	3,194,125	2,108,811	58,450	375,966	17,004,289
-	-	-	-	-	-	-	-	143,945
-	-	-	28,110	-	-	-	-	288,833
-	-	-	82,825	-	-	-	-	82,825
-	-	-	5,818,150	1,110,658	1,509,319	10,548	1,125,702	9,574,377
-	1,060,000	175,000	635,000	-	-	-	-	3,413,000
31,166	1,160,428	240,315	315,914	-	-	1,954	57,504	2,699,125
<u>33,627</u>	<u>2,313,072</u>	<u>449,724</u>	<u>6,880,042</u>	<u>4,304,783</u>	<u>3,618,130</u>	<u>70,952</u>	<u>1,559,172</u>	<u>33,346,601</u>
935	438,600	62,872	3,340,396	156,880	(1,571,395)	194,713	512,379	10,208,807
-	-	-	2,336,002	350,062	21,695	-	-	2,957,759
-	(350,061)	(21,695)	(116,455)	-	-	-	(400,000)	(7,452,100)
-	(350,061)	(21,695)	2,219,547	350,062	21,695	-	(400,000)	(4,494,341)
935	88,539	41,177	5,559,943	506,942	(1,549,700)	194,713	112,379	5,714,466
(733,677)	5,024,937	966,321	21,336,880	13,414,939	3,707,880	102,261	981,602	86,944,094
(539,183)	-	-	(165,381)	-	-	-	-	(165,381)
(1,272,860)	5,024,937	966,321	21,171,499	13,414,939	3,707,880	102,261	981,602	86,778,713
<u>\$ (1,271,925)</u>	<u>\$ 5,113,476</u>	<u>\$ 1,007,498</u>	<u>\$ 26,731,442</u>	<u>\$ 13,921,881</u>	<u>\$ 2,158,180</u>	<u>\$ 296,974</u>	<u>\$ 1,093,981</u>	<u>\$ 92,493,179</u>

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, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 65,650	\$ 65,650	\$ 70,559	\$ 4,909
Fines, forfeitures and penalties	135,000	135,000	123,058	(11,942)
Interest revenue	20,000	20,000	24,817	4,817
Total revenues	220,650	220,650	218,434	(2,216)
EXPENDITURES:				
Current:				
Public safety	155,220	157,520	143,205	14,315
Public works	118,090	118,090	94,039	24,051
Total expenditures	273,310	275,610	237,244	38,366
Net change in fund balance	(52,660)	(54,960)	(18,810)	36,150
FUND BALANCE:				
Beginning of year, as restated	(258,461)	(258,461)	(258,461)	-
End of year	\$ (311,121)	\$ (313,421)	\$ (277,271)	\$ 36,150

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.

	\$ (278,181)
1. Financial statement only interest income adjustment per GASB #31.	(17)
2. The City does not budget for accounts payable adjustments.	1,059
3. The City does not budget for benefit accruals.	(132)
Budgetary Fund Balance	\$ (277,271)

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, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 2,797,390	\$ 2,797,390	\$ 3,064,352	\$ 266,962
Interest revenues	30,000	30,000	98,350	68,350
Total revenues	2,827,390	2,827,390	3,162,702	335,312
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	2,827,390	2,827,390	3,162,702	335,312
OTHER FINANCING SOURCES (USES):				
Transfers out	(4,336,440)	(4,336,440)	(5,880,454)	(1,544,014)
Total other financing sources (uses)	(4,336,440)	(4,336,440)	(5,880,454)	(1,544,014)
Net change in fund balance	(1,509,050)	(1,509,050)	(2,717,752)	(1,208,702)
FUND BALANCE:				
Beginning of year	4,420,812	4,420,812	4,420,812	-
End of year	\$ 2,911,762	\$ 2,911,762	\$ 1,703,060	\$ (1,208,702)

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.

\$ 2,255,157

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

(7,126)

2. The City does not budget for revenue accruals.

(544,971)

Budgetary Fund Balance

\$ 1,703,060

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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 1,694,210	\$ 1,894,210	\$ 2,194,071	\$ 299,861
Interest revenue	160,000	160,270	579,913	419,643
Use of money and property	570,000	1,516,330	1,093,020	(423,310)
Other revenues	450	450	666	216
Total revenues	2,424,660	3,571,260	3,867,670	296,410
EXPENDITURES:				
Current:				
Community development	7,933,640	9,345,240	7,307,544	2,037,696
Total expenditures	7,933,640	9,345,240	7,307,544	2,037,696
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(5,508,980)	(5,773,980)	(3,439,874)	(2,334,106)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	265,000	265,000	-
Transfers out	(2,000)	(2,000)	(2,000)	-
Total other financing sources (uses)	(2,000)	263,000	263,000	-
Net change in fund balance	(5,510,980)	(5,510,980)	(3,176,874)	2,334,106
FUND BALANCE:				
Beginning of year	13,901,798	13,901,798	13,901,798	-
End of year	\$ 8,390,818	\$ 8,390,818	\$ 10,724,924	\$ 2,334,106

(Continued)

City of Redding

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Special Revenue Community Development Fund For the year ended June 30, 2006

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.

	\$ 16,423,089
1. Financial statement only interest income adjustment per GASB #31.	13,153
2. The City does not budget for accounts payable adjustments.	(251,761)
3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.	(2,639,762)
4. The City budgets for transfers to and from the rolling stock fund.	13,000
5. The City does not budget for benefit accruals.	(488)
6. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.	1,093,020
7. The City budgets for grants on a cash basis.	(747,953)
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.	(2,422,111)
9. The City did not budget for Funds received and held in trust during the year.	(1,000,000)
10. The City budgets for interest income on notes receivable, trust fund assets and rolling stock cash on a cash basis.	244,737
	<hr/>
Budgetary Fund Balance	\$ 10,724,924
	<hr/> <hr/> (Concluded)

City of Redding

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

Special Revenue Housing Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 2,286,280	\$ 2,526,910	\$ 2,588,894	\$ 61,984
Intergovernmental revenue	7,080,160	7,528,710	7,950,309	421,599
Use of money and property	270,000	415,210	392,054	(23,156)
Interest	366,500	782,510	892,302	109,792
Taxes and special assessments	28,440	488,350	493,090	4,740
Total revenues	10,031,380	11,741,690	12,316,649	574,959
EXPENDITURES:				
Current:				
Community development	19,865,340	20,215,911	13,088,469	7,127,442
Debt service:				
Principal retirement	305,000	305,000	305,000	-
Interest fiscal charges	479,580	479,580	472,252	7,328
Total expenditures	20,649,920	21,000,491	13,865,721	7,134,770
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,618,540)	(9,258,801)	(1,549,072)	7,709,729
OTHER FINANCING SOURCES (USES):				
Transfers out	(300,000)	-	-	-
Total other financing sources (uses)	(300,000)	-	-	-
Net change in fund balance	(10,918,540)	(9,258,801)	(1,549,072)	7,709,729
FUND BALANCE:				
Beginning of year	21,122,334	21,122,334	21,122,334	-
End of year	\$ 10,203,794	\$ 11,863,533	\$ 19,573,262	\$ 7,709,729

(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, 2006

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

	\$	21,910,863
1. Financial statement only interest income adjustment per GASB #31.		(7,983)
2. The City does not budget for accounts payable adjustments.		10,728
3. The City budgets for an records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.		(593,270)
4. The City budgets for land purchases in the expenditure accounts, but adjusts the actual payment to assets held for resale for property that is to be sold.		(435,000)
5. The City does not budget for benefit accruals.		(315)
6. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.		388,929
7. The City does not budget for rolling stock.		(75)
8. The City budgets for grants on a cash basis.		59,948
9. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.		(1,515,604)
10. The City budgets for interest income on notes receivable on a cash basis.		42,146
11. The City budgets for the sale of assets held for resale, but adjusts the revenue to reduce Assets Held for Resale Account and the gain / loss on the sale.		36,000
12. The City budgets for prepaid rent, but adjusts to prepaid rent and expenditures.		(323,105)
		<hr/>
Budgetary Fund Balance	\$	19,573,262
		(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, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales tax	\$ -	\$ 273,520	\$ 272,517	\$ (1,003)
Total revenues	-	273,520	272,517	(1,003)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	-	273,520	272,517	(1,003)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(272,517)	(272,517)
Total other financing sources (uses)	-	-	(272,517)	(272,517)
Net change in fund balance	-	273,520	-	(273,520)
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ 273,520	\$ -	\$ (273,520)

City of Redding
Budgetary Comparison Schedule
Midtown Debt Service Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 25,000	\$ 34,760	\$ 34,434	\$ (326)
Investment revenue	70	140	88	(52)
Other revenue	30	70	40	(30)
Total revenues	25,100	34,970	34,562	(408)
EXPENDITURES:				
Current:				
General government	3,900	2,760	2,461	299
Debt Service:				
Principal retirement	-	10,800	10,795	5
Interest and fiscal charges	21,200	21,200	21,139	61
Total expenditures	25,100	34,760	34,395	365
Net change in fund balance	-	210	167	(43)
FUND BALANCE:				
Beginning of year	(1,272,860)	(1,272,860)	(1,272,860)	-
End of year	\$ (1,272,860)	\$ (1,272,650)	\$ (1,272,693)	\$ (43)

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

\$ (1,271,925)
10,027
(10,795)

Budgetary Fund Balance

\$ (1,272,693)

City of Redding
Budgetary Comparison Schedule
Canby-Hilltop-Cypress Debt Service Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,186,330	\$ 2,501,750	\$ 2,666,889	\$ 165,139
Investment revenue	200,000	60,000	79,521	19,521
Total revenues	2,386,330	2,561,750	2,746,410	184,660
EXPENDITURES:				
Current:				
General government	152,470	102,470	92,644	9,826
Debt Service:				
Principal retirement	1,060,000	1,060,000	1,060,000	-
Interest and fiscal charges	1,173,860	1,173,860	1,160,428	13,432
Total expenditures	2,386,330	2,336,330	2,313,072	23,258
Net change in fund balance	-	225,420	433,338	207,918
FUND BALANCE:				
Beginning of year	5,024,937	5,024,937	5,024,937	-
End of year	\$ 5,024,937	\$ 5,250,357	\$ 5,458,275	\$ 207,918

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

	\$ 5,113,476
1. Financial statement only interest income adjustment per GASB #31.	(5,263)
2. The City does not budget for transfers in and out from the capital project fund.	350,062
Budgetary Fund Balance	\$ 5,458,275

City of Redding
Budgetary Comparison Schedule
Market Street Debt Service Funds
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 448,950	\$ 442,500	\$ 496,629	\$ 54,129
Investment revenue	30,000	18,000	19,746	1,746
Total revenues	478,950	460,500	516,375	55,875
EXPENDITURES:				
Current:				
General government	57,200	35,800	34,409	1,391
Debt Service:				
Principal retirement	175,000	175,000	175,000	-
Interest and fiscal charges	246,750	246,750	240,315	6,435
Total expenditures	478,950	457,550	449,724	7,826
Net change in fund balance	-	2,950	66,651	63,701
FUND BALANCE:				
Beginning of year	966,321	966,321	966,321	-
End of year	\$ 966,321	\$ 969,271	\$ 1,032,972	\$ 63,701

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.

	\$ 1,007,498
1. Financial statement only interest income adjustment per GASB #31.	3,779
2. The City does not budget for transfers in and out from the capital project fund.	21,695
Budgetary Fund Balance	\$ 1,032,972

City of Redding
Budgetary Comparison Schedule
General Capital Projects Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ -	\$ 205,680	\$ 3,258,236	\$ 3,052,556
Investment revenue	200,000	200,000	773,972	573,972
Other	2,534,200	3,310,623	7,962,121	4,651,498
Total revenues	2,734,200	3,716,303	11,994,329	8,278,026
EXPENDITURES:				
Current:				
General government	1,364,830	1,364,830	472,638	892,192
Public works	23,576,340	24,958,423	4,143,099	20,815,324
Recreation and culture	9,067,040	13,901,480	10,151,183	3,750,297
Debt Service:				
Principal retirement	702,600	702,600	702,386	214
Interest and fiscal charges	315,710	315,710	315,914	(204)
Total expenditures	35,026,520	41,243,043	15,785,220	25,457,823
REVENUES OVER (UNDER) EXPENDITURES	(32,292,320)	(37,526,740)	(3,790,891)	33,735,849
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,322,820	2,336,002	13,182
Transfers out	(116,510)	(116,510)	(116,455)	55
Total other financing sources (uses)	(116,510)	2,206,310	2,219,547	13,237
Net change in fund balance	(32,408,830)	(35,320,430)	(1,571,344)	33,749,086
FUND BALANCE:				
Beginning of year	21,171,499	21,171,499	21,171,499	-
End of year	\$ (11,237,331)	\$ (14,148,931)	\$ 19,600,155	\$ 33,749,086

(Continued)

City of Redding
Budgetary Comparison Schedule
General Capital Projects Fund
For the year ended June 30, 2006

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances.	\$ 26,731,442
1. Financial statement only interest income adjustment per GASB #31.	255,362
2. The City does not budget for accounts payable adjustments.	1,722,493
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.	(10,394,905)
4. The City does not budget for the transfer of developer fees and interest on those fees to the related enterprise funds.	601,830
5. The City budgets for grants on a cash basis.	(278,432)
6. Timing difference due to GASB #33.	1,195,132
7. The City budgets for and records payments on advances in the expenditure accounts, but adjusts the actual payment to advances payable to other funds.	(67,386)
8. The City recorded the prior period adjustment in the expenditure accounts in the current year.	(165,381)
Budgetary Fund Balance	<u>\$ 19,600,155</u> (Concluded)

City of Redding
Budgetary Comparison Schedule
Canby-Hilltop-Cypress Capital Project Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 3,629,470	\$ 3,694,860	\$ 3,694,898	\$ 38
Use of money and property	82,100	72,090	72,081	(9)
Investment revenue	102,000	502,000	617,663	115,663
Other revenue	10,000	67,960	65,763	(2,197)
Total revenues	3,823,570	4,336,910	4,450,405	113,495
EXPENDITURES:				
Current:				
General government	3,465,560	3,576,870	3,378,138	198,732
Capital outlay	9,517,120	9,620,790	1,595,067	8,025,723
Total expenditures	12,982,680	13,197,660	4,973,205	8,224,455
Net change in fund balance	(9,159,110)	(8,860,750)	(522,800)	8,337,950
FUND BALANCE:				
Beginning of year	13,414,939	13,414,939	13,414,939	-
End of year	\$ 4,255,829	\$ 4,554,189	\$ 12,892,139	\$ 8,337,950

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.

	\$ 13,921,881
1. Financial statement only interest income adjustment per GASB #31.	(3,938)
2. The City budgets for prepaid rent, but adjusts the actual payment to advances receivable and interest revenue.	(191,333)
3. The City does not budget for transfers in and out from the debt service fund.	(350,062)
4. The City does not budget for accounts payable adjustments.	(148,196)
5. 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.	(336,213)
Budgetary Fund Balance	\$ 12,892,139

City of Redding
Budgetary Comparison Schedule
Market Street Capital Project Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,663,180	\$ 1,809,500	\$ 1,873,985	\$ 64,485
Intergovernmental revenue	60,000	125,000	-	(125,000)
Other use of money and property	-	32,310	32,305	(5)
Investment revenue	35,000	128,000	128,298	298
Other revenue	2,500	7,300	7,698	398
Total revenues	1,760,680	2,102,110	2,042,286	(59,824)
EXPENDITURES:				
Current:				
General government	1,601,230	2,269,050	2,108,811	160,239
Capital outlay	2,852,070	3,252,570	1,674,519	1,578,051
Total expenditures	4,453,300	5,521,620	3,783,330	1,738,290
Net change in fund balance	(2,692,620)	(3,419,510)	(1,741,044)	1,678,466
FUND BALANCE:				
Beginning of year	3,707,880	3,707,880	3,707,880	-
End of year	\$ 1,015,260	\$ 288,370	\$ 1,966,836	\$ 1,678,466

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.

	\$ 2,158,180
1. Financial statement only interest income adjustment per GASB #31.	(4,449)
2. The City does not budget for transfers in and out from the debt service fund.	(21,695)
3. The City does not budget for accounts payable adjustments.	(12,700)
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.	(152,500)
Budgetary Fund Balance	\$ 1,966,836

City of Redding
Budgetary Comparison Schedule
Buckeye Capital Project Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 177,000	\$ 245,000	\$ 255,439	\$ 10,439
Investment revenue	3,500	9,700	10,016	316
Other revenue	200	320	344	24
Total revenues	180,700	255,020	265,799	10,779
EXPENDITURES:				
Current:				
General government	55,780	64,330	58,980	5,350
Capital outlay	100,000	100,000	10,548	89,452
Debt Service:				
Principal retirement	82,100	82,100	72,081	10,019
Interest	2,000	2,000	1,954	46
Total expenditures	239,880	248,430	143,563	104,867
Net change in fund balance	(59,180)	6,590	122,236	115,646
FUND BALANCE:				
Beginning of year	102,261	102,261	102,261	-
End of year	\$ 43,081	\$ 108,851	\$ 224,497	\$ 115,646

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.

	\$ 296,974
1. Financial statement only interest income adjustment per GASB #31.	134
2. The City does not budget for accounts payable adjustments.	(530)
3. The City budgets for and records payments on loans in the expenditure accounts, but adjusts the actual loan to advances payable to other funds.	(72,081)
Budgetary Fund Balance	\$ 224,497

City of Redding
Budgetary Comparison Schedule
SHASTEC Capital Project Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,042,930	\$ 1,347,590	\$ 1,366,744	\$ 19,154
Intergovernmental revenue	571,210	571,210	558,097	(13,113)
Investment revenue	30,000	100,000	111,336	11,336
Other revenue	1,500	34,300	34,404	104
Total revenues	1,645,640	2,053,100	2,070,581	17,481
EXPENDITURES:				
Current:				
General government	354,710	405,980	375,966	30,014
Capital outlay	3,456,710	3,305,110	1,802,527	1,502,583
Debt Service:				
Principal retirement	-	38,210	38,210	-
Total expenditures	3,811,420	3,749,300	2,216,703	1,532,597
REVENUES OVER (UNDER) EXPENDITURES	(2,165,780)	(1,696,200)	(146,122)	(1,550,078)
OTHER FINANCING SOURCES (USES):				
Transfers in	300,000	-	-	-
Total other financing sources (uses)	300,000	-	-	-
Net change in fund balance	(1,865,780)	(1,696,200)	(146,122)	1,550,078
FUND BALANCE:				
Beginning of year	981,602	981,602	981,602	-
End of year	\$ (884,178)	\$ (714,598)	\$ 835,480	\$ 1,550,078

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.

	\$ 1,093,981
1. Financial statement only interest income adjustment per GASB #31.	(970)
2. The City does not budget for accounts payable adjustments.	16,413
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.	(293,238)
4. The City budgets for interest expense on loans on a cash basis only.	57,504
5. The City budgets for and records payments on loans in the expenditure accounts, but adjusts the actual loan to advances payable to other funds.	(38,210)

Budgetary Fund Balance \$ 835,480

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NONMAJOR PROPRIETARY FUNDS ENTERPRISE FUNDS

Enterprise funds account for operations that are financed and operated in a manner similar to a private business enterprise. The intent of the governing body is that the cost of providing goods or services be financed primarily through user charges. An enterprise fund is also used when the governing body has decided that periodic determination or 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, 2006

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
ASSETS					
Current assets:					
Cash and investments	\$ 125,506	\$ 2,196,736	\$ 923,225	\$ 357,984	\$ 3,603,451
Interest receivable	45	15,038	7,812	230	23,125
Accounts receivable	4,900	112,879	16,511	27	134,317
Intergovernmental receivable	302,889	-	860,361	-	1,163,250
Inventories	-	13,017	125,202	-	138,219
Total current assets	433,340	2,337,670	1,933,111	358,241	5,062,362
Non-current assets:					
Restricted assets:					
Cash and investments	57,257	-	-	36,311	93,568
Interest receivable	209	-	-	132	341
Total restricted assets	57,466	-	-	36,443	93,909
Capital assets:					
Land	6,452,168	909,184	1,326,685	250,000	8,938,037
Utility plants	-	21,230,115	-	-	21,230,115
Buildings	7,771,132	-	5,488,813	3,441,565	16,701,510
Improvements other than buildings	24,469,284	2,348,779	1,246,720	1,120,598	29,185,381
Automotive equipment	699,157	661,028	6,473,326	170,582	8,004,093
Furnishings and equipment	271,067	16,054	1,590,510	317,637	2,195,268
Assets under capital lease	75,000	-	-	559,209	634,209
Construction in progress	576,976	8,428	83,157	11,692	680,253
Total capital assets	40,314,784	25,173,588	16,209,211	5,871,283	87,568,866
Less: accumulated depreciation	(21,569,904)	(8,352,172)	(7,770,729)	(4,282,398)	(41,975,203)
Net capital assets	18,744,880	16,821,416	8,438,482	1,588,885	45,593,663
Other assets:					
Financing costs, net	16,613	-	-	10,536	27,149
Total other assets	16,613	-	-	10,536	27,149
Total non-current assets	18,818,959	16,821,416	8,438,482	1,635,864	45,714,721
Total assets	19,252,299	19,159,086	10,371,593	1,994,105	50,777,083

(Continued)

City of Redding
Combining Statement of Net Assets, Continued
Nonmajor Enterprise Funds
June 30, 2006

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
LIABILITIES					
Current liabilities (payable from current assets):					
Accounts payable	81,302	10,184	388,925	32,987	513,398
Accrued liabilities	26,688	12,708	-	44,920	84,316
Accrued interest payable	19,895	-	-	5,720	25,615
Intergovernmental payables	-	-	-	384	384
Due to other funds	139,963	-	93,277	-	233,240
Deferred revenues	1,465	-	925,835	-	927,300
Deposits payable	10,685	-	-	-	10,685
Interfund payables	85,000	-	-	-	85,000
Accrued compensated absences, due within one year	34,498	13,532	-	62,479	110,509
Capital leases, due within one year	17,429	-	-	36,872	54,301
Long-term debt, due within one year	57,350	-	-	16,798	74,148
State loan, due within one year	52,906	-	-	-	52,906
Total current liabilities	527,181	36,424	1,408,037	200,160	2,171,802
Long-term liabilities:					
Compensated absences, due in more than one year	83,839	45,501	-	162,308	291,648
Advances from other funds	4,242,040	-	-	1,612,964	5,855,004
Capital leases, due in more than one year	51,993	-	-	322,590	374,583
Long-term debt, due in more than one year	677,586	-	-	373,924	1,051,510
State loan, due in more than one year	175,267	-	-	-	175,267
Total long-term liabilities	5,230,725	45,501	-	2,471,786	7,748,012
Total liabilities	5,757,906	81,925	1,408,037	2,671,946	9,919,814
NET ASSETS					
Invested in capital assets, net of related debt	16,838,005	16,821,416	8,438,482	875,012	42,972,915
Restricted for capital projects	-	1,931,345	-	-	1,931,345
Unrestricted	(3,343,612)	324,400	525,074	(1,552,853)	(4,046,991)
Total net assets	\$ 13,494,393	\$ 19,077,161	\$ 8,963,556	\$ (677,841)	\$ 40,857,269

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City of Redding
Combining Statement of Activities and Changes in Net Assets
Nonmajor Enterprise Funds
For the year ended June 30, 2006

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
OPERATING REVENUES:					
User Fees and Charges	\$ 172,339	\$ 929,145	\$ 751,208	\$ 525,909	\$ 2,378,601
Rental fees	867,019	-	-	203,379	1,070,398
Other operating revenue	762,217	-	-	1,640	763,857
Total operating revenues	1,801,575	929,145	751,208	730,928	4,212,856
OPERATING EXPENSES:					
Cost of power, water, and transportation	-	-	2,588,268	-	2,588,268
Maintenance, operations, and administration	2,040,674	831,611	1,794,246	2,402,641	7,069,172
Depreciation and amortization	1,847,319	1,014,178	832,767	174,377	3,868,641
Total operating expenses	3,887,993	1,845,789	5,215,281	2,577,018	13,526,081
Operating income (loss)	(2,086,418)	(916,644)	(4,464,073)	(1,846,090)	(9,313,225)
NONOPERATING REVENUE (EXPENSES):					
Interest revenue	590	52,182	22,741	3,129	78,642
Interest expense	(88,720)	(972)	-	(24,926)	(114,618)
Intergovernmental revenues	410,935	-	3,608,565	-	4,019,500
Gain (loss) on disposal of assets	-	250	-	1,500	1,750
Other non-operating revenues (expenses)	324,674	436,680	-	-	761,354
Total nonoperating revenues (expenses)	647,479	488,140	3,631,306	(20,297)	4,746,628
Income (loss) before operating transfers and capital contributions	(1,438,939)	(428,504)	(832,767)	(1,866,387)	(4,566,597)
Capital contributions	2,725,298	1,190,475	327,597	-	4,243,370
Transfers in	-	-	-	1,857,982	1,857,982
Transfers out	(75,000)	(99,000)	-	(54,100)	(228,100)
Change in net assets	1,211,359	662,971	(505,170)	(62,505)	1,306,655
NET ASSETS:					
Beginning of year	12,283,034	18,414,190	9,468,726	(615,336)	39,550,614
End of year	\$ 13,494,393	\$ 19,077,161	\$ 8,963,556	\$ (677,841)	\$ 40,857,269

City of Redding
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the year ended June 30, 2006

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 1,823,165	\$ 927,335	\$ 744,850	\$ 733,418	\$ 4,228,768
Cash paid to suppliers	(1,600,183)	(519,950)	(3,492,544)	(1,162,589)	(6,775,266)
Cash paid to employees	(698,707)	(316,587)	-	(1,232,893)	(2,248,187)
Net cash provided (used) by operating activities	(475,725)	90,798	(2,747,694)	(1,662,064)	(4,794,685)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Intergovernmental revenue received	700,420	-	3,530,733	-	4,231,153
Operating grants received	86,391	-	-	-	86,391
Advances from other funds	241,628	-	-	659,617	901,245
Repayment of advances to other funds	(2,883,459)	-	-	(27,500)	(2,910,959)
Transfers in	-	-	-	1,857,982	1,857,982
Transfers out	(75,000)	(99,000)	-	(54,100)	(228,100)
Net cash provided (used) by noncapital financing activities	(1,930,020)	(99,000)	3,530,733	2,435,999	3,937,712
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital grants received	2,597,171	-	278,614	-	2,875,785
Proceeds from sale of assets	288,505	250	-	1,500	290,255
Purchases of capital assets	(519,495)	(69,654)	(327,597)	(385,334)	(1,302,080)
Interest paid	(88,465)	(972)	-	(24,029)	(113,466)
Principal paid on long-term debt	(125,413)	-	-	(17,813)	(143,226)
Principal paid on capital leases	(5,578)	(36,116)	-	(40,899)	(82,593)
Proceeds from capital leases	75,000	-	-	-	75,000
Cash collected for future capital outlay	238,283	436,680	-	-	674,963
Net cash provided (used) by capital and related financing activities	2,460,008	330,188	(48,983)	(466,575)	2,274,638
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment revenue received	452	52,724	16,392	3,155	72,723
Net cash provided (used) by investing activities	452	52,724	16,392	3,155	72,723
Net increase (decrease) in cash and cash equivalents	\$ 54,715	\$ 374,710	\$ 750,448	\$ 310,515	\$ 1,490,388
CASH AND CASH EQUIVALENTS:					
Beginning of year	128,048	1,822,026	172,777	83,780	2,206,631
End of year	\$ 182,763	\$ 2,196,736	\$ 923,225	\$ 394,295	\$ 3,697,019

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City of Redding
Combining Statement of Cash Flows
Nonmajor Enterprise Funds, Continued
For the year ended June 30, 2006

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ (2,086,418)	\$ (916,644)	\$ (4,464,073)	\$ (1,846,090)	\$ (9,313,225)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,847,319	1,014,178	832,767	174,377	3,868,641
Accounts receivable	10,905	(1,810)	(6,358)	2,490	5,227
Inventories	-	(1,487)	(9,126)	-	(10,613)
Accounts payable	(258,327)	620	116,572	(3,420)	(144,555)
Due to other funds	-	-	(56,645)	-	(56,645)
Accrued liabilities	3,584	1,713	-	6,387	11,684
Deposits payable	10,685	-	-	-	10,685
Intergovernmental payable	(3,698)	-	(78,382)	(584)	(82,664)
Deferred revenues	(6,740)	-	917,551	-	910,811
Accrued compensated absences	6,965	(5,772)	-	4,776	5,969
Net cash provided (used) by operating activities	\$ (475,725)	\$ 90,798	\$ (2,747,694)	\$ (1,662,064)	\$ (4,794,685)
Schedule of noncash capital activities:					
Plant contribution from developers	\$ -	\$ 1,190,475	\$ -	\$ -	\$ 1,190,475

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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.

City of Redding
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006

	Equipment	Information Systems	General Support Services	Risk Management	Total
ASSETS					
Current assets:					
Cash and investments	\$ 265,310	\$ 426,171	\$ 579,589	\$ 7,170,496	\$ 8,441,566
Interest receivable	521	2,644	4,366	71,326	78,857
Accounts receivable, net	11,090	-	1,127	14,587	26,804
Prepaid items	-	-	-	180,222	180,222
Inventories	92,731	-	-	-	92,731
Interfund receivables	-	-	-	145,000	145,000
Total current assets	369,652	428,815	585,082	7,581,631	8,965,180
Non-current assets:					
Capital assets:					
Land	-	-	110,810	-	110,810
Construction in progress	1,152,632	-	-	-	1,152,632
Land Improvements other than buildings	100,050	-	28,199	-	128,249
Automotive equipment	9,952,369	-	133,853	-	10,086,222
Furnishings and equipment	888,779	409,505	354,937	-	1,653,221
Assets under capital lease	235,193	-	-	-	235,193
Total capital assets	12,329,023	409,505	627,799	-	13,366,327
Less: accumulated depreciation	(7,396,582)	(298,156)	(315,385)	-	(8,010,123)
Net capital assets	4,932,441	111,349	312,414	-	5,356,204
Other assets:					
Advances to other funds	-	-	-	3,526,149	3,526,149
Total other assets	-	-	-	3,526,149	3,526,149
Total non-current assets	4,932,441	111,349	312,414	3,526,149	8,882,353
Total assets	5,302,093	540,164	897,496	11,107,780	17,847,533
LIABILITIES					
Current liabilities:					
Accounts payable	111,923	3,457	134,714	44,664	294,758
Intergovernmental payable	-	-	832	287	1,119
Accrued liabilities	73,771	55,449	51,866	50,474	231,560
Claims and judgments payable	-	-	-	10,252,880	10,252,880
Deferred revenues	-	25,238	-	-	25,238
Deposits	-	-	-	4,770	4,770
Compensated absences - current	47,320	56,217	65,724	18,075	187,336
Total current liabilities	233,014	140,361	253,136	10,371,150	10,997,661
Long-term liabilities:					
Advances from other funds	902,632	-	-	-	902,632
Accrued compensated absences	123,352	139,668	211,415	35,794	510,229
Total long-term liabilities	1,025,984	139,668	211,415	35,794	1,412,861
Total liabilities	1,258,998	280,029	464,551	10,406,944	12,410,522
NET ASSETS					
Invested in capital assets, net of related debt	4,932,441	111,349	312,414	-	5,356,204
Unrestricted	(889,346)	148,786	120,531	700,836	80,807
Total net assets	\$ 4,043,095	\$ 260,135	\$ 432,945	\$ 700,836	\$ 5,437,011

City of Redding
Combining Statement of Activities and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2006

	Equipment	Information Systems	General Support Services	Risk Management	Total
OPERATING REVENUES:					
User fees and charges	\$ 2,823,584	\$ 1,936,370	\$ 3,624,441	\$ 33,945,330	\$ 42,329,725
Other operating revenue	43,470	-	1,285	26	44,781
Total operating revenues	2,867,054	1,936,370	3,625,726	33,945,356	42,374,506
OPERATING EXPENSES:					
Maintenance, operations, and administration	2,819,661	1,870,026	3,575,642	32,856,592	41,121,921
Depreciation and amortization	815,356	39,364	48,783	-	903,503
Total operating expenses	3,635,017	1,909,390	3,624,425	32,856,592	42,025,424
OPERATING INCOME (LOSS)	(767,963)	26,980	1,301	1,088,764	349,082
NONOPERATING REVENUE (EXPENSES):					
Interest revenue	8,719	5,651	8,498	293,489	316,357
Gain on disposal of capital assets	13,004	1,529	1,200	-	15,733
Total nonoperating expenses	21,723	7,180	9,698	293,489	332,090
Income (loss) before transfers and contributions	(746,240)	34,160	10,999	1,382,253	681,172
Capital contributions	1,147,566	51,959	-	-	1,199,525
Transfers out	-	-	(64)	-	(64)
Change in net assets	401,326	86,119	10,935	1,382,253	1,880,633
NET ASSETS:					
Beginning of year	3,641,769	174,016	422,010	(681,417)	3,556,378
End of year	\$ 4,043,095	\$ 260,135	\$ 432,945	\$ 700,836	\$ 5,437,011

City of Redding
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2006

	Equipment	Information Systems	General Support Services	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from other funds	\$ 2,855,964	\$ 1,936,370	\$ 3,627,959	\$ 33,941,657	\$ 42,361,950
Cash paid to suppliers	(1,434,192)	(385,199)	(2,052,070)	(34,014,144)	(37,885,605)
Cash paid to employees	(1,450,332)	(1,553,956)	(1,468,175)	(420,130)	(4,892,593)
Other income received	-	-	-	26	26
Net cash provided (used) by operating activities	(28,560)	(2,785)	107,714	(492,591)	(416,222)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Repayment of advances to other funds		-	-	(1,619,754)	(1,619,754)
Advances from other funds	902,632	-	-	-	902,632
Advances to other funds	-	-	-	479,101	479,101
Transfers out	-	-	(64)	-	(64)
Net cash provided (used) by noncapital financing activities	902,632	-	(64)	(1,140,653)	(238,085)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of assets	36,506	1,533	1,200	-	39,239
Purchase of capital assets	(1,222,086)	(41,750)	(51,325)	-	(1,315,161)
Net cash provided (used) by capital and related financing activities	(1,185,580)	(40,217)	(50,125)	-	(1,275,922)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment revenue received	12,323	6,465	7,933	283,911	310,632
Net cash provided (used) by investing activities	12,323	6,465	7,933	283,911	310,632
Net increase (decrease) in cash and cash equivalents	(299,185)	(36,537)	65,458	(1,349,333)	(1,619,597)
CASH AND CASH EQUIVALENTS:					
Beginning of year	564,495	462,708	514,131	8,519,829	10,061,163
End of year	\$ 265,310	\$ 426,171	\$ 579,589	\$ 7,170,496	\$ 8,441,566

(Continued)

City of Redding
Combining Statement of Cash Flows
Internal Service Funds, Continued
For the year ended June 30, 2006

	Equipment	Information Systems	General Support Services	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ (767,963)	\$ 26,980	\$ 1,301	\$ 1,088,764	\$ 349,082
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	815,356	39,364	48,783	-	903,503
(Increase) decrease in accounts receivable	(11,090)	-	2,233	(3,673)	(12,530)
(Increase) decrease in inventories	(10,448)	-	-	-	(10,448)
(Increase) decrease in prepaid items	-	-	-	(340)	(340)
(Increase) decrease in accounts payable	(35,484)	(9,363)	60,523	14,062	29,738
(Increase) decrease in accrued liabilities	26,110	7,780	3,742	7,577	45,209
(Increase) decrease in claims and judgments payable	-	-	-	(1,614,220)	(1,614,220)
(Increase) decrease in deposits	-	-	-	(2,894)	(2,894)
(Increase) decrease in intergovernmental payable	-	-	768	(1,421)	(653)
(Increase) decrease in accrued compensated absences	(45,041)	(67,546)	(9,636)	19,554	(102,669)
Total adjustments	739,403	(29,765)	106,413	(1,581,355)	(765,304)
Net cash provided (used) by operating activities	\$ (28,560)	\$ (2,785)	\$ 107,714	\$ (492,591)	\$ (416,222)
Schedule of noncash capital activities:					
Equipment contributed from customers	\$ 1,147,566	\$ -	\$ -	\$ -	\$ 1,147,566

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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, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 1,371,409	\$ 6,346,915	\$ 6,414,135	\$ 1,304,189
Accounts receivable	2,916	239,501	235,095	7,322
Interest receivable	27,398	-	239	27,159
Total assets	\$ 1,401,723	\$ 6,586,416	\$ 6,649,469	\$ 1,338,670
Liabilities:				
Deposits	\$ 1,401,723	\$ 6,586,416	\$ 6,649,469	\$ 1,338,670
Total liabilities	\$ 1,401,723	\$ 6,586,416	\$ 6,649,469	\$ 1,338,670
<u>IPSS</u>				
Assets:				
Cash and investments	\$ 301,663	\$ 264,274	\$ 231,340	\$ 334,597
Accounts receivable	42,679	-	42,679	-
Interest receivable	2,619	255	-	2,874
Total assets	\$ 346,961	\$ 264,529	\$ 274,019	\$ 337,471
Liabilities:				
Deposits	\$ 346,961	\$ 264,529	\$ 274,019	\$ 337,471
Total liabilities	\$ 346,961	\$ 264,529	\$ 274,019	\$ 337,471
<u>Total</u>				
Assets:				
Cash and investments	\$ 1,673,072	\$ 6,611,189	\$ 6,645,475	\$ 1,638,786
Accounts receivable	45,595	239,501	277,774	7,322
Interest receivable	30,017	255	239	30,033
Total assets	\$ 1,748,684	\$ 6,850,945	\$ 6,923,488	\$ 1,676,141
Liabilities:				
Deposits	\$ 1,748,684	\$ 6,850,945	\$ 6,923,488	\$ 1,676,141
Total liabilities	\$ 1,748,684	\$ 6,850,945	\$ 6,923,488	\$ 1,676,141

STATISTICAL SECTION

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

	Fiscal Year					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Governmental activities						
Invested in capital assets, net of related debt	\$ 94,413,778	\$ 104,205,896	\$ 113,740,928	\$ 152,599,739	\$ 160,825,551	\$ 172,814,117
Restricted	47,706,211	49,159,188	48,116,563	37,186,278	40,434,959	41,537,596
Unrestricted	9,457,948	9,443,505	16,605,960	24,216,326	26,390,155	28,543,456
Total governmental activities net assets	\$ 151,577,937	\$ 162,808,589	\$ 178,463,451	\$ 214,002,343	\$ 227,650,665	\$ 242,895,169
Business-type activities						
Invested in capital assets, net of related debt	\$ 150,896,561	\$ 163,216,577	\$ 196,489,648	\$ 200,043,626	\$ 220,179,734	\$ 190,161,873
Restricted	14,309,722	10,375,003	14,678,467	31,011,072	34,051,195	33,452,385
Unrestricted	96,236,732	109,766,473	80,121,237	77,810,482	63,110,632	116,877,608
Total business-type activities net assets	\$ 261,443,015	\$ 283,358,053	\$ 291,289,352	\$ 308,865,180	\$ 317,341,561	\$ 340,491,866
Primary government						
Invested in capital assets, net of related debt	\$ 245,310,339	\$ 267,422,473	\$ 310,230,576	\$ 352,643,365	\$ 381,005,285	\$ 362,975,990
Restricted	62,015,933	59,534,191	62,795,030	68,197,350	74,486,154	74,989,981
Unrestricted	105,694,680	119,209,978	96,727,197	102,026,808	89,500,787	145,421,064
Total primary government net assets	\$ 413,020,952	\$ 446,166,642	\$ 469,752,803	\$ 522,867,523	\$ 544,992,226	\$ 583,387,035

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING
Change in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Expenses						
Governmental Activities						
General government	\$ 4,879,222	\$ 5,614,465	\$ 6,355,591	\$ 6,460,999	\$ 7,823,328	\$ 6,043,808
Police	16,188,282	17,233,269	18,636,632	21,554,360	22,639,639	22,938,459
Fire	8,557,370	9,031,551	11,674,640	12,568,277	13,614,525	13,896,656
Public Works	8,554,010	9,238,103	9,227,910	9,616,568	8,439,622	11,350,449
Planning	3,357,226	3,196,894	3,468,665	4,202,068	4,871,248	3,894,286
Recreation and culture	3,665,398	8,534,432	7,237,374	5,732,598	9,075,527	8,390,240
Community development	8,227,515	8,479,611	8,829,726	11,707,216	15,516,690	16,349,078
Pass throughs to other agencies	-	-	-	-	-	-
Interest on long-term debt	3,318,874	3,229,379	3,452,316	3,976,239	3,731,476	4,110,575
Total governmental activities expenses	<u>56,747,897</u>	<u>64,557,704</u>	<u>68,882,854</u>	<u>75,818,325</u>	<u>85,712,055</u>	<u>86,973,551</u>
Business-Type Activities						
Electric	208,374,716	102,382,759	101,853,586	118,023,084	133,187,082	131,048,566
Water	8,744,949	9,291,738	9,424,821	10,447,116	9,779,384	10,878,391
Wastewater	9,415,315	9,805,825	10,023,354	11,743,540	10,609,067	11,718,895
Storm drainage	1,405,689	1,509,788	1,523,000	1,765,074	1,510,206	1,846,993
Solid waste	10,393,622	11,674,164	12,125,866	15,880,622	14,617,316	16,433,051
Transportation	6,504,218	6,901,577	7,680,703	8,214,988	8,301,803	9,172,005
Convention center	1,957,669	2,042,346	2,059,258	2,680,425	2,503,314	2,578,833
Total business-type activities expenses	<u>246,796,178</u>	<u>143,608,197</u>	<u>144,690,588</u>	<u>168,754,849</u>	<u>180,508,172</u>	<u>183,676,734</u>
Total primary government expenses	<u>\$ 303,544,075</u>	<u>\$ 208,165,901</u>	<u>\$ 213,573,442</u>	<u>\$ 244,573,174</u>	<u>\$ 266,220,227</u>	<u>\$ 270,650,285</u>
Program Revenues						
Governmental Activities						
Charges for services:						
General government	\$ 1,697,088	\$ 1,934,680	\$ 2,014,549	\$ 2,105,485	\$ 2,293,668	\$ 4,669,323
Public works	1,093,682	1,192,243	1,141,885	936,885	1,013,954	269,504
Planning	2,045,050	2,194,469	2,594,993	2,575,763	3,059,516	3,204,622
Other activities	1,590,604	1,842,303	1,803,948	2,319,156	2,433,455	2,064,225
Operating grants and contributions	14,110,520	14,410,025	13,883,419	14,347,489	16,331,121	17,524,126
Capital grants and contributions	7,120,128	8,608,113	14,922,344	39,516,056	11,837,627	10,834,923
Total governmental activities program revenues	<u>27,657,072</u>	<u>30,181,833</u>	<u>36,361,138</u>	<u>61,800,834</u>	<u>36,969,341</u>	<u>38,566,723</u>
Business-type activities						
Charges for services:						
Electric	238,633,524	104,470,688	91,766,907	124,669,322	127,893,208	140,336,132
Water	9,049,847	10,312,159	11,314,044	12,174,497	11,966,513	12,540,136
Wastewater	8,254,528	9,039,453	9,492,114	10,459,146	11,806,688	12,709,979
Solid waste	13,172,232	14,343,371	14,858,534	15,727,879	15,984,667	16,608,413
Transportation	2,016,152	2,248,135	2,116,890	2,063,966	2,363,703	2,558,384
Other activities	1,227,424	1,421,133	1,353,358	1,706,783	1,661,984	1,660,073
Operating grants and contributions	2,597,050	2,959,025	3,235,428	3,594,562	4,000,415	4,152,460
Capital grants and contributions	9,830,668	13,140,958	10,186,180	10,080,012	17,315,640	15,773,165
Total business-type activities program revenues	<u>284,781,425</u>	<u>157,934,922</u>	<u>144,323,455</u>	<u>180,476,167</u>	<u>192,992,818</u>	<u>206,338,742</u>
Total primary government program revenues	<u>\$ 312,438,497</u>	<u>\$ 188,116,755</u>	<u>\$ 180,684,593</u>	<u>\$ 242,277,001</u>	<u>\$ 229,962,159</u>	<u>\$ 244,905,465</u>
Net (Expense)/Revenue						
Governmental activities	\$ (29,090,825)	\$ (34,375,871)	\$ (32,521,716)	\$ (14,017,491)	\$ (48,742,714)	\$ (48,406,828)
Business-type activities	37,985,247	14,326,725	(367,133)	11,721,318	12,484,646	22,662,008
Total primary government	<u>\$ 8,894,422</u>	<u>\$ (20,049,146)</u>	<u>\$ (32,888,849)</u>	<u>\$ (2,296,173)</u>	<u>\$ (36,258,068)</u>	<u>\$ (25,744,820)</u>

	Fiscal Year					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
General Revenue and Other Changes in Net Assets						
Governmental Activities						
Taxes						
Sales taxes	\$ 16,781,979	\$ 18,004,770	\$ 19,327,138	\$ 20,297,843	\$ 21,696,313	\$ 23,857,074
Property taxes	11,018,519	12,055,646	13,275,953	16,965,869	17,900,941	25,735,494
In lieu	3,776,210	4,765,460	5,047,821	5,753,770	-	-
Transient and occupancy taxes	2,766,956	3,027,116	3,178,073	3,275,325	3,512,022	3,747,553
Motor vehicle in-lieu taxes	4,251,566	4,619,185	4,833,438	3,960,686	6,971,460	611,129
Franchise taxes	842,605	826,600	794,739	828,940	827,175	916,818
Other taxes	685,730	924,976	1,037,862	1,129,334	1,329,072	1,364,821
Investment earnings	4,449,915	3,572,026	3,276,758	2,031,348	3,106,598	3,355,569
Gain on sale of property	180,625	2,066,225	231,587	(337,650)	-	-
Miscellaneous	139,454	18,116	25,597	68,789	120,092	103,125
Transfers	(1,170,596)	(4,273,590)	(2,852,381)	(4,180,250)	7,666,014	3,794,368
Other items	(72,105)	-	-	-	-	-
Total governmental activities	43,650,858	45,606,530	48,176,585	49,794,004	63,129,687	63,485,951
Business-type activities						
Investment earnings	6,106,628	5,752,313	3,940,608	1,866,949	3,657,749	3,785,359
Gain on sale of property	848,775	(883,213)	(430,458)	(42,005)	-	-
Miscellaneous	-	-	250	-	-	-
Transfers	1,170,596	4,273,590	2,852,381	4,180,250	(7,666,014)	(3,794,368)
Other items	-	-	-	(150,684)	-	-
Total business activities	8,125,999	9,142,690	6,362,781	5,854,510	(4,008,265)	(9,009)
Total primary government	\$ 51,776,857	\$ 54,749,220	\$ 54,539,366	\$ 55,648,514	\$ 59,121,422	\$ 63,476,942
Change in Net Assets						
Governmental activities	\$ 14,560,033	\$ 11,230,659	\$ 15,654,869	\$ 35,776,513	\$ 14,386,973	\$ 15,079,123
Adjustments	6,514,300	(7)	(7)	(237,621)	(738,651)	-
Total governmental activities	21,074,333	11,230,652	15,654,862	35,538,892	13,648,322	15,079,123
Business-type activities	46,111,246	23,469,415	5,995,648	17,575,828	8,476,381	22,652,999
Adjustments - business activities	(4,150,541)	(1,554,377)	1,935,651	-	-	-
Total business activities	41,960,705	21,915,038	7,931,299	17,575,828	8,476,381	22,652,999
Total changes in net assets - primary government	\$ 63,035,038	\$ 33,145,690	\$ 23,586,161	\$ 53,114,720	\$ 22,124,703	\$ 37,732,122

Source: City of Redding Comprehensive Annual Financial Report

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

	Fiscal Year									
	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
General Fund										
Reserved	\$ 4,233,950	\$ 5,152,414	\$ 5,362,094	\$ 5,434,312	\$ 4,950,873	\$ 5,147,964	\$ 4,330,021	\$ 5,604,846	\$ 7,960,371	\$ 5,088,973
Unreserved	6,870,575	4,661,366	3,570,557	4,000,580	11,506,021	16,570,439	10,767,456	20,908,746	14,051,582	14,409,873
Total general fund	<u>11,104,525</u>	<u>9,813,780</u>	<u>8,932,651</u>	<u>9,434,892</u>	<u>16,456,894</u>	<u>21,718,403</u>	<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	\$ 24,842,841	\$ 35,275,207	\$ 22,513,798	\$ 22,532,470	\$ 16,822,908	\$ 36,372,262	\$ 38,043,606	\$ 42,922,062	\$ 43,711,331	\$ 49,982,576
Unreserved, designated for, reported in:										
Encumbrances	4,383,025	2,737,188	5,978,475	1,601,204	2,332,038	5,571,242	13,127,361	9,227,244	9,573,553	12,991,686
Special revenue funds	-	-	-	1,190,300	-	-	-	1,914,509	7,461,920	10,656,853
Capital projects funds	-	-	-	13,314,608	-	10,905,435	9,209,350	8,904,043	22,557,489	17,022,886
Unreserved, undesignated, reported in:										
Special revenue funds	1,460,126	4,601,523	6,833,985	7,657,444	20,877,794	4,283,923	2,548,815	3,130,866	877,114	2,435,338
Capital projects funds	24,987,356	11,283,726	13,905,745	(8,110)	15,502,175	2,788,923	(593,847)	(9,839,024)	296,773	675,765
Debt service funds	(563,390)	(618,676)	(680,352)	(744,057)	(610,260)	(895,769)	9,101,683	14,674,603	2,465,914	(1,271,925)
Total all other governmental funds	<u>\$ 55,119,958</u>	<u>\$ 53,280,968</u>	<u>\$ 48,551,651</u>	<u>\$ 45,483,859</u>	<u>\$ 54,724,645</u>	<u>\$ 59,026,017</u>	<u>\$ 71,436,988</u>	<u>\$ 70,934,303</u>	<u>\$ 86,944,094</u>	<u>\$ 92,493,179</u>

Source: City of Redding Comprehensive Annual Financial Report

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

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenues										
Taxes	\$24,783,924	\$25,486,122	\$26,542,009	\$29,362,518	\$31,678,833	\$34,765,295	\$37,607,285	\$42,463,395	\$43,856,582	\$55,488,972
Licenses and permits	1,919,286	1,794,482	2,610,906	3,124,541	3,371,388	1,657,421	1,822,042	1,868,324	2,159,509	2,244,909
Intergovernmental revenues	18,346,812	16,222,439	15,077,974	20,735,492	19,664,597	20,029,676	24,465,420	26,857,196	29,538,610	20,651,015
Charges for services	883,586	1,082,683	1,110,241	1,507,658	1,426,356	1,906,412	2,128,300	2,343,447	2,698,496	3,087,242
Fines	332,941	415,407	518,247	546,628	659,359	812,678	852,813	985,786	1,063,502	800,275
Use of money and property	5,249,615	6,191,930	5,999,432	6,315,439	6,658,522	7,772,780	8,212,771	9,255,389	3,679,150	5,452,555
Interest revenue	2,784,931	2,968,091	2,853,283	2,750,493	3,978,977	3,140,148	2,922,392	1,833,241	2,854,682	3,167,557
Special assessments	2,796,707	2,299,998	1,374,892	1,862,667	1,703,404	1,348,315	1,599,284	1,522,665	2,887,274	1,524,188
Miscellaneous	1,047,271	2,336,023	1,149,903	1,485,756	2,454,392	4,297,882	3,845,229	5,197,696	6,145,044	8,676,756
Total revenues	58,145,073	58,797,175	57,236,887	67,691,192	71,595,828	75,730,407	83,455,536	92,327,139	94,882,849	101,093,469
Expenditures										
Community development	7,545,005	7,906,280	8,079,937	8,445,784	9,258,838	8,802,958	10,888,839	12,439,346	14,226,661	17,004,289
General government	3,948,415	4,662,769	4,174,803	4,792,570	5,060,328	5,675,997	6,339,169	6,403,628	6,648,418	6,994,486
Public safety	18,842,180	20,108,337	21,125,577	22,319,512	23,725,083	25,128,752	29,378,432	31,269,917	35,625,481	37,684,535
Public works	3,213,060	4,235,843	3,545,643	3,605,805	4,509,068	4,430,424	4,184,655	4,750,695	5,915,842	7,690,555
Planning	2,555,384	2,780,099	2,734,804	2,876,760	3,242,427	3,134,055	3,409,124	4,031,899	4,859,683	4,392,294
Recreation and culture	2,777,106	2,909,702	2,787,764	2,722,836	2,950,432	3,742,962	3,661,822	4,459,732	5,755,954	5,051,006
Midtown Mall	110,270	186,432	103,769	114,543	-	-	-	-	-	-
Capital outlay	12,884,813	10,734,672	14,151,069	18,747,635	6,643,923	17,094,408	16,912,493	21,921,650	13,206,504	15,007,032
Debt service:										
Principal retirement	3,599,004	3,873,081	2,112,349	2,358,643	2,363,166	1,962,251	2,770,161	2,016,759	4,012,357	4,562,460
Interest and fiscal charges	3,467,328	3,521,128	3,627,101	3,439,789	3,667,726	3,517,467	3,490,765	4,076,484	3,901,201	4,133,488
Bond issuance costs	245,479	17,865	22,398	13,530	11,480	-	246,818	982,578	349,311	-
Total expenditures	59,188,044	60,936,208	62,465,214	69,437,407	61,432,471	73,489,274	81,282,278	92,352,688	94,501,412	102,520,145
Excess of revenues over (under) expenditures	(1,042,971)	(2,139,033)	(5,228,327)	(1,746,215)	10,163,357	2,241,133	2,173,258	(25,549)	381,437	(1,426,676)

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

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Other Financing Sources (Uses)										
Sale of capital asset	637,563	276,117	733,606	251,012	260,698	1,093,768	280,637	77,735	33,058	838,344
Financing proceeds	-	-	-	190,000	111,356	1,094,430	235,193	-	290,891	39,878
Long-term debt issued	11,025,641	-	416,500	-	-	9,500,000	7,977,616	44,430,000	16,970,000	-
Bond discount	-	-	-	-	-	(92,860)	(40,250)	(51,342)	-	-
Premium on bonds issued	-	-	-	-	-	-	17,271	365,639	611,624	-
Proceeds of refunding bonds	-	8,500,000	-	-	-	-	-	-	-	-
Payment to refunding bond escrow agent	-	(7,700,887)	-	-	-	-	(2,001,298)	(29,465,181)	(10,548,316)	-
Transfers in	6,248,432	6,294,061	5,423,851	8,381,064	5,104,909	4,956,979	15,910,603	18,368,202	33,800,013	15,230,516
Transfers out	(7,366,587)	(7,390,614)	(6,630,755)	(9,646,968)	(6,275,505)	(9,230,569)	(18,762,985)	(22,548,453)	(29,764,223)	(11,646,084)
Total other financing sources (uses)	10,545,049	(21,323)	(56,798)	(824,892)	(798,542)	7,321,748	3,616,787	11,176,600	11,393,047	4,462,654
Net change in fund balances	\$ 9,502,078	\$ (2,160,356)	\$ (5,285,125)	\$ (2,571,107)	\$ 9,364,815	\$ 9,562,881	\$ 5,790,045	\$ 11,151,051	\$ 11,774,484	\$ 3,035,978
Fund Balances (deficit), beginning of year, as originally stated	\$ 56,722,405	\$ 66,224,483	\$ 63,094,748	\$ 57,484,302	\$ 54,918,751	\$ 71,181,539	\$ 80,744,420	\$ 86,534,465	\$ 97,447,895	\$ 108,956,047
Prior period adjustment	-	(1,009,040)	(325,321)	3,762	1,712,194	-	-	(237,621)	(266,332)	-
Change in accounting principal	-	39,661	-	-	5,185,779	-	-	-	-	-
Fund Balances (deficit), beginning of year, as restated	56,722,405	65,255,104	62,769,427	57,488,064	61,816,724	71,181,539	80,744,420	86,296,844	97,181,563	108,956,047
Residual equity transfer in	-	-	-	1,794	-	-	-	-	-	-
Fund balances (deficit), end of year	\$ 66,224,483	\$ 63,094,748	\$ 57,484,302	\$ 54,918,751	\$ 71,181,539	\$ 80,744,420	\$ 86,534,465	\$ 97,447,895	\$ 108,956,047	\$ 111,992,025
Debt service as a percentage of noncapital expenditures*					11%	9%	9%	9%	10%	10%

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

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

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

(In thousands)

Fiscal Year	Property		Transient		Sales		Other		Total
	Tax	Occupancy	Occupancy	Tax	Tax	Taxes	Taxes		
1996-1997	8,533	2,235	2,235	12,770	1,246			24,784	
1997-1998	9,141	2,178	2,178	12,909	1,258			25,486	
1998-1999	9,622	2,414	2,414	13,208	1,298			26,542	
1999-2000	9,927	2,632	2,632	15,442	1,362			29,363	
2000-2001	11,014	2,767	2,767	16,370	1,528			31,679	
2001-2002	11,982	3,027	3,027	18,005	1,752			34,766	
2002-2003	13,269	3,178	3,178	19,327	1,833			37,607	
2003-2004	16,932	3,275	3,275	20,298	1,959			42,464	
2004-2005	17,913	3,512	3,512	20,276	2,156			43,857	
2005-2006	25,885	3,748	3,748	23,575	2,281			55,489	

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING
Revenue Base - Own Source Revenue
Metered Customers and MWHs Sold
Last Three Fiscal Years

Type of Customer	Fiscal year ended June 30,					
	2004		2005		2006	
	Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)	Base rate customers	Electricity Sold (MWHs)
Residential	35,547	374,713	36,259	363,204	35,729	383,508
Commercial	5,324	334,195	4,948	336,012	4,957	344,753
Industrial	303	16,899	319	17,231	318	16,865
Other	663	43,422	808	45,594	765	46,027
Total	41,174	725,807	41,526	716,447	41,004	745,126

CITY OF REDDING
Electric Utility Rates
Last Three Fiscal Years

Fiscal Year	Residential		Commercial			Industrial					
	Monthly Base Rate	Energy charge per kwh	Monthly Base Rate		Energy charge		On Peak Energy Charge		Off Peak Energy Charge		
			Small Commercial (< 15,000 kwh)	Large Commercial (> 15,000 kwh)	All kwh	Per kwh in excess of 15,000	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
2004	5.46	0.0848	5.41	12.48	0.095	0.0441	26	0.0964	0.0447	0.0378	0.0447
2005	5.68	0.0882	5.63	12.98	0.0988	0.0459	27.04	0.1003	0.0465	0.0393	0.0465
2006	5.68	0.0882	5.63	12.98	0.0988	0.0459	27.04	0.1003	0.0465	0.0393	0.0465

Source: City of Redding Utility Rate Schedules

CITY OF REDDING

Principal Electric Utility Payers

Fiscal Year 2005-06 and Calendar Year Ending December 31, 2005*

Utility Payer	June 30, 2006 Fiscal Year			December 31, 2005 Calendar Year		
	2006 Utilities Paid	Rank	Percentage of City Total Utilities Paid	2005 Utilities Paid	Rank	Percentage of City Total Utilities Paid
Customer #1	\$3,465,972	1	4.38%	\$3,405,696	1	4.62%
Customer #2	1,300,615	2	1.64%	1,312,455	2	1.78%
Customer #3	999,336	3	1.26%	992,083	3	1.35%
Customer #4	862,444	4	1.09%	875,207	4	1.19%
Customer #5	582,034	5	0.73%	567,826	5	0.77%
Customer #6	496,855	6	0.63%	481,635	6	0.65%
Customer #7	478,871	7	0.60%	465,212	7	0.63%
Customer #8	445,379	8	0.56%	427,091	9	0.58%
Customer #9	429,352	9	0.54%	431,853	8	0.59%
Customer #10	426,105	10	0.54%	405,383	10	0.55%
Customer #11						
Total	\$9,486,963		11.98%	\$9,364,441		12.70%

Source: City of Redding Electric Utility

*Comparative fiscal year-end data was not available as of the preparation date of this report.

CITY OF REDDING

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

Fiscal Year Ending	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)	
	Revenue Bonds	Tax Allocation Bonds	Loans	Special Assessment Bonds	Capital Leases	General Obligation Bonds	Revenue Bonds	Certificates of Participation	Loans	Special Assessment Bonds				Capital Leases
2001	20,836	22,405	-	11,506	331	1,979	58,154	92,058	600	278	810	208,956	10.36%	2,471
2002	20,301	31,370	511	10,694	973	1,629	56,089	127,648	5,241	253	796	255,504	11.76%	2,981
2003	25,852	30,395	246	9,817	1,009	700	55,643	106,600	15,536	227	681	246,705	11.17%	2,827
2004	28,090	42,925	194	8,940	773	350	45,275	102,830	15,108	200	561	245,246	10.68%	2,772
2005	34,426	41,425	138	7,367	839	-	42,304	98,915	14,433	171	436	240,454	9.91%	2,673
2006	32,892	39,885	78	6,160	688	-	39,713	125,560	13,740	140	429	259,286	10.09%	2,882

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

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

CITY OF REDDING

Computation of Direct and Overlapping Debt
Last Ten Fiscal Years

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Redding (4)</u>	<u>Amount Applicable to City of Redding</u>
Direct:			
City of Redding: (1)			
City of Redding 1915 Act Bonds	6,300,000	100.000%	6,300,000
Total direct debt	<u>6,300,000</u>		<u>6,300,000</u>
Overlapping:			
Redding Redevelopment Agency (1)	39,885,000	100.000%	39,885,000
County of Shasta: (2)			
Shasta Joint Powers Financing Authority	53,935,000	50.105%	27,024,132
Shasta County Schools: (2)			
Anderson Union H/S District	4,315,000	18.998%	819,764
Enterprise School District	19,130,000	99.023%	18,943,100
Shasta Union High	29,142,840	69.107%	20,139,604
Gateway School	21,579,968	40.327%	8,702,554
Redding School District	20,760,000	99.229%	20,599,940
Columbia School District	4,495,000	75.761%	3,406,805
Shasta College	32,500,000	50.263%	16,335,475
Grant School	1,636,073	3.110%	50,882
Centerville (3)	198,027	24.452%	48,422
Total overlapping debt	<u>227,576,708</u>		<u>155,955,678</u>
Total direct and overlapping debt	<u>\$233,876,708</u>		<u>\$162,255,678</u>

Source: (1) City of Redding
 (2) Shasta County Auditor-Controller's Office
 (3) Centerville District Office
 (4) Percentages from Statement of Direct and Overlapping Debt Calculated using the Shasta County valuations by taxing district for fiscal year 2005-06. Debt amount from prior year CAFR as 05-06 data was not available at the time this report was prepared.

CITY OF REDDING

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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$ 140,474	\$ 145,090	\$ 149,835	\$ 149,835	\$ 156,447	\$ 165,865	\$ 178,629	\$ 193,720	\$ 211,455	\$ 233,010
Total net debt applicable to limit	3,350	2,920	2,624	2,302	1,979	1,629	700	350	0	0
Legal debt margin	\$ 137,124	\$ 142,170	\$ 147,211	\$ 147,533	\$ 154,468	\$ 164,236	\$ 177,929	\$ 193,370	\$ 211,455	\$ 233,010
Total net debt applicable to the limit as a percentage of debt limit	2.38%	2.01%	1.75%	1.54%	1.26%	0.98%	0.39%	0.18%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed Value (1)	\$ 6,213,595
Debt Limit - 3.75% of Total Assessed Value	\$ 233,010
Amount of Debt Applicable to the Limit	0

Legal Debt Margin \$ 233,010

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

(1) Assessed valuation includes supplemental tax rolls.

CITY OF REDDING

Wastewater Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Direct Operating Expense (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage (3)
				Principal	Interest	Total	
1996-1997	7,750,905	4,479,194	3,271,711	619,488	1,544,116	2,163,604	1.5
1997-1998	7,773,067	4,926,067	2,847,000	645,838	1,515,269	2,161,107	1.3
1998-1999	8,646,873	4,586,062	4,060,811	677,863	1,483,758	2,161,621	1.9
1999-2000	9,340,189	4,840,824	4,499,365	714,550	1,449,187	2,163,737	2.1
2000-2001	9,919,006	5,037,879	4,881,127	751,575	1,411,535	2,163,110	2.3
2001-2002	10,992,011	5,493,584	5,498,427	793,938	1,370,702	2,164,639	2.5
2002-2003	12,108,010	5,652,752	6,455,258	836,300	1,212,968	2,049,268	3.2
2003-2004	13,006,901	6,667,698	6,339,203	1,786,673	1,311,479	3,098,152	2.0
2004-2005	14,618,702	5,904,315	8,714,387	1,820,061	1,271,185	3,091,246	2.8
2005-2006	16,158,725	6,987,231	9,171,494	1,870,922	1,231,619	3,102,541	3.0

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

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

Water Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Direct Operating Expense (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage (3)
				Principal	Interest	Total	
1996-1997	7,047,447	4,985,995	2,061,452	764,109	1,007,238	1,771,347	1.2
1997-1998	6,427,277	5,252,466	1,174,811	745,617	971,954	1,717,571	0.7
1998-1999	7,636,404	4,915,050	2,721,354	782,879	940,265	1,723,144	1.6
1999-2000	8,907,376	5,722,270	3,185,106	789,764	906,506	1,696,270	1.9
2000-2001	10,136,223	5,955,067	4,181,156	827,026	870,904	1,697,930	2.5
2001-2002	11,676,817	6,508,257	5,168,560	854,054	863,833	1,717,887	3.0
2002-2003	13,198,500	6,767,439	6,431,061	847,304	676,510	1,523,814	4.2
2003-2004	13,681,482	7,398,993	6,282,489	920,000	733,981	1,653,981	3.8
2004-2005	13,403,191	7,121,849	6,281,342	1,055,000	493,300	1,548,300	4.1
2005-2006	15,450,821	8,043,986	7,406,835	680,000	583,835	1,263,835	5.9

Notes: (1) Total operating revenues and connection fees from other non-operating revenues.

(2) Total operating expenses exclusive of depreciation and amortization.

(3) This statement is not intended to show debt service coverage under the bond covenants.

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

Electric Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	Revenue	Expense	Funds Available for		Coverage
			Debt Service	Debt Service	
1996-1997	89,439,886	65,847,762	23,592,124	15,517,630	1.52
1997-1998	106,639,852	70,126,702	36,513,150	13,411,743	2.72
1998-1999	109,432,980	64,910,584	44,522,396	14,366,602	3.10
1999-2000	120,936,162	74,156,644	46,779,518	13,782,831	3.39
2000-2001	239,317,954	188,054,627	51,263,327	11,417,939	4.49
2001-2002	107,883,690	83,450,503	24,433,187	9,397,874	2.60
2002-2003	93,712,191	79,638,278	14,073,913	9,182,291	1.53
2003-2004	125,727,720	95,701,838	30,025,882	8,519,088	3.52
2004-2005	128,446,969	114,995,623	13,451,346	8,629,285	1.56
2005-2006	142,606,354	112,583,106	30,023,248	8,989,562	3.34

Source: Electric Utility Bond Disclosure Reports

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>
1996-1997	59.44	77,353	1,589,682	20,551	8.90
1997-1998	59.45	78,084	1,681,539	21,535	9.20
1998-1999	59.45	78,675	1,760,353	22,375	7.00
1999-2000	60.03	79,593	1,854,915	23,305	5.80
2000-2001	60.03	82,543	2,017,599	24,443	5.70
2001-2002	59.77	84,560	2,172,093	25,687	6.70
2002-2003	59.82	85,703	2,208,823	25,773	7.40
2003-2004	59.82	87,280	2,295,813	26,304	7.40
2004-2005	59.82	88,459	2,425,192	27,416	6.90
2005-2006	59.82	89,973	2,570,978	28,575	6.30

Source:

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

Note:

Per capita personal income is based on the calendar year information ending during that fiscal year. FY 2005-06 is an estimate.

CITY OF REDDING

Principal Employers in the City of Redding
Current Year and Nine Years Ago
June 30, 2006

Employer	2006			1997		
	Employees	Rank	Percentage of Total Area Employment	Employees	Rank	Percentage of Total Area Employment
Shasta County	1,915	1	2.49%	1,672	1	2.50%
Mercy Medical Center	1,643	2	2.13%	1,300	3	1.94%
City of Redding	854	3	1.11%	740	5	1.11%
Shasta Regional Medical Center	775	4	1.01%			
Shasta Community College	700	5	0.91%	333	8	0.50%
Redding Rancheria	450	6	0.58%	412	7	0.62%
Wal Mart	450	7	0.58%			
Blue Shield of California	435	8	0.56%			
United States Post Office	300	9	0.39%	300	10	0.45%
Motel 6	282	10	0.37%			
Redding Medical Center				1,390	2	2.08%
Sierra Pacific Industnes				640	4	0.96%
Simpson Paper Company				500	6	0.75%
Pacific Gas & Electric				303	9	0.45%
Total	7,804			7,590		

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

** Full-time budgeted positions.

In 2005-06 there were 820 full-time and 318 part-time/temporary positions filled.

In 1996-97 there were 711 full-time and 240 part-time/temporary positions filled.

Source: Derived from the Employment Development Department's (EDD) listing of the top 25 employers in Shasta County. The initial listing was pared down to ten, removing employers outside of the City and adding certain employers who do not report to the local EDD. The 1997 ranking is primarily based upon what was reported in the 1997 C.A.F.R. and therefore includes employers outside of the City.

CITY OF REDDING
 Full-time Budgeted City Government Employees by Function/Program
 Last Three Fiscal Years

<u>Function/Program</u>	Budgeted Full-time Employees at June 30		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government	109	106	106
Police	165	167	171
Fire	78	81	81
Public works	57	64	66
Planning	47	47	47
Recreation and culture	29	29	29
Community development	24	24	24
Electric	162	166	168
Water	30	30	30
Wastewater	29	29	31
Storm Drainage	5	4	4
Solid Waste	73	76	77
Transportation	7	7	7
Convention center	13	13	13
	828	843	854

Source: City of Redding Personnel Division

CITY OF REDDING
Operating Indicators by Function/Program
Last Three Years

Function/Program	Fiscal Year-Ended		
	2004	2005	2006
Police			
Calls for service	80,378	83,601	84,380
Felony arrests	2,225	2,327	2,527
Misdemeanor arrests	4,473	4,403	4,816
Total arrests	6,698	6,730	7,343
Fire			
Fire, explosion	338	428	468
Rescue, emergency medical call	4,254	7,551	6,966
Fire safety inspections	3,130	3,210	3,038
Public Works			
Miles of roadway resurfaced	3.0	5.5	5.6
Miles of roadway slurry sealed	18.7	16.7	15.5
Planning			
Number of building permits issued	4,250	4,234	4,679
Recreation and Culture			
Recreation Division programs	1,520	1,730	2,065
Program participants	11,360	11,946	13,077
Community Development			
Number of households assisted (Rental Assistance)	1,425	1,393	1,394
Owner occupied loans made for rehabilitation/purchase	18	12	18
Rental loans/grants for rehabilitation/purchase	20	19	111
Electric			
Electric customers billed monthly	39,258	41,342	42,123
Average sustained outages per customer per year	0.50	0.28	0.16
System average retail rates	8.8	9.2	9.5
Water			
Water delivered (acre ft.)	27,152	25,056	25,768
Wastewater			
Totals household equivalents served	38,016	38,343	38,922
Clear Creek dry flow	7.3	7.7	9.0
Stillwater dry flow	2.7	3.2	3.7
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	65,197
RABA bus passengers	783,642	772,241	757,204
Convention center			
Number of shows/events	124	112	116
Annual tickets sold/attendance to shows/events	137,823	124,702	109,275

Source: City of Redding

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

<u>Function/Program</u>	<u>Fiscal Year Ended</u>		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police			
Stations	1	1	1
Patrol units	38	38	38
Fire stations	7	7	8
Public works			
Streets (miles)	442.0	449.0	450.5
Streetlights	6,805	6,959	7,134
Recreation and culture			
Maintained trails (miles)	48	56	60
Parks acreage (improved)	580	582	585
Parks acreage (unimproved)	405	403	400
Electric			
Transmission system (miles)	666	680	685
Water			
Length of water mains	553.2	558.8	562.5
Wastewater			
Sewer lines (miles)	395	399	405
Solid Waste			
Collection trucks	32	32	32
Storm Drainage			
Length of system (miles)	306	356	402
Catch basins	5,883	7,273	8,076
Transportation			
Buses	22	21	20
Convention center			
Convention Centers	1	1	1

Source: City of Redding

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**SUPPLEMENTAL HISTORICAL
INFORMATION**

CITY OF REDDING

AIRPORTS

Redding Municipal Airport

Redding Municipal Airport serves the regional area of Northern California consisting of approximately 25,000 square miles covering some eight counties. The population served is well over 245,000. Commercial, freight, and passenger services are provided by Horizon Air, United Express Airlines, DHL, Federal Express, UPS, and Ameriflight. Fixed-based operations provide a wide range of services including general airplane and engine maintenance as well as avionics; charter services; facilitation of sales of new and used aircraft; and sales of fuels, lubricants, and accessories. A propeller service and helicopter charter, repair, and sales are also available. Currently, two car rental agencies serve the traveling public from the passenger terminal.

There are 38 permanently assigned tie-downs, 95 more aircraft and eight helicopter tie-downs for transients, and 102 T-hangars maintained and leased out by the City of Redding. All T-hangars are occupied, and vacancies are filled on an immediate basis. Last fiscal year, a total of approximately 70,600 operations were recorded during the FAA Control Tower operating hours from 6:30 a.m. to 9:30 p.m.

The Airport features a 22,000 square foot terminal to serve the traveling public. It also features a full-service restaurant and lounge, as well as full services for all business tenants. There is a 333 space public automobile parking lot as well as 64 spaces for rental cars adjacent to the terminal. The passenger terminal aircraft parking ramp is capable of receiving six medium-size jet aircraft at one time. During the 2005 calendar year, over 125,000 passengers traveled through the terminal building. The airport property includes a total of 1,810 acres.

The primary runway (16/34) is 7,003 feet in length with lighted distance-remaining markers. It also has a high-intensity approach lighting system with runway alignment indicator lights, an instrument landing system, runway-end identifier lights, precision approach path indicator, visual approach slope indicator, a back course instrument landing system, a global position system (GPS) approach, and a VHF omnidirectional range with distance-measuring equipment. The cross runway (12/30) is 5,062 feet long. It has a medium-intensity approach lighting system with precision approach path indicator lights at both ends of the runway.

Benton Airpark

Benton Airpark is located within the city limits of Redding only a few blocks from the downtown area. It features a runway that is 2,420 feet in length and lit for night operations. There is a fixed-base operation which provides a full range of aircraft services as well as a delicatessen. The California Highway Patrol bases their helicopters and fixed-wing aircraft at Benton. Also, there are 88 covered aircraft parking spaces and 81 open tie-downs. Benton experiences an estimated 35,000 - 40,000 annual aircraft operations.

ELECTRIC UTILITY SYSTEM

History

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

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

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

Distribution Service

The City's Electric Utility currently provides service to its customers in an area approximately 60 square miles in size, with 67.3 miles of 115-kV transmission lines and 618 miles of overhead and underground 12-kV distribution lines. The City is proud of its record over the past five years of 99.99 percent electric service availability to its customers.

Redding is presently interconnected with the northern California 230-kV power grid at two points - Western Area Power Administration's (Western) Keswick Switchyard and the Western/Redding Airport 230/115-kV Substation. Delivery of all power from sources outside of the City is made to Redding at the Keswick Switchyard and Airport Substation. The City owns and operates the 115-kV transmission lines that interconnect the City's 115/12-kV distribution substations to these delivery points. The transmission system is designed as a highly reliable looped system (there are at least two sources for every distribution substation) with state-of-the-art 115-kV circuit breakers and relay systems, which ensure that an outage or failure of any 115-kV line will not interrupt power to any City customer. All transmission lines in the City's electric system are in generally excellent condition. The majority were constructed after 1985.

The City's distribution system consists of eleven 115/12-kV distribution substations where power is transformed from 115-kV to 12-kV distribution voltage and connected to the service distribution transformers via the 12-kV distribution lines. The 12-kV distribution system is a very reliable radial-type system designed such that all customers can be served from another feeder if the normal source is experiencing a problem.

Power Supply

The City's retail power supply comes from a diverse portfolio. Redding typically receives about 30% of its power supply from Western in an average hydro year. However, FY 2005-06 was an exceptionally wet hydro year and as a result Western provided 51% 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. Three combustion turbine generators totaling 70 MW were added in 1994. In June 2002, the City commissioned its newest unit (Unit 5), a 43 MW highly efficient combined cycle gas turbine with heat recovery steam generator bringing total on site generation to 141 MW. In addition, to its own generation, the City has acquired several other sources of electric power through long-term, purchase-power contracts and through its membership in a joint powers agency consisting of Modesto Irrigation District, City of Santa Clara, and City of Redding (M-S-R). Through the M-S-R joint powers agency, the City has entered into a long-term power purchase agreement for 70 MW of wind generated energy, with delivery scheduled to begin on October 1, 2006. Further, the City has signed a long-term power purchase agreement with RLC Industries for 8 MW of biomass generated energy. Delivery of the RLC Industries power purchase agreement is scheduled to begin on July 1, 2007. On June 1, 1994, the City began scheduling and dispatching the power produced by these various resources. The scheduling and dispatching operations allow Redding to take advantage of relatively inexpensive energy, which becomes available from time to time in the short-term wholesale power market.

The City is a member of various organizations and agencies, including: Northern California Power Agency, M-S-R, Transmission Agency of Northern California, and Western Systems Power Pool. Through these affiliations, the City contracted for, and developed, various power generation and transmission resources, including: partial ownership of the San Juan coal-fired generating station; the Desert Southwest Transmission Project, and the California-Oregon Transmission Project.

To operate most cost effectively, the City has developed several load-management and energy-conservation programs, which include public awareness campaigns, technical conservation assistance, rebates on energy-efficient products and technologies including Energy Star appliances, air-conditioners, and renewable technologies, and the use of energy-efficient street lights. In addition to resource development and conservation programs, the City has provided opportunities for additional conservation and load management through applicable rate design.

Customer Base

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

Fiscal Year Ending June 30	*Number of Customer Accounts		
	Residential	Non-Residential	Total
2002	32,908	6,524	39,432
2003	33,589	6,586	40,175
2004	34,289	6,638	40,927
2005	34,625	6,717	41,342
2006	36,063	6,060	42,123

Source: Utility Billing System Marketing Report of Quarterly NAICS Usage

In 2003, the city of Redding began reclassifying non-residential customers using the North American Industry Classification System (NAICS) rather than the historic Standard Industrial Classification (SIC) code classification system. The result of this process is a shift of some non-residential accounts, namely multiple-unit dwellings that were classified as commercial accounts, into the residential customer classification. The reclassification process for the most part does not eliminate any customers, but simply shifts customers from one classification to another. The reclassification process is expected to be ongoing over the next two to three years.

Using the new NAICS methodology for 2006, the total number of electric system customer accounts increased 7 percent during the last five years. The number of residential accounts increased 10 percent, while non-residential accounts decreased 7 percent.

WASTEWATER UTILITY SYSTEM

History

The City began construction of the Wastewater System soon after its incorporation in 1887. The Wastewater System developed slowly until the early 1950s, at which time approximately 20 percent of the City's approximately 5,200 acres were served. Recognizing the need for a systematic expansion of the Wastewater System, in 1956 the City commissioned the development of a master plan for the City to follow in making necessary improvements. As a result of this plan, which was updated in 1964, the City added approximately 27 miles of sewer lines, primarily as a result of a series of sewer assessment districts, and in 1966 relocated its wastewater treatment plant from a location near the Cypress Street Bridge in Redding, California, to the present Clear Creek site, approximately 5.5 miles to the south.

Over the succeeding ten years, various districts, including the Buckeye County Water District, the Cascade Community Services District, and the Enterprise Public Utilities District, were annexed to the City, resulting in 1981 in the elimination of the existing treatment plants of such districts and the consolidation of the wastewater treatment and disposal at the City's Clear Creek Regional Wastewater Treatment Plant (described below). To maintain compliance with the Clean Water Act, the Clear Creek Plant was expanded and upgraded to an advanced secondary wastewater treatment plant in 1979. Additional upgrades to the sludge handling facilities occurred in 1989, and upgrades to the influent pumping system occurred in 1996, and upgrades to the sludge aeration system occurred in 2004.

In 1983, the City, Shasta County, and Shasta Dam Area Public Utility District (the "Shasta Dam PUD") commissioned Ott Water Engineers to prepare a regional sewage study of the Central Shasta County area. It was determined that the Clear Creek Wastewater Treatment Plant was operating at two-thirds of its capacity and the Shasta Dam PUD was operating essentially at its capacity. Additionally, significant growth for this area was projected. As a result of this study and an analysis of various alternatives, it was determined that an additional wastewater treatment plant on the east side of the City near Stillwater Creek and the Sacramento River would be constructed and that the Clear Creek Wastewater Treatment Plant would continue operation on the west side of the City. The advanced secondary Stillwater Regional Wastewater Treatment Plant was constructed near the confluence of Clover Creek and the Sacramento River and began operation in 1990.

Existing Facilities

The Wastewater System consists of the domestic and industrial sewage collection, treatment, and disposal facilities serving the City, including over 393 miles of interceptor and trunk sewers, fourteen sewage lift stations, and two secondary wastewater and effluent filtration treatment plants.

Clear Creek Wastewater Treatment Plant. The plant, designated as the Clear Creek Wastewater Treatment Plant, is located at the confluence of Clear Creek and the Sacramento River. The plant was designed to have a dry weather daily flow capacity of 8.8 million gallons per day (MGD) and a peak day flow capacity of 16.2 MGD. The plant was designed to serve 29,333 Household Equivalents (as defined under "The Wastewater System – Rate Policies and Collection Procedures") (based upon 300 gallons per day per Household Equivalent). The unit processes utilized at the plant include, among other things, the Clear Creek Lift Station, with an estimated effective pump capacity of 35 MGD, primary and secondary clarification, gravity filtration, chlorination for disinfection and sulfonation for dechlorination prior to discharge into the Sacramento River outfall. In addition, a series of nine flow equalization ponds provide raw sewage and/or primary effluent temporary flow storage should the influent flow exceed the capacity of the secondary treatment and filtration processes. This plant is currently at 89% of capacity. The City Council has authorized modifications to the Clear Creek Plant at an estimated cost exceeding \$70 million. The design is being done to allow for construction in eight phases. Phase I is scheduled to begin construction in the fall of 2006. This plant upgrade is being funded by a loan from the State of California revolving Loan Fund with repayment through a combination of new connection fee revenue and monthly service charges.

Stillwater Regional Wastewater Treatment Plant. The plant, designated the Stillwater Regional Wastewater Treatment Plant, is located on an approximately 300-acre site along Airport Road at the Sacramento River. Initially, the plant was designed for an average dry weather flow of 4 MGD and a peak wet weather flow of 12 MGD. Future expansions of the plant, projected to occur in two subsequent phases in 2013 and 2023, respectively, will result in the expansion of the plant's average dry weather flow capacity to 8 MGD and its peak wet weather flow capacity to 24 MGD. Facility planning

for the expansion is expected to begin in fiscal year 2007-08. It is anticipated that these future expansions will be financed by a combination of connection fee revenues and monthly service charges.

Environmental Compliance

The present discharge requirements for the Wastewater System are established by the State of California Regional Water Quality Control Board, Central Valley Region (the "Regional Board") which administers and enforces all federal and State of California discharge requirements. The Regional Board administers regulations promulgated under the National Pollutant Discharge Elimination System by the United States Environmental Protection Agency (the "EPA"). The Clear Creek Wastewater System's present discharge permit was adopted in 2003 and will expire in 2008. The Stillwater Wastewater system permit was adopted in 2001 and will expire in 2006.

The City is responsible for satisfying these federally and State-mandated discharge requirements. The requirements include provisions requiring the City to comply with all pretreatment requirements contained in the Federal Water Pollution Control Act. The City has an approved pretreatment program and is meeting the requirements of this Act by implementing new procedures to inspect and permit industries and to develop local limits for priority pollutants.

In general, plant performance has consistently met discharge requirements, and any instances of noncompliance have been isolated incidents that have not reoccurred.

Service Area

The previous service area of the Wastewater System was primarily the City, as well as the previously unincorporated areas of Buckeye and Twin View in north Redding. The 1989 Wastewater Project expanded this service area to include the Clover Creek Drainage area, including the City's municipal airport (approximately 3,500 acres), and the northern Stillwater Basin area (approximately 5,000 acres). This expanded service area lies entirely within the City's sphere of influence.

Historical Operations

The following table shows the historical number of residential customer household equivalents and the combined commercial and industrial customer household equivalents for the five fiscal years ending June 30, 2005. One household equivalent (HE) is the quantity of wastewater produced in the City of Redding by a average single-family residential household which is 300 gallons per day (GPD). Since customer fees and charges are based on the HE for each customer, the revenue amounts are proportional to these HE counts.

Historical Residential and Commercial/Industrial Household Equivalents

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

The Wastewater System currently has an average dry weather daily design flow capacity of 12.8 MGD. The actual average dry weather daily flow of the Wastewater System for the five fiscal years ended June 30, 2005 is shown below.

	Average Dry Weather Daily Flow Fiscal Years Ended June 30, 2005				
	2000-01	2001-02	2002-03	2003-04	2004-05
Clear Creek Plant	7.33	7.70	7.85	7.73	7.29
Stillwater Plant	2.80	2.70	2.50	2.60	2.40
Total Wastewater System	<u>10.13</u>	<u>10.40</u>	<u>10.35</u>	<u>10.33</u>	<u>9.69</u>

WATER UTILITY SYSTEM

History

The Redding water supply and treatment facilities date back to the early 1900s. The raw water supply pump station on the Sacramento River was built in stages beginning in 1939.

The City's rights to water from the Sacramento River stem from acquisition in 1941 of local facilities of the California Water Service Company, together with water rights which date from 1886, and from a license to appropriate 5 cfs, issued in 1944.

Since 1939 when the City of Redding assumed control and operation of the water system, the City's population has grown from approximately 7,500 to 89,973. This growth included two large increases in 1976 and 1977, when Redding annexed the Cascade Community Services District (serving approximately 4,450 residents) and the Enterprise Public Utility District (serving approximately 13,500 residents). In addition, the City assumed operation of a system serving about 1,500 residents outside the City in 1967, primarily in the Buckeye community.

A 1966 contract with the Bureau of Reclamation was renegotiated in June of 2005, with the Bureau of Reclamation extending the contract for an additional 40 years through March 31, 2045, details Redding's principal rights to the Sacramento River. The contract permits renegotiation at any time for more or less water subject to need and availability of water in the river. Water to be diverted consists of "base supply" and "project water supply."

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

These entitlements were subject to renegotiation by mutual agreement in 1985, as they were in 1975 when no change occurred, and the annual entitlement is subject to change in "Critical Water Years." In 1992 the Bureau decreased Redding's Project Supply entitlement by 25 percent. Despite the cutback, the City's water supply was sufficient to meet its needs.

In 1967 the City of Redding took over Buckeye County Water District facilities and the rights to a 1964 USBR contract. In February 1971, the City executed a new USBR contract to serve the Buckeye service area. This contract with the Bureau of Reclamation, which runs through February 28, 2045, allows Redding to obtain 6,140 acre-feet of water per year. The 2005 delivery from that contract was 4,505 acre-feet. Water charges under this contract total \$44.56 per acre-foot (\$15.00 water cost, \$15.87 restoration fee and \$14.69 foregone power charge). The City, in November of 1994 amended this contract with the Bureau of Reclamation to add the Spring Creek Conduit as a point of diversion for the new Buckeye Water Treatment Plant.

Foothill Water Treatment Plant constructed in 1981 expanded pumping and treatment capacity to a rated 24 million gallons per day (MGD). During the last two summers the treatment plant has been operating beyond treatment capacity to meet the demands of continued growth. While the project is expandable to a rated 42 MGD, the plant's practical operating capacity and projected design service date may be considerably greater. These facilities provide for filtration following the existing sedimentation basin and a 6 million gallon (MG) covered storage reservoir. Both these additions were needed to meet the requirements of the State of California, Department of Health Services Division of Drinking Water and Environmental Management.

Performance Measures and Workload Indicators

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

ACTIVITY	2001-02	2002-03	2003-04	2004-05	2005-06
Number of customers/services	25,795	26,369	26,619	27,354	28,301
Number of new meter sets	487	526	350	686	693
Quantity of water produced (acre feet)	26,816	27,404	29,186	26,159	27,036
Percentage of days water quality met standards	100%	100%	100%	100%	100%
Number of service calls (Includes water quality)	1,341	681	1,125	1,053	1,479
Miles of water mains	465	465	466	467	468
Number of main and water service failures/disruptions per year	396	447	655	467	259
Miles of substandard mains	76	76	73.5	72.1	71.1
Number of PB* service breaks	71	106	109	56	33
Number of PB scheduled replacement	167	99	114	181	86
Number of PB services remaining	2,200	2,087	1,864	1,628	1,508
Customers/service connections per employee	992	973	918	911	943

* Polybutylene service lines

Current System

Buckeye Zone

The Buckeye Water District water system was acquired by the City of Redding in 1967 following dissolution of that District. Water supply for that District was extremely limited. Upon assuming the operation of the Buckeye system, the City of Redding provided the additional supply by pumping from the northern end of its water system. Pump House No. 3, located at the foot of North Market Street hill, and Pump House No. 4, off Benton Drive northeast of the Diestlehorst Bridge, serve the Buckeye Zone. Storage for the Buckeye Zone is located on Lake Boulevard in north Redding, with two steel reservoirs at this site--one 200,000-gallon tank and one 2 MG tank with a high water surface of 955 feet. In 2002, an additional 4MG reservoir was constructed ¼ mile east of the Buckeye Water Treatment Plant with a high water surface of 1034 feet.

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

Foothill and Hill 900 Zones

Construction of Redding's Foothill Water Treatment Plant was completed in September 1981. The treatment plant consists of chemical treatment followed by flocculation, sedimentation, chlorination, and filtration. River water from Pump Plant No. 1 located on the south side of the Sacramento River, west of the Diestlehorst Bridge enters the treatment plant through a 36-inch main. Chlorine is added for disinfection and odor control. Polymer and aluminum sulfate are injected, and the water passes into a flocculation basin which is integrally constructed within a large 2 MG sedimentation basin, where it is allowed to settle and clarify. After clarification, water flows through dual media filtration and is post-chlorinated prior to entering a 6MG covered storage reservoir.

Storage is provided at three locations - one 6 MG covered storage reservoir at the treatment plant, two 1.5 MG prestressed concrete reservoirs having a high water surface of 733 feet on Foothill Boulevard, and one 2.0 MG prestressed concrete reservoir and one 2 MG steel tank having a high water surface of 925 feet to the south of the treatment plant at the top of Hill 900.

The Foothill Zone is served by gravity flow from the Foothill reservoirs. The Hill 900 Zone is served by Pump Plant No. 2, which is located at the treatment plant and is taking suction from the 48-inch main served by the 6 MG reservoir. An additional booster pump was added to the El Reno booster pump station. This will supply an additional 1.4 MGD to the southern end of the Hill 900 Zone from the Cascade Zone.

Enterprise Zone

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

The system was served originally by five wells; however, in 1978, the Cross Town Main, a large pipeline, was constructed which enabled the City to serve the Enterprise and Cascade areas with water

from the Foothill treatment plant. In 1985 approximately five miles of 12-, 16-, and 24-inch transmission mains were constructed from our Enterprise well fields on Goodwater Avenue to serve the U.S. Forest Service and Municipal Airport off Airport Road. In August 1986 three new 2 MGD capacity wells were added to the Enterprise Zone. In 1988 a 24-inch transmission main was constructed from Goodwater Avenue along Rancho Road westerly via South Bonnyview Road to the Cascade Zone. In December 2002, 2.5 miles of 24-inch transmission main was constructed from Rancho Road north along airport road in the Enterprise Zone to maximize the production of the groundwater wells. In July 1991 another 2 MGD-capacity well was added to the Enterprise Zone. Two additional 2MGD wells were added during 2003.

Groundwater is treated with 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 constructed in 2003 at the southeastern corner of the pressure zone which also pumps water from the Enterprise Pressure Zone, helps meet the higher demands due to the increased development in the Hilltop-Dana Zone.

Cascade Zone

The supply source for this zone comprises five wells with a maximum capacity of 0.75 MGD. This supply is augmented by connection to the south end of Redding's central system, and in 1978 the Cross Town water main was completed. This supply can furnish up to 3.2 MGD to the Cascade area. Additional supply is obtained by a large transmission main connecting the Cascade Zone to the Enterprise well system via South Bonnyview Road. This supply can furnish an additional 2 MGD. In the summer of 1995 a booster pump station was installed on the South Bonnyview transmission main to increase the supply to the Cascade Zone to 4.3 MGD.

In 1985 the City took over the operation of the Pinal Water Company serving the Westwood Manor Subdivision located off State Route 273 south. The subdivision is currently being supplied water from the foothill water treatment plant through two 8-inch interconnections. Storage to the Cascade Zone is provided by a 1 MG tank located off Kenyon Drive and a 2 MG tank in the Redding Ranchettes area. Both tanks operate at a high water surface elevation of 693.

Condition of System

The City of Redding maintains a well-trained and well-equipped work force. Its primary function is to operate the system, make systematic inspections as part of the preventive maintenance program, and plan and construct replacements. City forces will replace approximately 6,000 polybutylene (PB) water services, which are leaking because of premature pipe material failure, through a fifteen-year replacement program. City forces have replaced approximately 4,492 services or 75 percent. Service replacement by City forces is cost effective. Undersized and old lines are being replaced when maintenance costs indicate that they should be replaced or additional capacities are needed. The City of

Redding maintains a Master Water Plan; revisions to the system will be programmed, designed, and installed in accordance with this plan.

The system is well maintained in all regards, including raw water supply, pumping structures, equipment, transmission lines, and water treatment facilities, however the distribution system has numerous deficiencies that are being improved through capital projects.

STORM DRAINAGE UTILITY

History

City Council established the Storm Drainage Utility on September 21, 1993. The utility is part of the Municipal Utilities Department. Responsibilities include the monitoring, maintaining, and cleaning the storm drainage networks of the City.

Service Area and Customers

The service area encompasses storm drainage facilities within the City limits. As of June 30, 2006, the storm drainage network consists of 8,076 inlets, 189.79 miles of drainage conveyance facilities which include 78.18 miles of earthen channel, 33.56 miles of natural streams, 71.35 miles of open channels and 6.56 miles of concrete channels. The Storm Drainage Utility charge is based on impervious area. An impervious area is one that prohibits the natural drainage of rainwater into the ground (i.e., building, parking lot, etc.).

Condition of System

The City of Redding maintains a well-trained and well-equipped work force. Its primary function is to operate the Storm Drainage system, make systematic inspections as part of the preventive maintenance program, and plan and construct replacements. The City of Redding completed a Citywide Master Storm Drain Study in October 1993. A new Operations and Maintenance Plan was prepared in 2003 along with a project update of the 1993 Master Plan. The Operations and Maintenance Plan included a survey of the storm drain system.

The Storm Drain Utility staff consists of one Public Works Supervisor, one working supervisor, one heavy equipment operator and two maintenance men.

In 2003, the City applied for a National Pollution discharge Elimination System (NPDES Phase II) permit that was to be implemented over five years. 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 implementation will need to occur over approximately two and one-half years.