

Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017



INTRODUCTORY SECTION

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City of Redding
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Table of Contents

| | <u>Page</u> |
|---|---------------|
| <u>INTRODUCTORY SECTION</u> | |
| Table of Contents | iii |
| Transmittal Letter | vii |
| Certificate of Achievement for Excellence in Financial Reporting – GFOA | xiv |
| Organization Chart | xv |
| Directory of City Officials | xvi |
| <u>FINANCIAL SECTION</u> | |
| Independent Auditors’ Report on Financial Statements | 3 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and Compliance with the Transportation Development Act | 7 |
| Management’s Discussion and Analysis (Required Supplementary Information – Unaudited) | 9 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 30 |
| Statement of Activities and Changes in Net Position | 32 |
| Fund Financial Statements: | |
| Governmental Fund Financial Statements: | |
| Balance Sheet | 38 |
| Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position | 41 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 42 |
| Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position | 43 |
| Proprietary Fund Financial Statements: | |
| Statement of Net Position | 46 |
| Statement of Revenues, Expenses, and Changes in Net Position | 50 |
| Statement of Cash Flows | 52 |
| Fiduciary Fund Financial Statements: | |
| Statement of Fiduciary Net Position | 58 |
| Statement of Changes in Fiduciary Net Position | 59 |
| Notes to the Basic Financial Statements | 61 |
| Index to Notes to the Basic Financial Statements | 63 |

City of Redding
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Table of Contents (Continued)

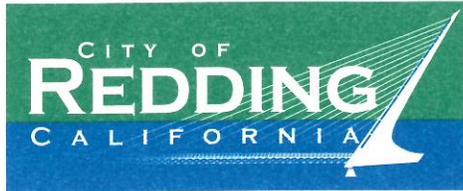
| | <u>Page</u> |
|--|-------------|
| <u>FINANCIAL SECTION (Continued):</u> | |
| Required Supplementary Information (Unaudited): | |
| Budgetary Principles..... | 139 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual: | |
| General Fund..... | 140 |
| Schedules of Changes in Net Pension Liability and Related Ratios - | |
| Public Employees Retirement System Miscellaneous Plan (CalPERS)..... | 142 |
| Schedules of Plan Contributions - Public Employees Retirement System | |
| Miscellaneous Plan (CalPERS)..... | 143 |
| Schedules of Changes in Net Pension Liability and Related Ratios - | |
| Public Employees Retirement System Safety Plan (CalPERS)..... | 144 |
| Schedules of Plan Contributions - Public Employees Retirement System | |
| Safety Plan (CalPERS)..... | 145 |
| Schedules of Changes in Net Pension Liability and | |
| Related Ratios - Public Agency Retirement Services Enhancement Plan (PARS)..... | 146 |
| Schedules of Public Agency Retirement Services Retirement Enhancement Plan | |
| Contributions All Tiers (PARS)..... | 147 |
| Schedule of Funding Progress – Healthcare Plan Municipal Retired Employees | 148 |
| Supplementary Information: | |
| Non-Major Governmental Funds: | |
| Combining Balance Sheet | 152 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 154 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: | |
| Parking Special Revenue Fund | 156 |
| Street Maintenance Special Revenue Fund..... | 157 |
| Community Development Special Revenue Fund..... | 158 |
| Housing Special Revenue Fund..... | 159 |
| General Special Revenue Fund..... | 160 |
| Library Special Revenue Fund | 161 |
| General Capital Projects Fund - Major Fund..... | 162 |
| Non-Major Enterprise Funds: | |
| Combining Statement of Fund Net Position..... | 164 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position | 167 |
| Combining Statement of Cash Flows..... | 168 |
| Internal Service Funds: | |
| Combining Statement of Net Position..... | 172 |
| Combining Statement of Activities and Changes in Net Position..... | 175 |
| Combining Statement of Cash Flows..... | 176 |
| Agency Funds: | |
| Combining Statement of Changes in Assets and Liabilities | 181 |

City of Redding
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

Table of Contents (Continued)

| | <u>Page</u> |
|--|-------------|
| Other Supplementary Information: | |
| Schedule of Passenger Facility Charges Collected and Expended and Interest Collected For the quarters ended September 30, 2016, December 31, 2016, March 31, 2017, and June 30, 2017 | 185 |
| <u>STATISTICAL SECTION</u> | |
| Index | 189 |
| Financial Trends: | |
| Net Position by Component – Last Ten Fiscal Years | 190 |
| Changes in Net Position – Last Ten Fiscal Years | 192 |
| Fund Balances of Governmental Funds – Last Ten Fiscal Years | 197 |
| Changes in Fund Balance of Governmental Fund – Last Ten Fiscal Years | 198 |
| Revenue Capacity: | |
| General Governmental Tax Revenues by Source – Last Ten Fiscal Years | 201 |
| Revenue Base – Own Source Revenue – Last Ten Fiscal Years | 202 |
| Electric Utility Rates – Last Ten Fiscal Years | 204 |
| Principal Electric Utility Payers – Last Ten Fiscal Years | 207 |
| Debt Capacity: | |
| Ratios of Outstanding Debt by Type – Last Ten Fiscal Years | 208 |
| Computation of Direct and Overlapping Debt | 211 |
| Legal Debt Margin Information – Last Ten Fiscal Years | 212 |
| Wastewater Revenue Bond Coverage – Last Ten Fiscal Years | 214 |
| Water Revenue Bond Coverage – Last Ten Fiscal Years | 216 |
| Electric Revenue Bond Coverage – Last Ten Fiscal Years | 218 |
| Demographic and Economic Information: | |
| Demographic Statistics – Last Ten Fiscal Years | 219 |
| Principal Employers in the Greater Redding Metropolitan Area – Last Six Fiscal Years | 220 |
| Full-Time City Budgeted Employees by Function/Program – Last Ten Fiscal Years | 221 |
| Operating Information: | |
| Capital Assets Statistics by Function/Program – Last Ten Fiscal Years | 223 |
| Operating Indicators by Function/Program | 224 |
| Supplemental Historical Information: | |
| Statement of Physical Condition of Airport Assets | 229 |
| History and Statement of Physical Condition of Electric System Assets | 230 |
| History and Statement of Physical Condition of Storm Drainage Assets | 233 |
| History and Statement of Physical Condition of Wastewater System Assets | 235 |
| History and Statement of Physical Condition of Water System Assets | 238 |

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CITY OF REDDING

777 CYPRESS AVENUE, REDDING, CA 96001

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

FINANCE DEPARTMENT

530.225.4079
530.225.4324 FAX

December 18, 2017

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, 2017. 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.

The Pun Group, a firm of licensed certified public accountants has issued an unmodified opinion on the City of Redding's financial statements for fiscal year ended June 30, 2017.

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

PROFILE OF THE CITY

The City of Redding is a general law city, incorporated under the laws of the State of California in 1887. A council of five members elected at large for alternating four-year terms governs the City. The Mayor, Vice-Mayor, City Manager, and City Attorney are appointed by the City Council. The City Clerk and City Treasurer are also elected officials and serve four-year terms.

Redding is the county seat for Shasta County and is located on the Sacramento River approximately 160 miles north of Sacramento, the state capital, and 150 miles east of the Pacific Ocean at the northernmost end of the Sacramento Valley. The City has an estimated population of 90,653 and encompasses approximately 60 square miles within the corporate limits. Extracting timber and the processing of wood by products along with agriculture, tourism and government have historically been the pillars of the local economy. Over the past few decades, there has been a general shift toward a service-based economy.



REPORTING ENTITY AND ITS SERVICES

This report includes all of the funds of the City. Financial information for separate legal entities related to the City of Redding includes the Redding Housing Authority, Redding Area Bus Authority, the Redding Joint Powers Financing Authority and the Redding Capital Services Corporation. All are accounted for in the City’s financial statements in accordance with Governmental Accounting and Financial Reporting Standards. Component unit financial reports are on file with the City. Under California State law all redevelopment agencies were dissolved as of January 31, 2012. The Redding Redevelopment Agency was dissolved on January 31, 2012 and all excess assets were transferred to a private purpose trust fund.

City Council members in separate sessions serve as the governing board of the Redding Joint Powers Financing Authority and the Redding Capital Services Corporation. 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 four agencies. Additional detail is provided in Note 1, Subparagraph A of the financial statements.

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

LOCAL ECONOMY

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

Population Characteristics - The City was one of the fastest growing cities in California between 1970 and 1990, growing to 66,432 residents in 1990 from 16,659 in 1970. However, lately the City’s population growth has slowed. From 2000 to 2010 the City’s population grew by an average of 1.11 percent. During the last year the City’s population growth was .35 percent. The City’s population of 90,653 has increased 0.9% over the 2010 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 2017:

| Year | City of Redding | | Shasta County | |
|------|-----------------|---|---------------|---|
| | Population | Annualized Percent Change over Interval | Population | Annualized Percent Change over Interval |
| 1970 | 16,659 | --- | 77,640 | --- |
| 1980 | 41,995 | 9.69% | 119,449 | 4.40% |
| 1990 | 66,432 | 4.69% | 147,036 | 2.10% |
| 2000 | 80,865 | 1.99% | 163,256 | 1.05% |
| 2010 | 89,878 | 1.11% | 177,248 | 0.85% |
| 2011 | 90,050 | 0.19% | 177,516 | 0.15% |
| 2012 | 90,342 | 0.32% | 178,107 | 0.33% |
| 2013 | 90,848 | 0.56% | 178,953 | 0.47% |
| 2014 | 90,950 | 0.11% | 178,742 | -0.12% |
| 2015 | 90,293 | -0.72% | 179,036 | 0.16% |
| 2016 | * 90,341 | 0.05% | * 178,232 | -0.45% |
| 2017 | 90,653 | 0.35% | 178,605 | 0.21% |

*Source: 1970-2010 data from U.S. Census; 2011-2017 estimates from the California State Department of Finance as of January 1 (*2016 revised estimate, May 1, 2017 report)*

The City’s population, over the next 10 years, is projected to grow by approximately 4,156 an increase of approximately 4.6%. The Redding area is expected to maintain approximately 50% of the total Shasta County population because of a variety of factors that will support urban development, including utilities (wastewater, storm drainage, water, electric, and solid waste), employment, regional shopping, transportation services, and reduced commuting.

Housing Costs - Housing in the City is less costly than in many other urban areas in the State of California and on the West Coast. The following table sets forth the median price of housing in other urban areas of California as compared to Shasta County, in which Redding is the largest city, as of June 2017:

| Region | Median Home Price |
|---------------|--------------------------|
| Shasta County | \$269,900 |
| Sacramento | \$347,000 |
| Los Angeles | \$548,220 |
| Orange County | \$795,000 |
| San Francisco | \$1,469,000 |

Source: California Association of Realtors

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

The major non-local government employers in the City and the County include those in medical services, and retail services. Major employers in the City of Redding, their products or services, and the approximate number of their respective full-time employees as of June 2017 are listed in the following table:

| Employer | Product/Services | Employees |
|-----------------------------------|-----------------------------|------------------|
| Shasta County (*) | County Services | 2,008 |
| Mercy Medical Center | Medical Facilities/Services | 1,566 |
| City of Redding (**) | City Services | 1,166 |
| Shasta Regional Medical Center | Medical Facilities/Services | 788 |
| CA Transportation Department | Highways, Freeways, etc. | 686 |
| Redding Rancheria | Casino/Redding Rancheria | 570 |
| Shasta Union High School District | Education | 396 |
| Shasta Community College | Education | 369 |
| Shasta Community Health | Medical Services | 350 |
| Blue Shield of California | Health Care Insurance | 330 |

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

(**) Full-time budgeted positions. In 2016-17 there were 739 full-time and 427 part-time/temporary positions filled.

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

According to the State Employment Development Department, the unemployment rate of the City’s metropolitan area was 7.2 percent on June 30, 2017. 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 2008 through June 2017:

| Fiscal Year | | Labor | Unemployment | | | |
|--------------------|----------------|--------------|---------------------|-------------|-------|---|
| Ending | June 30 | Force | Number | Rate | | |
| 2008 | | 83,000 | 7,300 | * | 9.3% | |
| 2009 | | 85,200 | 12,000 | | 14.1% | |
| 2010 | | 78,800 | 12,700 | | 16.2% | |
| 2011 | | 77,400 | 12,300 | | 15.9% | |
| 2012 | * | 77,000 | 10,900 | * | 14.2% | |
| 2013 | * | 76,100 | 9,000 | * | 11.8% | |
| 2014 | * | 75,400 | 7,000 | * | 9.2% | * |
| 2015 | * | 75,000 | 5,700 | | 7.5% | |
| 2016 | * | 75,500 | 5,100 | * | 6.8% | * |
| 2017 | | 75,700 | 4,400 | | 5.8% | |

*Source: State Department of Employment (*Years 2008-2016 Revised)*

Construction Activity - For the past ten calendar years ending December 2015, the City issued building permits valued at a total of \$752,257,970. New construction over the ten-year period represents 60.8% of the total construction activity. For the 2016 calendar year 3,911 building permits were issued, with a total permit valuation of \$72,266,218. After a number of years of declining permit activity, year 2012 saw an upturn in permit and related construction activity (with the exception of Multi-family dwellings). This trend is expected to continue in the current calendar year.

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

| | 2013 | 2014*** | 2015*** | 2016 |
|-------------------------|--------------|----------------|----------------|--------------|
| Value Single Family* | \$21,036,822 | \$24,064,841 | \$41,841,967 | \$28,363,817 |
| Number of Units | 107 | 111 | 190 | 128 |
| Value Multi-dwellings | \$0 | \$0 | \$4,462,681 | \$348,376 |
| Number of Permits(1) | 0 | 0 | 8 | 1 |
| Number of Units | 0 | 0 | 54 | 3 |
| Value Business | \$20,245,363 | \$17,070,606 | \$10,524,692 | \$16,135,140 |
| Number of Permits | 9 | 11 | 25 | 21 |
| Value Total all Permits | \$77,690,439 | \$69,025,840 | \$86,436,948 | \$76,266,218 |
| Total Permits** | 3,295 | 3,122 | 3,765 | 3,911 |

* Value of new construction only.

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

*** Numbers Revised

(1) Includes hotel and apartment units – “R” occupancies.

Source: City of Redding Development Services Department

Commerce - The City is a regional center of commerce for several Northern California counties. This is evidenced by its many shopping centers and malls. Support for retail sales is derived from a retail trade area population of approximately 126,000 in the primary trade area and approximately 256,000 in the secondary trade area. The primary trade area consists of the metropolitan urban area, including the cities of Redding, Shasta Lake, Anderson, and Red Bluff. The secondary trade area consists of Shasta, Trinity, and Tehama counties.

Taxable transactions in the City were approximately \$2.0 billion in calendar year 2016, a 1.5% increase over the same period for 2015.

| <u>Year</u> | <u>Taxable Transactions (in Thousands)</u> | <u>Taxable Transactions Percentage Increase (Decrease)</u> |
|-------------|--|--|
| 2007 | \$1,983,496 | -5.70% |
| 2008 | \$1,835,601 | -7.50% |
| 2009 | \$1,603,079 | -12.70% |
| 2010 | \$1,614,631 | 0.70% |
| 2011 | \$1,732,786 | 7.30% |
| 2012 | \$1,840,953 | 6.20% |
| 2013 | \$1,924,122 | 4.50% |
| 2014 | \$1,943,607 | 1.00% |
| 2015 | \$1,992,806 | 2.50% |
| 2016 | \$2,022,557 | 1.50% |

Source: California State Board of Equalization

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

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

Redding Area Bus Authority (RABA) is the City's multi-bus transportation system and offers seventeen different fixed routes, rural service and demand response (curb-to-curb) services. RABA had an average total monthly ridership of approximately 61,682 for fiscal year 2016-17.

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 39 elementary schools, 9 middle/junior high schools, 14 charter schools, 1 regional occupation programs and 14 high schools. There are several higher educational institutions in the immediate area offering bachelor and master's degrees: Chico State University Center for Regional and Continuing Education (located in the Health Science & University Center, downtown Redding), National University, Simpson University, and Shasta Bible College & Graduate School. Shasta Community College, a two-year institution, offers both day and evening courses to over 13,715 students. In addition, there are several Vocational & Technical schools offering a diverse range of programs.

The City's parks system includes 66 developed parks and facilities, encompassing over 630 developed acres. Included in this total acreage are 192.39 acres of natural area parks (improved open space), 53 miles of trails, and 16 special purpose facilities. Among these special purpose facilities are the Redding Civic Auditorium, which hosts cultural/performing arts programs, conferences, and conventions; the Redding Aquatic Center; the Redding Big League Dreams Sports Park; the Redding Soccer Park; the Senior Citizens Center; the Martin Luther King Jr. Community Center, the Benton Dog Park; three boat ramp facilities that provide access to the Sacramento River; and almost 1,000 acres of natural open space.

The City serves as the primary medical center for Northern California. The City's two general care hospitals serve approximately 332,000 people in Shasta, Tehama, Trinity, Siskiyou, and Lassen counties. The two largest hospitals have a total of 493 beds and employ approximately 2,354 full-time staff members. In addition, the City also has several specialized hospitals.

LONG-TERM FINANCIAL PLANNING

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

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

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

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

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

FEDERAL GRANTS SINGLE AUDIT APPROACH

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

As a recipient of Federal, State, and County financial assistance, the City of Redding is responsible for implementing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. The results of the City of Redding's single audit for the fiscal year ended June 30, 2017, provided no instances of material weaknesses in the internal control structure or significant violation of applicable laws and regulations.

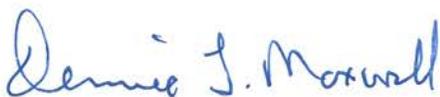
CERTIFICATE OF ACHIEVEMENT

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, 2016. This was the 33rd consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

I would like to take this opportunity to thank the members of the Audit Committee and the City Council for their cooperation and support in conducting the financial operations of the City in a responsible and progressive manner. Appreciation is also expressed to all City departments who contributed information provided in this financial report and the Finance Department's staff who made this presentation possible. It is the combined effort of all participants that resulted in the issuance of this document.



Dennice L. Maxwell
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

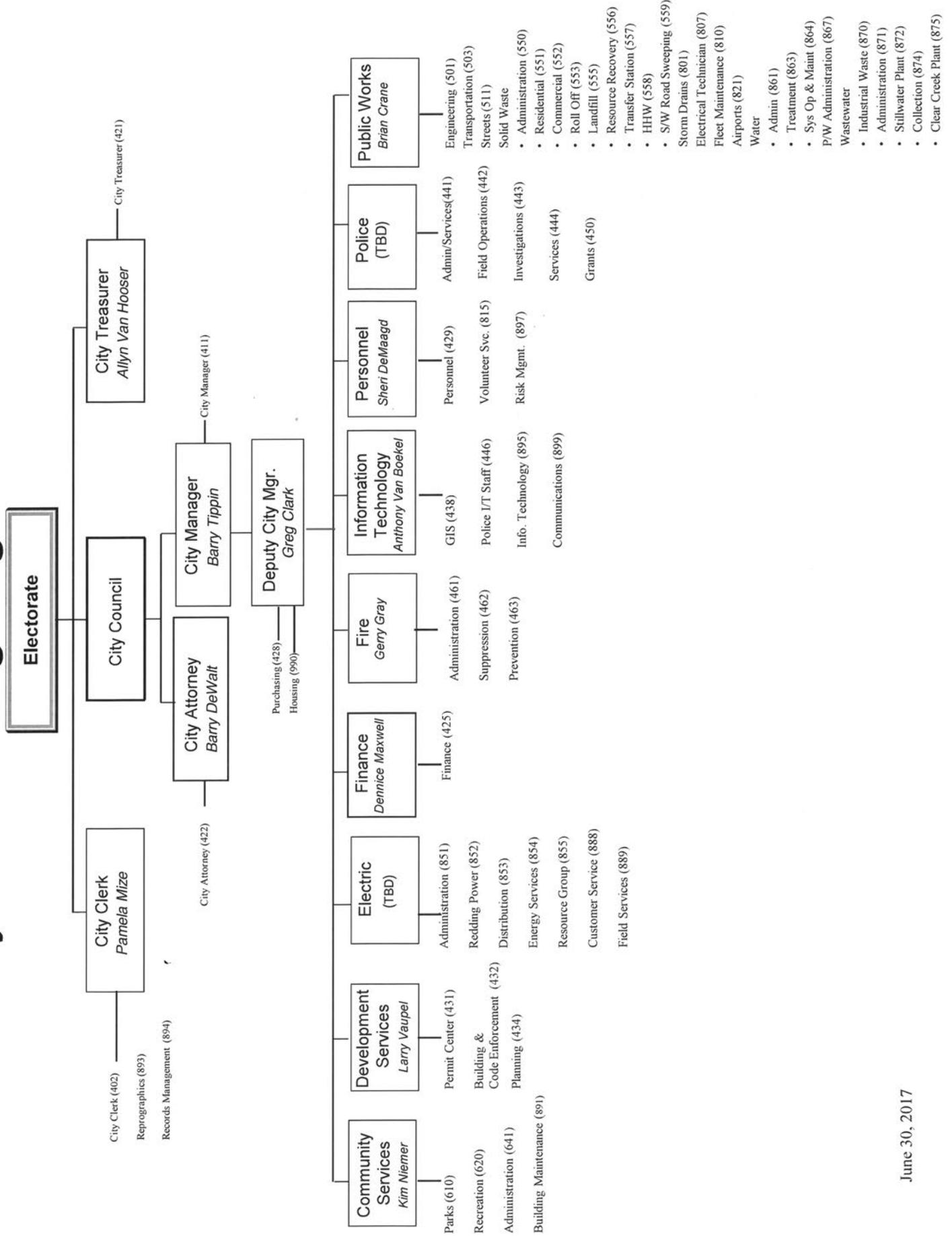
**City of Redding
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

City of Redding Organization Chart



MUNICIPAL OFFICIALS

City Council

Mayor Brent Weaver
Vice Mayor.....Kristen Schreder
Council Member..... Adam McElvain
Council Member..... Francie Sullivan
Council Member..... Julie Winter

Administrative Personnel

City Manager..... Barry Tippin
Deputy City Manager Greg Clark
City Attorney.....Barry DeWalt
City Clerk Pam Mize
City Treasurer..... Allyn Van Hooser
Director of Community Services..... Kim Niemer
Director of Development ServicesLarry Vaupel
Director of Electric TBD
Director of Finance.....Dennice Maxwell
Director of Information Technology Tony Van Boekel
Director of Personnel..... Sheri DeMaagd
Director of Public Works Brian Crane
Fire Chief..... Gerry Gray
Police Chief TBD

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

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 (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Investment in Joint Ventures of the Transmission Agency of Northern California, which collectively represent the following percentages of assets, net position, and expenses of the following opinion units:

| Opinion Unit | Assets | Net Position | Expenses |
|--------------------------|--------|--------------|----------|
| Business-type Activities | 0.24% | 0.49% | 0.82% |
| Major Enterprise Fund: | | | |
| Electric Utility | 0.55% | 1.82% | 1.26% |

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for investment in joint ventures, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedules of Changes in Net Pension Liability and Related Ratios, Schedules of Contributions, and Schedules of Funding Progress on pages 9 through 26 and 139 through 148 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Passenger Facility Charges Collected and Expended and Interest Collected is presented for purposes of additional analysis as specified in the *Passenger Facility Chare Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the basic financial statements.

To the Honorable Mayor and Members of the City Council
of the City of Redding
Redding, California
Page 3

The Combining and Individual Nonmajor Fund Financial Statements, Budgetary Comparison Schedules, and Schedule of Passenger Facility Charges Collected and Expended and Interest Collected, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements, Budgetary Comparison Schedules, and Schedule of Passenger Facility Charges Collected and Expended and Interest Collected, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards* and the Transportation Development Act

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Transportation Development Act in considering the City's internal control over financial reporting and compliance.

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Walnut Creek, California
December 18, 2017

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redding, California (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

To the Honorable Mayor and Members of the City Council
of the City of Redding
Redding, California
Page 2

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the California Code of Regulations, and the rules and regulations and allocation instructions of the Shasta Regional Transportation Agency, for the year ended June 30, 2017. In connection with our audit, we performed, to the extent applicable, the compliance audit tasks set forth in Sections 6666 and 6667 of the California Code of Regulations.

In our opinion, the funds allocated pursuant to the Transportation Development Act were accounted for and expended in conformance with the Transportation Development Act, the California Code of Regulations, and the rules and regulations and allocation instructions of the Shasta Regional Transportation Agency.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards and the Transportation Development Act.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and Transportation Development Act in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
December 18, 2017

City of Redding
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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, 2017. 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 vii) and the financial statements (beginning on page 29).

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 Position: The Statement of Net position presents information on all of the City's Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources with the difference reported as Net Position.

$$\text{Net Position} = (\text{Assets} + \text{Deferred Outflows of Resources}) - (\text{Liabilities} + \text{Deferred Inflows of Resources})$$

Over time, the change in net position 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 position changed during the most recent fiscal year. All changes in net position 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).

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

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 electric, water, wastewater, 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 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 29-33 of this report.

Fund Financial Statements

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

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

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

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and General Capital Project Fund, which are considered to be major funds. Data from the other nine 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 37-43 of this report.

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

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

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

The basic proprietary fund financial statements can be found on pages 45-55 of this report.

Fiduciary Funds: The City maintains agency funds and a Private-purpose Trust Fund (Successor Agency to the Redding Redevelopment Agency). These funds are used to account for resources held for other parties outside the government. These funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statements can be found on pages 57-60 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 61-136 of this report.

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

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

FINANCIAL HIGHLIGHTS

Government-Wide Financial Analysis

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$559 million (See Summary of Net Position and analysis on page 30).

- \$593.4 million represents the City's investment in capital assets, less (1) accumulated depreciation, (2) related outstanding debt used to acquire those assets, and (3) related deferred inflows of resources.
- \$56.8 million is available for the City's ongoing obligations related to program with external restrictions.
- -\$90.9 million is primarily the result of the City's unfunded pension and Other Postemployment Benefits (OPEB) obligations.
- The City's total debt decreased by \$22.6 million (net of bond premiums and discount and excluding deferred charges) during the year ending June 30, 2017. In addition the City made \$17.7 million in regular scheduled debt payments. The City borrowed \$.7 million in State loans for wastewater treatment plant upgrades, \$1.1 million for the airport buyout of the leased solar panels, and the Electric Utility issued \$55.8 million in Revenue Bonds which in part advanced refunded \$60.9 million in Certificates of Participation.

The City's total net position increased by \$4.3 million over the prior year:

- The \$4.6 million increase in net position invested in capital assets, net of related debt, represents the change in capital expenditures less depreciation, the retirement of related long-term debt, and amortization of related deferred inflows of resources.
- The \$1.8 million decrease in restricted net position represents the change in resources that are subject to external restrictions on their use.
- The \$1.5 million increase in unrestricted net position is the change in resources available to fund City programs to citizens and debt obligations to creditors.

Financial Analysis of the City's Funds

The City's governmental funds' combined ending fund balance of \$71.1 million was an decrease of \$3.7 million from the prior year ending fund balance of \$74.8 million. Amounts available for spending include Restricted, Assigned and Unassigned Fund Balances; these totaled \$69.2 million, or 97.4 percent of fund balance. Of this amount:

- \$51.7 million is restricted by law or externally imposed requirements,
- \$5.5 million is assigned or constrained by the City Council's 'intent' to be used for specific purposes, but are neither restricted nor committed.
- \$12.0 is unassigned fund balance.

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of Net Position
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | | Total | |
|--|----------------------------|------------|-----------------------------|------------|------------|------------|--------------------------|---------------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | <i>Dollar Change</i> | <i>Percent Change</i> |
| Assets: | | | | | | | | |
| Current and Other Assets | \$ 116,105 | \$ 118,852 | \$ 228,456 | \$ 210,636 | \$ 344,561 | \$ 329,488 | \$ 15,073 | 4.6% |
| Capital Assets, net | 330,836 | 338,269 | 525,255 | 529,476 | 856,091 | 867,745 | (11,654) | -1.3% |
| Total Assets | 446,941 | 457,121 | 753,711 | 740,112 | 1,200,652 | 1,197,233 | 3,419 | 0.3% |
| Deferred Outflows of Resources: | 31,695 | 26,805 | 30,671 | 26,143 | 62,366 | 52,948 | 9,418 | 17.8% |
| Liabilities: | | | | | | | | |
| Current Liabilities | 18,156 | 15,339 | 47,856 | 42,880 | 66,012 | 58,219 | 7,793 | 13.4% |
| Long Term Liabilities | 267,090 | 243,069 | 362,119 | 359,495 | 629,209 | 602,564 | 26,645 | 4.4% |
| Total Liabilities | 285,246 | 258,408 | 409,975 | 402,375 | 695,221 | 660,783 | 34,438 | 5.2% |
| Deferred Inflows of Resources: | 8,280 | 24,420 | 219 | 10,014 | 8,499 | 34,434 | -25,935 | -75.3% |
| Net Position: | | | | | | | | |
| Net investment in Capital Assets | 299,479 | 304,441 | 293,921 | 284,347 | 593,400 | 588,788 | 4,612 | 0.8% |
| Restricted | 42,761 | 43,496 | 14,068 | 15,155 | 56,829 | 58,651 | (1,822) | -3.1% |
| Unrestricted | (157,130) | (146,839) | 66,199 | 54,364 | (90,931) | (92,475) | 1,544 | -1.7% |
| Total Net Position | \$ 185,110 | \$ 201,098 | \$ 374,188 | \$ 353,866 | \$ 559,298 | \$ 554,964 | \$ 4,334 | 0.8% |

As noted earlier, over time, increases or decreases in Net Position may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$559 million at the close of the current fiscal year.

Analysis of Net Position

The City's total net position increased by .8% from a year ago, increasing from \$555 million to \$559.3 million. Net position from governmental activities decreased by \$16 million or 8% and net position from business activities increased by \$20.3 million or 5.8%. The \$4.3 million increase in net position is primarily due to changes in unrestricted net position from business-type activities. The negative unrestricted net position at June 30, 2017 is primarily the result of the City's unfunded pension and OPEB obligations.

The \$20.3 million increase in net position from business-type activities is primarily due to funds being accumulated for current and future capital projects, especially in the Electric Utility Fund and Waste Water Utility Fund.

Most of the City's net position is 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

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

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. The restricted net position of \$56.8 million represents resources that are subject to external restrictions as to how they may be used. The remaining negative unrestricted net position of \$90.9 million, a positive change of \$1.5 million, or 1.7%, from the prior year, is the change in resources available to fund the City's ongoing obligations to its citizens and creditors. The majority negative unrestricted net position is primarily the result of the City's unfunded pension and OPEB obligations.

Analysis of Governmental Activities

Changes in Net Position
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | | Total | |
|---|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | Dollar Change | Percent Change |
| Revenues | | | | | | | | |
| <i>Program Revenues</i> | | | | | | | | |
| Charges for services | \$ 13,857 | \$ 12,894 | \$ 237,233 | \$ 227,414 | \$ 251,090 | \$ 240,308 | \$ 10,782 | 4.5% |
| Operating grants | 16,491 | 18,663 | 6,566 | 4,301 | 23,057 | 22,964 | 93 | 0.4% |
| Capital grants and contributions | 6,041 | 18,961 | 2,625 | 5,639 | 8,666 | 24,600 | (15,934) | -64.8% |
| Total Program Revenues | 36,389 | 50,518 | 246,424 | 237,354 | 282,813 | 287,872 | (5,059) | -1.8% |
| <i>General Revenues</i> | | | | | | | | |
| Sales Tax | 23,199 | 22,586 | - | - | 23,199 | 22,586 | 613 | 2.7% |
| Property Tax | 17,924 | 17,358 | - | - | 17,924 | 17,358 | 566 | 3.3% |
| Investment earnings | 375 | 780 | 506 | 2,516 | 881 | 3,296 | (2,415) | -73.3% |
| Other | 7,414 | 8,368 | - | 5 | 7,414 | 8,373 | (959) | -11.5% |
| Total General Revenues | 48,912 | 49,092 | 506 | 2,521 | 49,418 | 51,613 | (2,195) | -4.3% |
| Total Revenue | 85,301 | 99,610 | 246,930 | 239,875 | 332,231 | 339,485 | (7,254) | -2.1% |
| Expenses: | | | | | | | | |
| General Government | 7,577 | 8,077 | - | - | 7,577 | 8,077 | (500) | -6.2% |
| Police | 32,115 | 30,752 | - | - | 32,115 | 30,752 | 1,363 | 4.4% |
| Fire | 22,299 | 20,467 | - | - | 22,299 | 20,467 | 1,832 | 9.0% |
| Public Works | 16,212 | 14,955 | - | - | 16,212 | 14,955 | 1,257 | 8.4% |
| Planning | 4,291 | 4,014 | - | - | 4,291 | 4,014 | 277 | 6.9% |
| Recreation and Culture | 11,220 | 10,791 | - | - | 11,220 | 10,791 | 429 | 4.0% |
| Community Development | 10,242 | 9,992 | - | - | 10,242 | 9,992 | 250 | 2.5% |
| Interest on Long-Term Debt | 1,624 | 1,720 | - | - | 1,624 | 1,720 | (96) | -5.6% |
| Electric | - | - | 144,827 | 144,525 | 144,827 | 144,525 | 302 | 0.2% |
| Water | - | - | 17,811 | 17,023 | 17,811 | 17,023 | 788 | 4.6% |
| Wastewater | - | - | 23,748 | 23,872 | 23,748 | 23,872 | (124) | -0.5% |
| Storm Drainage | - | - | 2,037 | 2,095 | 2,037 | 2,095 | (58) | -2.8% |
| Solid Waste | - | - | 22,431 | 20,210 | 22,431 | 20,210 | 2,221 | 11.0% |
| Transportation | - | - | 10,114 | 9,949 | 10,114 | 9,949 | 165 | 1.7% |
| Convention Center | - | - | 1,349 | 1,187 | 1,349 | 1,187 | 162 | 13.6% |
| Total Expenses | 105,580 | 100,768 | 222,317 | 218,861 | 327,897 | 319,629 | 8,268 | 2.6% |
| Increase in net position before transfer | (20,279) | (1,158) | 24,613 | 21,014 | 4,334 | 19,856 | (15,522) | -78.2% |
| Transfers | 4,290 | 4,569 | (4,290) | (4,569) | - | - | - | 0.0% |
| Change in net position | (15,989) | 3,411 | 20,323 | 16,445 | 4,334 | 19,856 | (15,522) | -78.2% |
| Net position - beginning | 201,099 | 197,688 | 353,866 | 337,421 | 554,965 | 535,109 | 19,856 | 3.7% |
| Net position - ending | \$ 185,110 | \$ 201,099 | \$ 374,189 | \$ 353,866 | \$ 559,299 | \$ 554,965 | \$ 4,334 | 0.8% |

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

Governmental Activities

Revenue Highlights

Total revenues for the governmental activities were \$89.6 million. The largest component of total revenue is taxes at \$48.2 million, making up 56.5% of total revenue in the governmental funds. This is consistent with the nature and purpose of governmental funds, particularly in the General Fund, where programs are largely supported by general taxes. The largest tax revenues received by the General Fund include, sales, property and transient occupancy.

Some of the key changes in revenues are:

Sales tax increased by 2.7% from the prior year. The \$.6 million increase is reflective of the economy continuing to improve.

Property taxes increased by 3.3% from the prior year. The \$.5 million increase is reflective of the rise in property values and the related re-assessment when properties are sold.

Operating grants and contributions and Capital grants and contributions decreased by \$15.1 million primarily due to a decrease in Capital grants for Public Works.

Expense Highlights

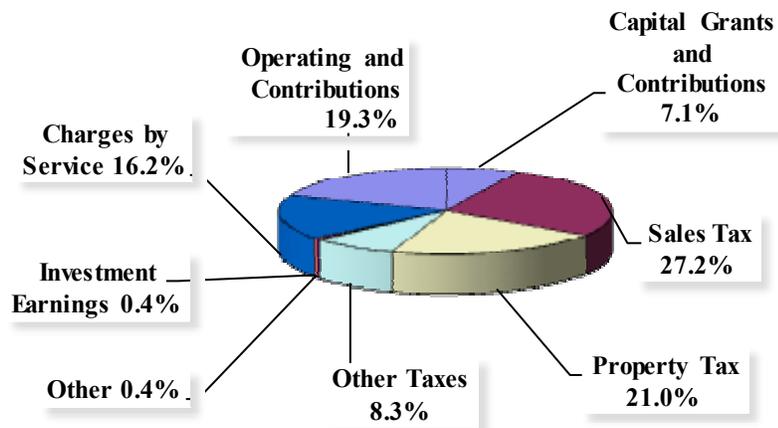
Functional expenses for the year totaled approximately \$105.6 million, an increase of \$4.8 million from the prior year. The increase was primarily associated with Public Safety (police and fire) as well as Public Works expenses.

The largest component of total expenses was for Public Safety (police and fire), representing \$54.4 million (51.5%) of the total. A large portion of public safety costs are funded from general revenues, primarily taxes. In contrast, Public Works expenses, which total \$16.2 million, are funded largely from restricted revenues, including gas tax and federal and state grants. These resources pay for street maintenance and improvements, street, sweeping, transportation planning and other related costs.

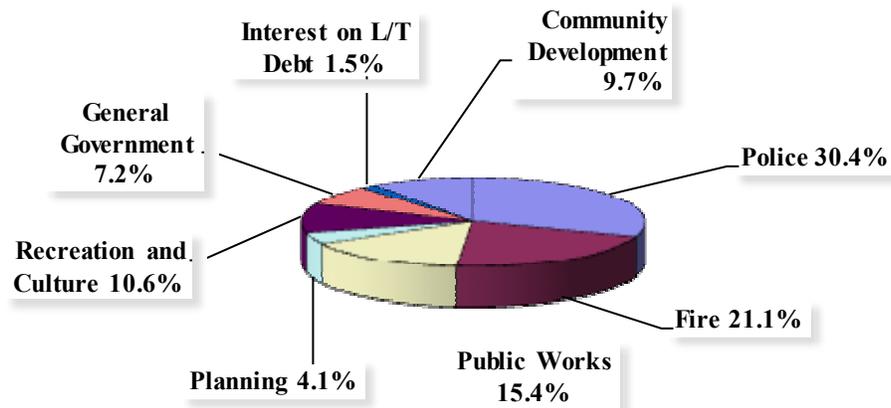
City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

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

Revenues by Source - Governmental Activities



Expense by Source - Governmental Activities



City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

Business-Type Activities

Business-type activities increased the City's net position by \$20.3 million. Key elements of this increase are as follows:

- Revenues exceed expenses for electric, water and wastewater as funds are being accumulated for current and future capital projects. Electric revenues overall increased by \$7 million primarily as a result of a increase in user fees and charges and Electric overall expenses increased \$.6 million primarily as a result of losses incurred on the disposal of plant assets and bond issuance costs.

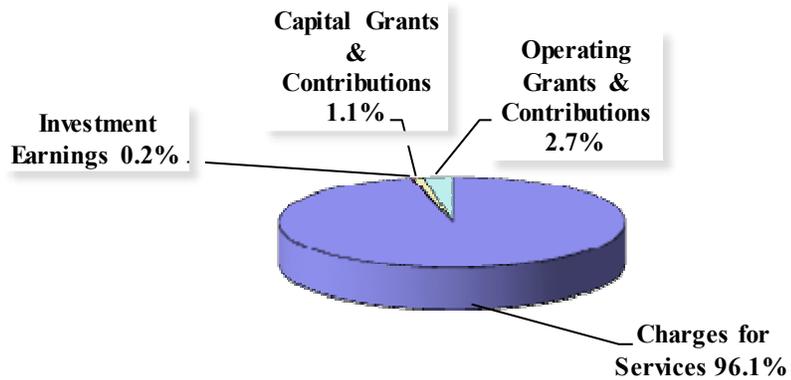
The following schedule shows business-type activities revenues and expenses.

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

| | <u>Revenue</u> | | <u>Expense</u> | | <u>Changes in Net Position</u> | |
|---------------------|-------------------|-------------------|-------------------|-------------------|--------------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Electric | \$ 165,548 | \$ 158,538 | \$ 144,827 | \$ 144,526 | \$ 20,721 | \$ 14,012 |
| Water | 19,964 | 18,324 | 17,811 | 17,023 | 2,153 | 1,301 |
| Wastewater | 27,280 | 27,112 | 23,748 | 23,872 | 3,532 | 3,240 |
| Storm Drainage | 1,772 | 1,797 | 2,037 | 2,095 | (265) | (298) |
| Solid Waste | 22,267 | 21,260 | 22,431 | 20,209 | (164) | 1,051 |
| Transportation | 9,352 | 10,068 | 10,114 | 9,949 | (762) | 119 |
| Convention Center | 241 | 255 | 1,349 | 1,187 | (1,108) | (932) |
| Investment Earnings | 506 | 2,516 | - | - | 506 | 2,516 |
| Transfers | (4,290) | (4,569) | - | - | (4,290) | (4,569) |
| Other | - | 5 | - | - | - | 5 |
| Total | \$ 242,640 | \$ 235,306 | \$ 222,317 | \$ 218,861 | \$ 20,323 | \$ 16,445 |

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

Revenues by Source - Business-Type Activities



Typically business-type activities charge customers for the services provided and the related necessary capital costs. As can be seen from the above graph, charges for services make up the vast majority (96.1%) of the revenues of the business-type activities.

Financial Analysis of the Government's Fund Balances

| | Fund Balances | | | | |
|---------------------------------|----------------------|------------------|-----------------|------------------|------------------|
| | Nonspendable | Restricted | Assigned | Unassigned | Total |
| General Fund | \$ 1,833 | \$ 757 | \$ 5,510 | \$ 12,382 | \$ 20,482 |
| Major Funds | | | | | |
| Capital Projects | - | 6,770 | - | - | 6,770 |
| Other Governmental Funds | 18 | 44,134 | - | (345) | 43,807 |
| | <u>\$ 1,851</u> | <u>\$ 51,661</u> | <u>\$ 5,510</u> | <u>\$ 12,037</u> | <u>\$ 71,059</u> |

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources (modified accrual basis of accounting). Such information is useful in assessing the City's financing requirements. In particular, total fund balance less the nonspendable portion is a useful measure of a government's resources available for spending at the end of the fiscal year.

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

At June 30, 2017, the City's governmental funds reported total fund balance of \$71.1 million, a decrease of \$3.7 million in comparison with the prior year's total ending fund balance. The components of total fund balance are as follows (for more information see Note 19 – Fund Balances):

- Nonspendable Fund Balance, \$1.85 million are amounts that are not spendable in form, or are legally or contractually required to be maintained intact, and are made up of (1) prepaid expenses, (2) inventories, and (3) endowments.
- Restricted Fund Balance, \$51.66 million consists of amounts with constraints put on their use by creditors, grantors, contributors, laws, regulations or enabling legislation. Examples of restrictions on funds are those for (1) purpose of fund, (2) reserves associated with issued bonds, and (3) grants for capital outlay.
- Assigned Fund Balance, \$5.51 million are resources that are set aside for a particular purpose, and are made up of amounts that reflect resources for specific purposes such as (1) encumbrances, and (2) future expenditures/contingencies.
- Unassigned Fund Balance, \$12.04 million represents the residual balance for the City's governmental funds.

General Fund

The General Fund is the chief operating fund of the City. At June 30, 2017, unassigned fund balance was \$12.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16.1% of the total General Fund expenditures, while total fund balance represents 26.6% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$1.4 million during the year ended June 30, 2017.

General Fund revenues increased \$.6 million, and expenditures increased by \$2.1 million from FYE 2016 to 2017. The increase in revenue was primarily due to increases in property tax revenue of .9 million (5.1%) and an increase in charges for services revenue of \$.6 million (36.0%). These increases were partially offset by a decrease in sales tax revenue of \$.7 million (3.0%). Tax rates were not changed during the year.

The \$2.1 million increase in expenditures is due to an increase in overall expenditures for police of \$.8 million and fire \$1.1 million, and an increase in general government expenditures of \$.6 million. These were partially offset by a decrease in capital outlay of \$.5 million.

Other financing sources increased by \$.5 million. The increase is due primarily to an increase in net transfers of \$1.7 million offset by an decrease in the sale of assets of \$1.2 million.

The Capital Project Fund accounts for the financing and construction activities of the City. On June 30, 2017, the restricted fund balance was \$6.8 million. Both restricted fund balance and total fund balance represent 107.2% of the total Capital Project Funds expenditures.

The fund balance of the City's Capital Project Fund decreased \$1.5 million during the year ended June 30, 2017.

Capital Project Fund revenues decreased \$14.3 million and expenditures decreased \$8.4 million. The decrease in revenue was primarily due to an decrease in intergovernmental grant revenue for capital projects.

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following schedule shows the changes in net position of the major proprietary funds and restricted and unrestricted portions of net position of the major proprietary funds of the City.

Changes in Net Position - Major Proprietary Funds
(in thousands)

| | <u>Net Position July 1, 2016</u> | <u>Changes in Net Position</u> | <u>Net Position June 30, 2017</u> |
|---------------------------------|--------------------------------------|------------------------------------|---------------------------------------|
| Electric Utility | \$ 85,019 | \$ 15,408 | \$ 100,427 |
| Water Utility | \$ 82,567 | \$ 2,545 | \$ 85,112 |
| Wastewater Utility | \$ 121,520 | \$ 3,924 | \$ 125,444 |
| Solid Waste Collection/Disposal | \$ 17,336 | \$ 504 | \$ 17,840 |

Net Position - Restricted and Unrestricted
Major Proprietary Funds as of June 30, 2017
(in thousands)

| | <u>Net Investment in Capital Assets</u> | <u>Restricted Net Position</u> | <u>Unrestricted Net Position</u> | <u>Total Net Position</u> |
|---------------------------------|---|------------------------------------|--------------------------------------|-------------------------------|
| Electric Utility | \$ 56,368 | - | 44,059 | \$ 100,427 |
| Water Utility | \$ 64,955 | 19 | 20,138 | \$ 85,112 |
| Wastewater Utility | \$ 96,415 | 10,848 | 18,181 | \$ 125,444 |
| Solid Waste Collection/Disposal | \$ 19,264 | - | (1,424) | \$ 17,840 |

The factors affecting the above changes in net position 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, 2017, was the second year of the two-year budget process. Differences between the original General Fund budget and the amended General Fund budget expenditures are shown below:

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

General Fund Original and Amended Budget
(in thousands)

| | <u>Original</u> | <u>Amended</u> | <u>Increase (Decrease)</u> |
|---|------------------|------------------|--------------------------------|
| General Government | \$ 6,492 | \$ 6,631 | \$ 139 |
| Public Safety: | | | |
| Police | 28,077 | 30,344 | 2,267 |
| Fire Safety | 19,919 | 21,438 | 1,519 |
| Public Works | 9,857 | 11,928 | 2,071 |
| Planning | 4,167 | 4,313 | 146 |
| Recreation and culture | 4,930 | 5,286 | 356 |
| Principal payments | 1,666 | 1,779 | 113 |
| Interest payments and bond costs | 1,354 | 1,362 | 8 |
| Total Expenditures | <u>\$ 76,462</u> | <u>\$ 83,081</u> | <u>\$ 6,619</u> |

As shown in the previous table, the General Fund's original budget was amended up by \$6.6 million or approximately 8.7%. The reasons for this increase are as follows:

- The Police budget increased by \$2.3 million due to grants and grant type agreements approved and received after the budget was originally adopted. It is the City policy not to include grant expenditures in the original adopted budget if grant approval has not been finalized. These grants were for traffic enforcement, police officers and school resource officers along with other Police related activities.
- The Fire budget increased by \$1.5 million due to overtime and transfers from the rolling stock fund for equipment purchases.
- The Public Works budget increased by \$2.1 million due to grant funding for street overlay and other street projects.
- The City does not include rolling stock appropriations in its original budget. It is a Council policy to maintain a rolling stock fund separate from the General Fund which departments, with the City Manager approval, can transfer funds to the General Fund and amend the adopted budget for the transfers. During the year departments' budgets were increased by \$1.3 million due to these rolling stock transfers.

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, 2017, totaled \$856 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 decrease in the City's investment in capital assets for the current year was \$11.7 million (a 2.2% decrease for governmental activities and a .8% decrease for business-type activities).

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

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

- Developers added an estimated \$1.9 million of water, wastewater, electric, storm drainage improvements, streets, sidewalks and traffic signals.
- Electric Utility spent \$.9 million on catalyst replacement, \$1.0 million on ice bear storage units, and \$.6 million on the Unit 4 Delta V upgrade.
- The City spent \$1.1 million on street overlay projects.
- Water Utility spent \$1.2 million on the Foothill Plant improvement and \$.7 million on the Placer Street water line improvement, and \$.6 million on the Buckeye water main upgrade.
- Wastewater spent \$2.4 million on the Mistletoe sewer line replacement, \$1.7 million on the Layton lift station improvements, and \$.6 million on the Hilltop Drive pipe lining project.
- Solid Waste spent \$3.3 million on vehicles and \$2.3 million on Transfer Station improvements.

Changes in capital assets consist of the following:

Changes in Capital Assets - Governmental Activities
(in thousands)

| | Balance June 30, 2016 | Additions | Deletions | Reclassifications | Balance July 1, 2017 |
|--|--------------------------|-------------------|-----------------|-------------------|-------------------------|
| Governmental Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 30,239 | \$ 216 | \$ (145) | \$ 342 | \$ 30,652 |
| Construction in process | 18,910 | 6,374 | (43) | (17,405) | 7,836 |
| Total capital assets, not being depreciated | 49,149 | 6,590 | (188) | (17,063) | 38,488 |
| Capital assets, being depreciated: | | | | | |
| Buildings | 62,871 | - | (441) | 2,078 | 64,508 |
| Improvements other than buildings | 102,776 | 53 | - | (3,466) | 99,363 |
| Infrastructure | 293,084 | 389 | - | 16,441 | 309,914 |
| Automotive equipment | 13,384 | 486 | (667) | 223 | 13,426 |
| Furnishings and equipment | 8,541 | 43 | (282) | 2,280 | 10,582 |
| Assets under capital lease: | | | | | |
| Furnishings and equipment | - | - | - | - | - |
| Automotive equipment | 565 | - | - | - | 565 |
| Total capital assets, being depreciated | 481,221 | 971 | (1,390) | 17,556 | 498,358 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (28,322) | (2,012) | 441 | - | (29,893) |
| Improvements other than buildings | (56,989) | (3,162) | - | - | (60,151) |
| Infrastructure | (89,644) | (8,597) | - | - | (98,241) |
| Automotive equipment | (10,272) | (634) | 619 | (223) | (10,510) |
| Furnishings and equipment | (6,829) | (581) | 278 | - | (7,132) |
| Assets under capital lease: | | | | | |
| Furnishings and equipment | - | - | - | - | - |
| Automotive equipment | (45) | (38) | - | - | (83) |
| Total accumulated depreciation | (192,101) | (15,024) | 1,338 | (223) | (206,010) |
| Total capital assets, being depreciated, net | 289,120 | (14,053) | (52) | 17,333 | 292,348 |
| Governmental activities capital assets, net | \$ 338,269 | \$ (7,463) | \$ (240) | \$ 270 | \$ 330,836 |

See Note 4 to the Financial Statements for additional information regarding capital assets.

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

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

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

| | Balance June 30, 2016 | Additions | Deletions | Reclassifications | Balance July 1, 2017 |
|--|--------------------------|-------------------|-------------------|-------------------|-------------------------|
| Business-Type Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 19,532 | \$ - | \$ (89) | \$ 127 | \$ 19,570 |
| Construction in process | 30,028 | 16,984 | (391) | (29,097) | 17,524 |
| Total capital assets, not being depreciated | 49,560 | 16,984 | (480) | (28,970) | 37,094 |
| Capital assets, being depreciated: | | | | | |
| Utility plants | \$ 777,057 | 5,209 | (5,424) | 24,794 | 801,636 |
| Buildings | 68,300 | 103 | - | 7,890 | 76,293 |
| Improvements other than buildings | 46,089 | 19 | - | (981) | 45,127 |
| Automotive equipment | 38,410 | 4,630 | (2,025) | (104) | 40,911 |
| Furnishings and equipment | 26,484 | 1,308 | (608) | 756 | 27,940 |
| Assets under capital lease: | | - | - | - | |
| Furnishings and equipment | 4,176 | - | (299) | (3,877) | - |
| Total capital assets, being depreciated | 960,516 | 11,269 | (8,356) | 28,478 | 991,907 |
| Less accumulated depreciation for: | | | | | |
| Utility plants | (378,536) | (21,501) | 3,852 | - | (396,185) |
| Buildings | (33,512) | (2,029) | - | - | (35,541) |
| Improvements other than buildings | (31,362) | (893) | - | (719) | (32,974) |
| Automotive equipment | (21,665) | (2,870) | 1,706 | 204 | (22,625) |
| Furnishings and equipment | (14,806) | (2,241) | 608 | 18 | (16,421) |
| Assets under capital lease: | | - | - | - | |
| Furnishings and equipment | (719) | - | - | 719 | - |
| Total accumulated depreciation | (480,600) | (29,534) | 6,166 | 222 | (503,746) |
| Total capital assets, being depreciated, net | 479,916 | (18,265) | (2,190) | 28,700 | 488,161 |
| Governmental activities capital assets, net | \$ 529,476 | \$ (1,281) | \$ (2,670) | \$ (270) | \$ 525,255 |

See Note 4 to the Financial Statements for additional information regarding capital assets.

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

Long Term Debt

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

Changes in Long Term Debt
(in thousands)

| | Balance June 30, 2016 | Additions/ Transfers | Reductions | Balance June 30, 2017 |
|----------------------------------|--------------------------|-------------------------|------------------|--------------------------|
| Governmental Activities: | | | | |
| Capital leases payable | \$ 406 | \$ - | \$ 113 | \$ 293 |
| Lease revenue bonds | 34,310 | - | 2,391 | 31,919 |
| Special assessment debt | 93 | - | 29 | 64 |
| Total Government Activities | <u>34,809</u> | <u>-</u> | <u>2,533</u> | <u>32,276</u> |
| Business-Type Activities | | | | |
| State loan payable | 84,164 | 1,796 | 5,176 | 80,784 |
| Revenue bonds | 46,235 | 55,785 | 3,679 | 98,341 |
| Certificates of participation | 118,735 | - | 67,435 | 51,300 |
| Capital leases | 1,356 | - | 1,356 | - |
| Total Business-Type Activities | <u>250,490</u> | <u>57,581</u> | <u>77,646</u> | <u>230,425</u> |
| Total outstanding long-term debt | <u>\$ 285,299</u> | <u>\$ 57,581</u> | <u>\$ 80,179</u> | <u>\$ 262,701</u> |

The City's total debt decreased by \$22.6 million (net of bond premiums and discounts excluding deferred charges) during the fiscal year ending June 30, 2017. The City made \$17.7 million in regular scheduled debt payments. The City borrowed \$.7 million in State loans for wastewater treatment plant upgrades, \$1.1 million for the airport buyout of the leased solar panels, and the Electric Utility issued \$55.8 million in Revenue Bonds which in part, advanced refunded \$60.9 million in Certificates of Participation.

Currently, the City's legal debt margin is \$302 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 89-94 of this report.

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

Deferred Outflows of Resources & Deferred Inflows of Resources

Deferred Outflows of Resources

This classification balance, although similar to “assets,” is set apart because these items do not meet the technical definition of being a City asset on the date of these financial statements. In other words, these amounts are not available to pay liabilities in the way assets are available. When all the recognition criteria are met, the deferred outflow of resources will become an expense/expenditure.

The most significant deferred outflow of resources reported is related to the implementation of GASB Statement No. 68 and GASB Statement No. 71 for pension liability reporting. GASB 71 requires that contributions made during the fiscal year to the retirement system be reported as deferred outflows of resources. Consequently, the majority of the deferred outflows of resources reported are comprised of current year contributions to the retirement system. There can be some deferred outflows of resources attributable to the various components that impact pension changes, and can include investment changes amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

Deferred Inflows of Resources

Deferred inflows of resources are the counterpart to deferred outflows of resources on the Statement of Net Position. Deferred inflows of resources are not technically liabilities of the City as of the date of the financial statements. When all the recognition criteria are met, the deferred inflow of resources will become revenue or an increase to net position.

The deferred inflows of resources being reported on the City's Statement of Net Position pertain to pensions.

Deferred inflows of resources related to pensions represent the net amount attributable to the various components that impact pension changes, and can include investment changes, amortization changes due to actuarial assumptions, and differences between expected or actual experience.

Economic Factors and Next Year's Budgets and Rates

- The City of Redding has experienced an increase in population since 2007 of less than one percent per year while the unemployment rate has increased from 7.0% in 2007 to 5.8% in 2017.
- Inflationary trends in the region compare favorably to national indices.
- Overall tax revenue for the City's General Fund increased by \$.5 million during the year. This was primarily due to increases in property taxes and other taxes. Taxable sales within the City increased by 1.5%. Tax rates were not changed. The City expects sales tax revenue will increase by 2.75% in fiscal year 2017-18. It is expected property tax revenue will increase by 4.75% in fiscal year 2017-18.
- Building activity in the City has begun to recover from the economic downturn and the City is anticipating that it will continue to improve during the fiscal year 2017-18.
- The economy is expected to continue to recover in fiscal year 2017-18.

City of Redding
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

All of these factors were considered in preparing the City's budget for the 2017-18 fiscal year.

During the current fiscal year, fund balance in the General Fund decreased by \$1.4 million to \$20.5 million. The City anticipates decreasing the General Fund balance \$1.3 million in fiscal year ending 2018. This amount, adjusted for certain known factors, has been included in the City's 10-year Financial Plan and the City continues to maintain a 5% cash reserve in all years.

The Water, Wastewater and Solid Waste utilities all planned for rate increases when their biennial budgets were built and these increases have been approved by City Council.

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

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Redding
Statement of Net Position
June 30, 2017

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 42,788,084 | \$ 162,216,076 | \$ 205,004,160 |
| Receivables: | | | |
| Interest | 4,124,179 | 599,148 | 4,723,327 |
| Accounts, net | 1,020,578 | 25,239,156 | 26,259,734 |
| Taxes | 5,105,169 | - | 5,105,169 |
| Intergovernmental | 8,039,370 | 3,717,742 | 11,757,112 |
| Notes | 35,562,794 | - | 35,562,794 |
| Special assessments | 630,892 | - | 630,892 |
| Deposit | - | 4,000,000 | 4,000,000 |
| Other | 543,175 | - | 543,175 |
| Inventories | 329,324 | 9,798,721 | 10,128,045 |
| Prepaid items | 1,281,470 | 626,478 | 1,907,948 |
| Total current assets | 99,425,035 | 206,197,321 | 305,622,356 |
| Noncurrent assets: | | | |
| Internal balances | 14,295,326 | (14,295,326) | - |
| Restricted assets: | | | |
| Cash and investments | 1,850,718 | 20,610,568 | 22,461,286 |
| Interest receivable | 233 | 459 | 692 |
| Power acquisition costs, net | - | 545,624 | 545,624 |
| Prepaid costs | 297,653 | - | 297,653 |
| Long-term receivable | 235,881 | - | 235,881 |
| Capital assets: | | | |
| Land and construction in progress | 38,487,788 | 37,093,574 | 75,581,362 |
| Other capital assets, net of depreciation | 292,348,027 | 488,160,984 | 780,509,011 |
| Investment in JPA | - | 1,827,856 | 1,827,856 |
| Storage base gas | - | 13,570,000 | 13,570,000 |
| Total noncurrent assets | 347,515,626 | 547,513,739 | 895,029,365 |
| Total assets | 446,940,661 | 753,711,060 | 1,200,651,721 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred loss on refunding | 262,191 | 12,070,928 | 12,333,119 |
| Deferred outflows related to pensions | 31,432,649 | 18,600,011 | 50,032,660 |
| Total deferred outflows of resources | 31,694,840 | 30,670,939 | 62,365,779 |

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Redding
Statement of Net Position (Continued)
June 30, 2017

| | Primary Government | | Total |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 2,117,581 | 10,775,180 | 12,892,761 |
| Accrued liabilities | 2,582,013 | 1,954,622 | 4,536,635 |
| Intergovernmental payable | 138,954 | 1,561,715 | 1,700,669 |
| Accrued interest payable | 477,816 | 1,222,416 | 1,700,232 |
| Unearned revenue | 2,026,242 | 4,149,963 | 6,176,205 |
| Deposits | 95,484 | 9,263,299 | 9,358,783 |
| Accounts payable from restricted | 13,590 | 610,834 | 624,424 |
| Landfill closing costs, due within one year | - | 140,000 | 140,000 |
| Claims and judgements payable, due within one year | 4,053,791 | - | 4,053,791 |
| Compensated absences, due within one year | 4,010,033 | 2,127,871 | 6,137,904 |
| Long-term debt, due within one year | 2,641,054 | 16,380,860 | 19,021,914 |
| Total current liabilities | <u>18,156,558</u> | <u>48,186,760</u> | <u>66,343,318</u> |
| Noncurrent liabilities: | | | |
| Landfill closing costs, due in more than one year | - | 2,090,050 | 2,090,050 |
| Claims and judgements payable, due in more than one year | 13,735,149 | - | 13,735,149 |
| Accrued compensated absences, due in more than one year | 7,465,281 | 4,581,972 | 12,047,253 |
| Accrued liabilities, due in more than one year | 44,336,959 | 35,046,703 | 79,383,662 |
| Long-term debt, due in more than one year | 29,629,381 | 228,937,860 | 258,567,241 |
| Aggregate net pension liability | 171,922,929 | 91,131,637 | 263,054,566 |
| Total noncurrent liabilities | <u>267,089,699</u> | <u>361,788,222</u> | <u>628,877,921</u> |
| Total liabilities | <u>285,246,257</u> | <u>409,974,982</u> | <u>695,221,239</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 8,279,721 | 218,822 | 8,498,543 |
| Total deferred inflows | <u>8,279,721</u> | <u>218,822</u> | <u>8,498,543</u> |
| NET POSITION | | | |
| Net investment in capital assets | 299,478,797 | 293,920,914 | 593,399,711 |
| Restricted for: | | | |
| Capital outlay | - | 14,068,393 | 14,068,393 |
| Debt service | 457,375 | - | 457,375 |
| Housing | 15,516,919 | - | 15,516,919 |
| Community development | 23,725,751 | - | 23,725,751 |
| Public works | 3,060,409 | - | 3,060,409 |
| Unrestricted (deficit) | (157,129,728) | 66,198,888 | (90,930,840) |
| Total net position | <u>\$ 185,109,523</u> | <u>\$ 374,188,195</u> | <u>\$ 559,297,718</u> |

(Concluded)

See accompanying Notes to the Basic Financial Statements.

City of Redding
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2017

| Functions / Programs | Expenses | Program Revenues | | | Total Program Revenues |
|--------------------------------------|-----------------------|-----------------------------|---|---|-------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary Government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 7,576,731 | \$ 6,395,898 | \$ 225,569 | \$ - | \$ 6,621,467 |
| Police | 32,114,904 | 1,385,697 | 1,473,186 | 2,907 | 2,861,790 |
| Fire | 22,299,466 | 1,010,110 | 3,797 | 567,618 | 1,581,525 |
| Public works | 16,211,855 | 669,769 | 4,066,970 | 4,554,739 | 9,291,478 |
| Planning | 4,290,932 | 1,986,579 | 306,979 | - | 2,293,558 |
| Recreation and culture | 11,219,774 | 2,346,925 | 732,881 | 915,573 | 3,995,379 |
| Community development | 10,241,866 | 61,797 | 9,681,625 | - | 9,743,422 |
| Interest on long-term debt | 1,623,654 | - | - | - | - |
| Total Governmental Activities | 105,579,182 | 13,856,775 | 16,491,007 | 6,040,837 | 36,388,619 |
| Business-Type Activities: | | | | | |
| Electric | 144,826,944 | 165,157,048 | 7,051 | 384,017 | 165,548,116 |
| Water | 17,810,721 | 18,629,996 | 961,572 | 372,108 | 19,963,676 |
| Wastewater | 23,748,358 | 25,776,468 | 1,162,532 | 340,978 | 27,279,978 |
| Storm drainage | 2,037,068 | 1,445,754 | - | 326,370 | 1,772,124 |
| Solid waste | 22,430,632 | 22,167,885 | 49,722 | 49,000 | 22,266,607 |
| Transportation | 10,114,207 | 3,814,776 | 4,384,642 | 1,152,514 | 9,351,932 |
| Convention center | 1,349,400 | 241,353 | - | - | 241,353 |
| Total business-type activities | 222,317,330 | 237,233,280 | 6,565,519 | 2,624,987 | 246,423,786 |
| Total Primary Government | \$ 327,896,512 | \$ 251,090,055 | \$ 23,056,526 | \$ 8,665,824 | \$ 282,812,405 |

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Redding
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2017

| Functions / Programs | Net (Expenses) Revenues and Changes in Net Position | | |
|---|--|-----------------------------|------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Primary Government: | | | |
| Governmental activities: | | | |
| General government | \$ (955,264) | \$ - | \$ (955,264) |
| Police | (29,253,114) | - | (29,253,114) |
| Fire | (20,717,941) | - | (20,717,941) |
| Public works | (6,920,377) | - | (6,920,377) |
| Planning | (1,997,374) | - | (1,997,374) |
| Recreation and culture | (7,224,395) | - | (7,224,395) |
| Community development | (498,444) | - | (498,444) |
| Interest on long-term debt | (1,623,654) | - | (1,623,654) |
| Total Governmental Activities | (69,190,563) | - | (69,190,563) |
| Business-Type Activities: | | | |
| Electric | - | 20,721,172 | 20,721,172 |
| Water | - | 2,152,955 | 2,152,955 |
| Wastewater | - | 3,531,620 | 3,531,620 |
| Storm drainage | - | (264,944) | (264,944) |
| Solid waste | - | (164,025) | (164,025) |
| Transportation | - | (762,275) | (762,275) |
| Convention center | - | (1,108,047) | (1,108,047) |
| Total business-type activities | - | 24,106,456 | 24,106,456 |
| Total Primary Government | \$ (69,190,563) | \$ 24,106,456 | \$ (45,084,107) |
| General Revenues and Transfers: | | | |
| Taxes: | | | |
| Property taxes, levied for general purpose | \$ 17,924,119 | \$ - | \$ 17,924,119 |
| Transient occupancy taxes | 4,778,285 | - | 4,778,285 |
| Sales taxes | 23,199,460 | - | 23,199,460 |
| Motor vehicle taxes | 40,422 | - | 40,422 |
| Franchise taxes | 1,088,088 | - | 1,088,088 |
| Other taxes | 1,189,035 | - | 1,189,035 |
| Total taxes | 48,219,409 | - | 48,219,409 |
| Investment income (loss) | 374,394 | 505,847 | 880,241 |
| Other | 152,135 | - | 152,135 |
| Gain on sale of asset(s) | 166,278 | - | 166,278 |
| Transfers | 4,289,638 | (4,289,638) | - |
| Total General Revenues and Transfers | 53,201,854 | (3,783,791) | 49,418,063 |
| Change in Net Position | (15,988,709) | 20,322,665 | 4,333,956 |
| Net Position: | | | |
| Beginning of Year | 201,098,232 | 353,865,530 | 554,963,762 |
| End of Year | \$ 185,109,523 | \$ 374,188,195 | \$ 559,297,718 |

(Concluded)

See accompanying Notes to the Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

City of Redding
Balance Sheet
Governmental Funds
June 30, 2017

| | General Fund | General Capital Projects Fund | Non Major Governmental Funds | Total Governmental Funds |
|--------------------------------|----------------------|-------------------------------------|------------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 13,320,755 | \$ 7,150,358 | \$ 8,368,601 | \$ 28,839,714 |
| Accounts receivable, net | 897,473 | 16,244 | 73,202 | 986,919 |
| Intergovernmental receivable | 3,212,667 | 2,505,401 | 1,999,668 | 7,717,736 |
| Interest receivable | 34,663 | 22,912 | 4,016,136 | 4,073,711 |
| Taxes receivable | 5,105,169 | - | 235,881 | 5,341,050 |
| Other receivable | 522,808 | - | 20,367 | 543,175 |
| Due from other funds | 219,934 | - | - | 219,934 |
| Prepaid items | 790,628 | - | 18,429 | 809,057 |
| Inventories | 134,889 | - | - | 134,889 |
| Restricted assets: | | | | |
| Cash and investments | 1,664,743 | 101,176 | 84,799 | 1,850,718 |
| Interest receivable | 213 | 20 | - | 233 |
| Special assessments receivable | - | - | 630,892 | 630,892 |
| Notes receivable | - | - | 35,562,794 | 35,562,794 |
| Total assets | \$ 25,903,942 | \$ 9,796,111 | \$ 51,010,769 | \$ 86,710,822 |

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Redding
Balance Sheet (Continued)
Governmental Funds
June 30, 2017

| | General Fund | General Capital Projects Fund | Non Major Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------------------------|------------------------------------|--------------------------------|
| LIABILITIES | | | | |
| Accounts payable | \$ 458,968 | \$ 1,086,314 | \$ 245,223 | \$ 1,790,505 |
| Accrued liabilities | 2,054,407 | 70,944 | 55,841 | 2,181,192 |
| Intergovernmental payable | 80,770 | 31,945 | 4,301 | 117,016 |
| Due to other funds | - | - | 100,492 | 100,492 |
| Accounts payable from restricted assets | - | 4,851 | 8,740 | 13,591 |
| Unearned revenue | 1,579,808 | 3,381 | 443,053 | 2,026,242 |
| Deposits | 10,674 | - | 84,799 | 95,473 |
| Advances from other funds | - | - | 420,694 | 420,694 |
| Total Liabilities | 4,184,627 | 1,197,435 | 1,363,143 | 6,745,205 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | 1,237,913 | 1,829,061 | 5,839,288 | 8,906,262 |
| Total Deferred Inflows of Resources: | 1,237,913 | 1,829,061 | 5,839,288 | 8,906,262 |
| Fund Balances: | | | | |
| Nonspendable | 1,833,006 | - | 18,429 | 1,851,435 |
| Restricted | 757,254 | 6,769,615 | 44,134,163 | 51,661,032 |
| Assigned | 5,509,567 | - | - | 5,509,567 |
| Unassigned (deficit) | 12,381,575 | - | (344,254) | 12,037,321 |
| Total Fund Balances | 20,481,402 | 6,769,615 | 43,808,338 | 71,059,355 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 25,903,942 | \$ 9,796,111 | \$ 51,010,769 | \$ 86,710,822 |

(Concluded)

See accompanying Notes to the Basic Financial Statements.

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City of Redding
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

| | |
|--|------------------------------|
| Fund balances governmental funds | \$ 71,059,355 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets have not been included as financial resources in governmental fund activity. | 518,466,822 |
| Accumulated depreciation has not been included in the governmental fund financial statements. | (192,776,066) |
| Bond insurance issuance costs. | 297,653 |
| Deferred charges have not been included as financial resources in governmental fund activity. | 28,069,954 |
| Long-term debt that has not been included in the governmental fund activity. | (32,270,435) |
| Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds. | (477,816) |
| The net other post employment benefit obligation has not been reported in the governmental funds. | (37,647,928) |
| Net pension liability are not due and payable in the current period and therefore are not reported in the fund financial statements. | (153,306,133) |
| Revenue reported as unavailable revenue in the governmental funds was recorded as revenue in the statement of activities. | 999,245 |
| Internal service fund net position included in the governmental activities on the statement of activities. | (6,911,105) |
| Accrued vacation and other leave not reported in governmental funds, but recorded as expense in the Statement of Activities. | (10,394,023) |
| Net position of governmental activities | <u><u>\$ 185,109,523</u></u> |

See accompanying Notes to the Basic Financial Statements.

City of Redding
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

| | General Fund | General Capital Projects Fund | Non Major Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------------------------|------------------------------------|--------------------------------|
| REVENUES: | | | | |
| Property taxes | \$ 18,130,539 | \$ - | \$ - | \$ 18,130,539 |
| Sales and use taxes | 22,926,943 | - | 272,517 | 23,199,460 |
| Other taxes | 7,055,408 | - | - | 7,055,408 |
| Special assessments | 9,791 | - | 471,064 | 480,855 |
| Licenses and permits | 1,250,473 | - | 68,568 | 1,319,041 |
| Intergovernmental revenues | 2,650,049 | 2,956,017 | 13,694,977 | 19,301,043 |
| Charges for services | 2,449,725 | (28,368) | 1,342,571 | 3,763,928 |
| Fines, forfeitures, and penalties | 1,496,582 | - | 101,633 | 1,598,215 |
| Use of money and property | 7,905,927 | - | - | 7,905,927 |
| Interest revenue | 25,054 | 11,888 | 314,335 | 351,277 |
| Other | 887,731 | 2,342,304 | 91,573 | 3,321,608 |
| Total revenues | 64,788,222 | 5,281,841 | 16,357,238 | 86,427,301 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 6,091,273 | 78,858 | - | 6,170,131 |
| Community development | - | - | 9,988,629 | 9,988,629 |
| Public safety: | | | | |
| Police | 29,176,938 | 15,880 | 51,517 | 29,244,335 |
| Fire | 20,317,653 | - | - | 20,317,653 |
| Public works | 6,954,159 | 575,443 | 560,167 | 8,089,769 |
| Planning | 4,054,107 | - | - | 4,054,107 |
| Recreation and culture | 4,965,889 | 171,825 | 2,339,311 | 7,477,025 |
| Capital outlay | 2,235,426 | 4,560,620 | 106,137 | 6,902,183 |
| Debt service: | | | | |
| Principal | 1,778,744 | 725,000 | 29,000 | 2,532,744 |
| Interest and fiscal charges | 1,359,976 | 189,525 | 7,906 | 1,557,407 |
| Total expenditures | 76,934,165 | 6,317,151 | 13,082,667 | 96,333,983 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (12,145,943) | (1,035,310) | 3,274,571 | (9,906,682) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of assets | 163,660 | - | 2,619 | 166,279 |
| Transfers in | 12,763,781 | 185,200 | 807,045 | 13,756,026 |
| Transfers out | (2,144,808) | (679,641) | (4,927,239) | (7,751,688) |
| Total other financing sources (uses) | 10,782,633 | (494,441) | (4,117,575) | 6,170,617 |
| NET CHANGE IN FUND BALANCES | (1,363,310) | (1,529,751) | (843,004) | (3,736,065) |
| Fund Balances: | | | | |
| Beginning of Year | 21,844,712 | 8,299,366 | 44,651,342 | 74,795,420 |
| End of Year | <u>\$ 20,481,402</u> | <u>\$ 6,769,615</u> | <u>\$ 43,808,338</u> | <u>\$ 71,059,355</u> |

See accompanying Notes to the Basic Financial Statements.

City of Redding
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes
in Fund Balances of Government-Wide Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2017

| | |
|---|------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (3,736,065) |
| Amounts reported for governmental activities in the Statement of Activities 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 Position, 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. | 6,902,185 |
| Transfer of capital asset from Governmental Fund to Enterprise Fund. | 295,789 |
| In the Statement of Activities, donated assets are reported as a capital contribution. | 526,197 |
| Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds. | (14,022,600) |
| Disposal of capital assets is reported in the Governmental-Wide Statement of Activities and Changes in Net Position, but it does not require the use of current financial resources. Therefore, it is not reported as expenditures in governmental funds. | (192,318) |
| - Net book value of the assets disposed | |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. | (122,655) |
| In the Statement of Activities, the net other post employment benefit obligation has been accrued. | (3,817,215) |
| Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position. | 2,532,744 |
| Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from the prior year. | (14,736) |
| Compensated absences in the Statement of Activities is reported as an expense but is not reported in the governmental funds. | (256,040) |
| In the Statement of Activities, pension expense that does not require the use of current financial resources is not reported as revenue or expenditure. | (1,196,069) |
| 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. | (2,887,926) |
| Change in Net Position of Governmental Activities | \$ (15,988,709) |

See accompanying Notes to the Basic Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

Major Enterprise Funds:

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

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

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

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

Internal Service Funds:

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

City of Redding
Statement of Net Position
Proprietary Funds
June 30, 2017

| | Enterprise Funds | | | |
|---------------------------------------|---------------------|------------------|---------------------------|--|
| | Electric Utility | Water Utility | Waste Water Utility | Solid Waste Collection/ Disposal |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 80,807,105 | \$ 26,400,017 | \$ 25,261,276 | \$ 24,786,743 |
| Accounts receivable, net | 18,065,356 | 2,478,410 | 2,529,125 | 2,040,657 |
| Intergovernmental receivable | 587,999 | - | - | - |
| Interest receivable | 272,682 | 95,199 | 129,856 | 79,776 |
| Interfund receivable | - | - | 45,000 | - |
| Prepaid items | 386,940 | 40,308 | 58,778 | 103,022 |
| Inventories | 8,838,610 | 755,767 | 35,823 | - |
| Deposit | 4,000,000 | - | - | - |
| Total current assets | 112,958,692 | 29,769,701 | 28,059,858 | 27,010,198 |
| Noncurrent assets: | | | | |
| Restricted assets: | | | | |
| Cash and investments | 1,402,833 | 1,544,225 | 14,671,311 | - |
| Interest receivable | 459 | - | - | - |
| Total restricted assets | 1,403,292 | 1,544,225 | 14,671,311 | - |
| Capital assets: | | | | |
| Land | 5,170,379 | 508,799 | 3,102,155 | 1,697,818 |
| Construction in progress | 1,944,740 | 1,626,344 | 11,917,501 | - |
| Other capital assets, net | 193,208,204 | 65,033,002 | 163,328,280 | 17,567,061 |
| Capital assets | 200,323,323 | 67,168,145 | 178,347,936 | 19,264,879 |
| Other assets: | | | | |
| Power acquisition costs, net | 545,624 | - | - | - |
| Advances to other funds | 516,283 | - | 508,835 | - |
| Investment in JPA | 1,827,856 | - | - | - |
| Storage base gas | 13,570,000 | - | - | - |
| Total other assets | 16,459,763 | - | 508,835 | - |
| Total noncurrent assets | 218,186,378 | 68,712,370 | 193,528,082 | 19,264,879 |
| Total assets | 331,145,070 | 98,482,071 | 221,587,940 | 46,275,077 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred loss on refunding | 11,479,862 | 305,266 | 225,904 | - |
| Deferred outflows related to pensions | 11,592,568 | 1,512,492 | 2,024,053 | 2,989,105 |
| Total deferred outflows | 23,072,430 | 1,817,758 | 2,249,957 | 2,989,105 |

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Redding
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2017

| | Enterprise Funds | | Governmental |
|---------------------------------------|----------------------------------|----------------|--|
| | Non-Major Enterprise Funds | Total | Activities Internal Service Funds |
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 4,960,935 | \$ 162,216,076 | \$ 13,948,370 |
| Accounts receivable, net | 125,608 | 25,239,156 | 33,659 |
| Intergovernmental receivable | 3,129,743 | 3,717,742 | 321,634 |
| Interest receivable | 21,635 | 599,148 | 50,468 |
| Interfund receivable | - | 45,000 | 73,464 |
| Prepaid items | 37,430 | 626,478 | 472,413 |
| Inventories | 168,521 | 9,798,721 | 194,435 |
| Deposit | - | 4,000,000 | - |
| Total current assets | 8,443,872 | 206,242,321 | 15,094,443 |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash and investments | 2,992,199 | 20,610,568 | - |
| Interest receivable | - | 459 | - |
| Total restricted assets | 2,992,199 | 20,611,027 | - |
| Capital assets: | | | |
| Land | 9,090,775 | 19,569,926 | 110,810 |
| Construction in progress | 2,035,063 | 17,523,648 | - |
| Other capital assets, net | 49,024,437 | 488,160,984 | 5,034,249 |
| Capital assets | 60,150,275 | 525,254,558 | 5,145,059 |
| Other assets: | | | |
| Power acquisition costs, net | - | 545,624 | - |
| Advances to other funds | - | 1,025,118 | 3,941,960 |
| Investment in JPA | - | 1,827,856 | - |
| Storage base gas | - | 13,570,000 | - |
| Total other assets | - | 16,968,598 | 3,941,960 |
| Total noncurrent assets | 63,142,474 | 562,834,183 | 9,087,019 |
| Total assets | 71,586,346 | 769,076,504 | 24,181,462 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred loss on refunding | 59,896 | 12,070,928 | - |
| Deferred outflows related to pensions | 481,793 | 18,600,011 | 3,624,886 |
| Total deferred outflows | 541,689 | 30,670,939 | 3,624,886 |

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Redding
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2017

| | Enterprise Funds | | | |
|---|-----------------------|----------------------|---------------------------|--|
| | Electric Utility | Water Utility | Waste Water Utility | Solid Waste Collection/ Disposal |
| LIABILITIES | | | | |
| Current liabilities (payable from current assets): | | | | |
| Accounts payable | 7,702,159 | 220,134 | 1,159,814 | 431,866 |
| Accrued liabilities | 1,191,153 | 162,635 | 241,832 | 300,115 |
| Accrued interest payable | 558,941 | 12,896 | 617,626 | - |
| Claims and judgements payable | - | - | - | - |
| Intergovernmental payable | 1,446,135 | 25,383 | 11,408 | 72,754 |
| Due to other funds | - | - | - | - |
| Interfund payables | - | - | - | - |
| Unearned revenue | 115,727 | - | - | 124,805 |
| Deposits | 3,502,250 | - | - | 5,679,434 |
| Accrued compensated absences, due with in one year | 1,375,610 | 148,427 | 187,410 | 371,747 |
| Landfill closure costs, due with in one year | - | - | - | 140,000 |
| Long-term debt, due with in one year | 8,937,267 | 614,770 | 1,504,627 | - |
| State loan, due with in one year | - | - | 5,133,920 | - |
| Current liabilities (payable from restricted assets): | | | | |
| Accounts payable | 610,834 | - | - | - |
| Total current liabilities | 25,440,076 | 1,184,245 | 8,856,637 | 7,120,721 |
| Long-term liabilities: | | | | |
| Accrued compensated absences, due in more than one year | 2,912,038 | 300,364 | 340,550 | 897,647 |
| Landfill closure costs, due in more than one year | - | - | - | 2,090,050 |
| Advances from other funds | - | - | - | - |
| Accrued liabilities, due in more than one year | 21,399,746 | 2,609,460 | 3,376,358 | 6,280,264 |
| Claims and judgements, due in more than one year | - | - | - | - |
| Capital leases, due in more than one year | - | - | - | - |
| Long-term debt, due in more than one year | 148,033,011 | 3,417,574 | 1,525,000 | - |
| State loan, due in more than one year | - | - | 73,995,883 | - |
| Aggregate net pension liability | 56,193,172 | 7,555,095 | 10,120,750 | 14,927,789 |
| Total long-term liabilities | 228,537,967 | 13,882,493 | 89,358,541 | 24,195,750 |
| Total liabilities | 253,978,043 | 15,066,738 | 98,215,178 | 31,316,471 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pensions | (187,418) | 120,704 | 179,040 | 107,208 |
| Total deferred inflows | (187,418) | 120,704 | 179,040 | 107,208 |
| NET POSITION | | | | |
| Net investment in capital assets | 56,367,610 | 64,955,074 | 96,414,410 | 19,264,879 |
| Restricted for: | | | | |
| Capital projects | - | 19,310 | 10,848,262 | - |
| Unrestricted | 44,059,265 | 20,138,003 | 18,181,007 | (1,424,376) |
| Total net position | \$ 100,426,875 | \$ 85,112,387 | \$ 125,443,679 | \$ 17,840,503 |

See accompanying Notes to the Basic Financial Statements.

(Continued)

City of Redding
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2017

| | Enterprise Funds | | Governmental |
|--|----------------------|-----------------------|------------------------------|
| | Non-Major | Total | Activities |
| | Enterprise Funds | | Internal Service Funds |
| LIABILITIES | | | |
| Current liabilities (payable from current assets): | | | |
| Accounts payable | 1,261,207 | 10,775,180 | 327,076 |
| Accrued liabilities | 58,887 | 1,954,622 | 400,821 |
| Accrued interest payable | 32,953 | 1,222,416 | - |
| Claims and judgements payable | - | - | 13,841,289 |
| Intergovernmental payable | 6,035 | 1,561,715 | 21,938 |
| Due to other funds | 119,442 | 119,442 | - |
| Interfund payables | 118,464 | 118,464 | - |
| Unearned revenue | 3,909,431 | 4,149,963 | - |
| Deposits | 81,615 | 9,263,299 | 11 |
| Accrued compensated absences, due with in one year | 44,677 | 2,127,871 | 343,804 |
| Landfill closure costs, due with in one year | - | 140,000 | - |
| Long-term debt, due with in one year | 65,912 | 11,122,576 | - |
| State loan, due with in one year | 124,364 | 5,258,284 | - |
| Current liabilities (payable from restricted assets): | | | |
| Accounts payable | - | 610,834 | - |
| Total current liabilities | <u>5,822,987</u> | <u>48,424,666</u> | <u>14,934,939</u> |
| Long-term liabilities: | | | |
| Accrued compensated absences, due in more than one year | 131,373 | 4,581,972 | 737,487 |
| Landfill closure costs, due in more than one year | - | 2,090,050 | - |
| Advances from other funds | 4,263,882 | 4,263,882 | 282,502 |
| Accrued liabilities, due in more than one year | 1,380,875 | 35,046,703 | 6,689,031 |
| Claims and judgements, due in more than one year | - | - | 3,947,651 |
| Capital leases, due in more than one year | - | - | - |
| Long-term debt, due in more than one year | 436,328 | 153,411,913 | - |
| State loan, due in more than one year | 1,530,064 | 75,525,947 | - |
| Aggregate net pension liability | 2,334,831 | 91,131,637 | 18,616,796 |
| Total long-term liabilities | <u>10,077,353</u> | <u>366,052,104</u> | <u>30,273,467</u> |
| Total liabilities | <u>15,900,340</u> | <u>414,476,770</u> | <u>45,208,406</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | (712) | 218,822 | 372,704 |
| Total deferred inflows | <u>(712)</u> | <u>218,822</u> | <u>372,704</u> |
| NET POSITION | | | |
| Net investment in capital assets | 56,878,941 | 293,880,914 | 5,145,059 |
| Restricted for: | | | |
| Capital projects | 3,200,821 | 14,068,393 | - |
| Unrestricted | (3,851,355) | 77,102,544 | (22,919,821) |
| Total net position | <u>\$ 56,228,407</u> | <u>\$ 385,051,851</u> | <u>\$ (17,774,762)</u> |
| Net position reconciliation to statement of net position: | | | |
| Net position of proprietary funds | | \$ 385,051,851 | |
| Less business-type portion of the Internal Service Fund | | <u>(10,863,656)</u> | |
| Net position of business-type activities | | <u>\$ 374,188,195</u> | |

See accompanying Notes to the Basic Financial Statements.

(Concluded)

City of Redding
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

| | Enterprise Funds | | | |
|---|-----------------------|----------------------|---------------------------|--|
| | Electric Utility | Water Utility | Waste Water Utility | Solid Waste Collection/ Disposal |
| OPERATING REVENUES: | | | | |
| User fees and charges | \$ 127,767,430 | \$ 18,467,862 | \$ 25,755,870 | \$ 20,574,514 |
| Wholesale sales | 29,189,166 | - | - | - |
| Rental charges | - | - | - | - |
| Other operating revenue | 8,167,252 | 81,840 | 59,344 | 1,585,252 |
| Total operating revenues | 165,123,848 | 18,549,702 | 25,815,214 | 22,159,766 |
| OPERATING EXPENSES: | | | | |
| Cost of power, water, and transportation | 51,348,129 | 743,019 | - | - |
| Maintenance, operations, and administration | 71,126,986 | 13,321,651 | 14,626,456 | 20,492,705 |
| Depreciation and amortization | 13,903,648 | 3,421,610 | 7,018,740 | 1,940,682 |
| Total operating expenses | 136,378,763 | 17,486,280 | 21,645,196 | 22,433,387 |
| OPERATING INCOME (LOSS) | 28,745,085 | 1,063,422 | 4,170,018 | (273,621) |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Interest revenue | 284,488 | 77,297 | 80,155 | 57,618 |
| Interest expense | (6,152,089) | (46,665) | (1,909,179) | - |
| Intergovernmental revenues | - | - | - | 49,722 |
| Gain (loss) on disposal of assets | (1,774,528) | (128,458) | (36,803) | (100,475) |
| Other non-operating revenues (expenses) | (402,878) | 1,099,341 | 1,178,793 | (256,327) |
| Total nonoperating revenues (expenses) | (8,045,007) | 1,001,515 | (687,034) | (249,462) |
| INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS | 20,700,078 | 2,064,937 | 3,482,984 | (523,083) |
| Capital contributions | 384,017 | 372,108 | 340,978 | 662,117 |
| Transfers in | 551,671 | 108,267 | 112,341 | 365,273 |
| Transfers out | (6,228,300) | - | (12,802) | (4) |
| Change in net position | 15,407,466 | 2,545,312 | 3,923,501 | 504,303 |
| NET POSITION: | | | | |
| Beginning of year | 85,019,409 | 82,567,075 | 121,520,178 | 17,336,200 |
| End of year | \$ 100,426,875 | \$ 85,112,387 | \$ 125,443,679 | \$ 17,840,503 |

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Redding
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Proprietary Funds
For the Year Ended June 30, 2017

| | Enterprise Funds | | Governmental Activities |
|--|----------------------------------|-----------------------|------------------------------|
| | Non-Major Enterprise Funds | Total | Internal Service Funds |
| OPERATING REVENUES: | | | |
| User fees and charges | \$ 2,693,122 | \$ 195,258,798 | \$ 65,966,503 |
| Wholesale sales | - | 29,189,166 | - |
| Rental charges | 1,587,372 | 1,587,372 | - |
| Other operating revenue | 622,633 | 10,516,321 | 12,292 |
| Total operating revenues | 4,903,127 | 236,551,657 | 65,978,795 |
| OPERATING EXPENSES: | | | |
| Cost of power, water, and transportation | 3,607,028 | 55,698,176 | - |
| Maintenance, operations, and administration | 6,419,855 | 125,987,653 | 67,006,842 |
| Depreciation and amortization | 3,351,899 | 29,636,579 | 1,001,192 |
| Total operating expenses | 13,378,782 | 211,322,408 | 68,008,034 |
| OPERATING INCOME (LOSS) | (8,475,655) | 25,229,249 | (2,029,239) |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Interest revenue | 6,286 | 505,844 | 30,093 |
| Interest expense | (86,094) | (8,194,027) | - |
| Intergovernmental revenues | 4,382,843 | 4,432,565 | - |
| Gain (loss) on disposal of assets | 50,879 | (1,989,385) | 3,477 |
| Other non-operating revenues (expenses) | 445,757 | 2,064,686 | (18,796) |
| Total nonoperating revenues (expenses) | 4,799,671 | (3,180,317) | 14,774 |
| INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS | (3,675,984) | 22,048,932 | (2,014,465) |
| Capital contributions | 1,645,389 | 3,404,609 | 412,698 |
| Transfers in | 1,271,416 | 2,408,968 | 6 |
| Transfers out | (187,500) | (6,428,606) | (1,984,706) |
| Change in net position | (946,679) | 21,433,903 | (3,586,467) |
| NET POSITION: | | | |
| Beginning of year | 57,175,086 | 363,617,948 | (14,188,295) |
| End of year | <u>\$ 56,228,407</u> | <u>\$ 385,051,851</u> | <u>\$ (17,774,762)</u> |
| Change in net position reconciliation to statement of activities: | | | |
| Change in net position of proprietary funds | | \$ 21,433,903 | |
| Add Internal Service Funds income - business-type activity | | (1,111,238) | |
| Change in net position of business-type activities | | <u>\$ 20,322,665</u> | |

(Concluded)

See accompanying Notes to the Basic Financial Statements.

City of Redding
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

| | Enterprise Funds | | |
|---|----------------------|----------------------|---------------------------|
| | Electric Utility | Water Utility | Waste Water Utility |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers | \$ 155,442,113 | \$ 18,034,803 | \$ 25,647,620 |
| Cash paid to suppliers | (89,372,841) | (9,996,120) | (9,730,571) |
| Cash paid to employees | (29,448,268) | (3,763,303) | (4,483,294) |
| Other income received | 8,167,252 | 1,181,181 | 1,234,335 |
| Net cash provided (used) by operating activities | 44,788,256 | 5,456,561 | 12,668,090 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Intergovernmental revenue received | (2,293) | - | - |
| Advances from other funds | - | - | - |
| Repayment of advances from other funds | 170,541 | - | 45,000 |
| Advances to other funds | - | - | - |
| Repayment of advances to other funds | - | - | - |
| Transfers in | 551,671 | 108,267 | 112,341 |
| Transfers out | (6,228,300) | - | - |
| Other Revenue | - | - | - |
| Net cash provided (used) by noncapital financing activities | (5,508,381) | 108,267 | 157,341 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Capital grant received | - | - | - |
| Proceeds from sale of assets | 33,271 | 38,765 | 25,173 |
| Purchase of capital assets | (8,983,235) | (3,468,311) | (5,764,953) |
| Interest paid | 1,113,503 | (180,499) | (2,140,383) |
| Proceeds from long-term debt | 53,542,259 | - | 695,897 |
| Principal paid on long-term debt | (69,055,000) | (590,000) | (6,429,236) |
| Principal paid on capital leases | - | - | - |
| Cash collected for future capital outlay | 25,100 | - | - |
| Net cash provided (used) by capital and related financing activities | (23,324,102) | (4,200,045) | (13,613,502) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Investment revenue received | 157,952 | 43,392 | 37,324 |
| Rents received | - | - | - |
| Net cash provided (used) by investing activities | 157,952 | 43,392 | 37,324 |
| Net increase (decrease) in cash and cash equivalents | 16,113,725 | 1,408,175 | (750,747) |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of year | 66,096,213 | 26,536,067 | 40,683,334 |
| End of year | <u>\$ 82,209,938</u> | <u>\$ 27,944,242</u> | <u>\$ 39,932,587</u> |
| Reconciliation to statement of net position: | | | |
| Cash and cash equivalents | \$ 80,807,105 | \$ 26,400,017 | \$ 25,261,276 |
| Restricted cash and cash equivalents | 1,402,833 | 1,544,225 | 14,671,311 |
| | <u>\$ 82,209,938</u> | <u>\$ 27,944,242</u> | <u>\$ 39,932,587</u> |

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Redding
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2017

| | Enterprise Funds | | Governmental | |
|---|--|----------------------------------|------------------------------|----------------------|
| | Solid Waste Collection/ Disposal | Non-Major Enterprise Funds | Internal Service Funds | |
| | | Total | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from customers | \$ 23,772,698 | \$ 4,936,207 | \$ 227,833,441 | \$ 65,988,548 |
| Cash paid to suppliers | (13,974,166) | (8,793,893) | (131,867,591) | (57,270,744) |
| Cash paid to employees | (7,860,786) | (1,419,515) | (46,975,166) | (8,428,905) |
| Other income received | 1,585,252 | 14,593 | 12,182,613 | - |
| Net cash provided (used) by operating activities | 3,522,998 | (5,262,608) | 61,173,297 | 288,899 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Intergovernmental revenue received | 48,520 | 3,636,628 | 3,682,855 | (3,426) |
| Advances from other funds | - | 126,420 | 126,420 | - |
| Repayment of advances from other funds | - | (348,103) | (132,562) | 367,289 |
| Advances to other funds | - | - | - | 22,470 |
| Repayment of advances to other funds | - | - | - | (73,671) |
| Transfers in | 365,273 | 1,258,616 | 2,396,168 | - |
| Transfers out | - | (187,500) | (6,415,800) | (1,984,706) |
| Other Revenue | 11,793 | - | 11,793 | (18,796) |
| Net cash provided (used) by noncapital financing activities | 425,586 | 4,486,061 | (331,126) | (1,690,840) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Capital grant received | - | 893,561 | 893,561 | - |
| Proceeds from sale of assets | 144,275 | 140,445 | 381,929 | 7,406 |
| Purchase of capital assets | (5,819,374) | (1,301,217) | (25,337,090) | (62,601) |
| Interest paid | - | (51,857) | (1,259,236) | (1) |
| Proceeds from long-term debt | - | 1,100,000 | 55,338,156 | - |
| Principal paid on long-term debt | - | (215,786) | (76,290,022) | - |
| Principal paid on capital leases | - | (1,056,826) | (1,056,826) | - |
| Cash collected for future capital outlay | - | 413,004 | 438,104 | - |
| Net cash provided (used) by capital and related financing activities | (5,675,099) | (78,676) | (46,891,424) | (55,196) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investment revenue received | 37,392 | 3,470 | 279,530 | 12,041 |
| Rents received | 1,880 | 18,895 | 20,775 | - |
| Net cash provided (used) by investing activities | 39,272 | 22,365 | 300,305 | 12,041 |
| Net increase (decrease) in cash and cash equivalents | (1,687,243) | (832,858) | 14,251,052 | (1,445,096) |
| CASH AND CASH EQUIVALENTS: | | | | |
| Beginning of year | 26,473,986 | 8,785,992 | 168,575,592 | 15,393,466 |
| End of year | \$ 24,786,743 | \$ 7,953,134 | \$ 182,826,644 | \$ 13,948,370 |
| Reconciliation to statement of net position: | | | | |
| Cash and cash equivalents | \$ 24,786,743 | \$ 4,960,935 | \$ 162,216,076 | \$ 13,948,370 |
| Restricted cash and cash equivalents | - | 2,992,199 | 20,610,568 | - |
| | \$ 24,786,743 | \$ 7,953,134 | \$ 182,826,644 | \$ 13,948,370 |

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Redding
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2017

| | 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) | \$ 28,745,085 | \$ 1,063,422 | \$ 4,170,018 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Other non-operating revenue and expense | - | 1,099,341 | 1,174,991 |
| Depreciation and amortization | 13,903,648 | 3,421,610 | 7,018,740 |
| Pension expense | 233,731 | 24,887 | 37,477 |
| (Increase) decrease in accounts receivable | (1,514,483) | (433,059) | (108,250) |
| (Increase) decrease in inventories | (1,455,354) | (47,373) | (8,388) |
| (Increase) decrease in prepaid items | (21,167) | 7,036 | 3,001 |
| (Increase) decrease in investment in JPA | 483,386 | - | - |
| (Increase) decrease in deposits | (500,000) | - | - |
| Increase (decrease) in accounts payable | 2,450,093 | 7,876 | 17 |
| Increase (decrease) in accrued liabilities | 211,227 | 28,188 | 43,891 |
| Increase (decrease) in claims and judgements payable | - | - | - |
| Increase (decrease) in deposits | (34,235) | - | - |
| Increase (decrease) in intergovernmental payable | 190,488 | 13,157 | 7,655 |
| Increase (decrease) in unearned revenue | 114,532 | - | - |
| Increase (decrease) in accrued compensated absences | (266,600) | 16,409 | (6,667) |
| Increase (decrease) in accrued landfill closure costs | - | - | - |
| Increase (decrease) in claims and judgements payable long-term | - | - | - |
| Increase (decrease) in accrued liabilities long-term | 2,247,905 | 255,067 | 335,605 |
| Total adjustments | 16,043,171 | 4,393,139 | 8,498,072 |
| Net cash provided (used) by operating activities | \$ 44,788,256 | \$ 5,456,561 | \$ 12,668,090 |
| SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Plant contributed from developers | \$ 384,017 | \$ 372,108 | \$ 340,978 |
| Capitalized interest | 692,653 | 130,582 | 230,265 |
| Non-cash change in deposits | - | - | - |
| Equipment transfers | - | - | 12,802 |
| Total non-cash capital and related financing activities | \$ 1,076,670 | \$ 502,690 | \$ 584,045 |

(Continued)

See accompanying Notes to the Basic Financial Statements.

City of Redding
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2017

| | Enterprise Funds | | | Governmental Activities |
|---|--|----------------------------------|-----------------------------|------------------------------|
| | Solid Waste Collection/ Disposal | Non-Major Enterprise Funds | Total | Internal Service Funds |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ (273,621) | \$ (8,475,655) | \$ 25,229,249 | \$ (2,029,239) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Other non-operating revenue and expense | - | 11,348 | 2,285,680 | - |
| Depreciation and amortization | 1,940,682 | 3,351,899 | 29,636,579 | 1,001,192 |
| Pension expense | 74,030 | 12,526 | 382,651 | 78,735 |
| (Increase) decrease in accounts receivable | 140,381 | 35,235 | (1,880,176) | 9,923 |
| (Increase) decrease in inventories | - | 12,022 | (1,499,093) | (17,834) |
| (Increase) decrease in prepaid items | 14,425 | (5,952) | (2,657) | (2,489) |
| (Increase) decrease in investment in JPA | - | - | 483,386 | - |
| (Increase) decrease in deposits | - | - | (500,000) | - |
| Increase (decrease) in accounts payable | 48,177 | (319,527) | 2,186,636 | 36,706 |
| Increase (decrease) in accrued liabilities | 25,809 | 10,574 | 319,689 | 71,029 |
| Increase (decrease) in claims and judgements payable | - | - | - | 9,915,815 |
| Increase (decrease) in deposits | 1,010,838 | 195 | 976,798 | (1) |
| Increase (decrease) in intergovernmental payable | (26,387) | (2,966) | 181,947 | (2,752) |
| Increase (decrease) in unearned revenue | - | 680 | 115,212 | (169) |
| Increase (decrease) in accrued compensated absences | (11,909) | 15,592 | (253,175) | (34,677) |
| Increase (decrease) in accrued landfill closure costs | 28,618 | - | 28,618 | - |
| Increase (decrease) in claims and judgements payable long-term | - | - | - | (9,346,105) |
| Increase (decrease) in accrued liabilities long-term | 551,955 | 91,421 | 3,481,953 | 608,765 |
| Total adjustments | <u>3,796,619</u> | <u>3,213,047</u> | <u>35,944,048</u> | <u>2,318,138</u> |
| Net cash provided (used) by operating activities | <u><u>\$ 3,522,998</u></u> | <u><u>\$ (5,262,608)</u></u> | <u><u>\$ 61,173,297</u></u> | <u><u>\$ 288,899</u></u> |
| SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Plant contributed from developers | \$ 613,117 | \$ 326,370 | \$ 2,036,590 | \$ - |
| Capitalized interest | - | - | 1,053,500 | - |
| Non-cash change in deposits | (613,117) | - | (613,117) | 412,698 |
| Equipment transfers | - | 12,800 | 25,602 | 4 |
| Total non-cash capital and related financing activities | <u><u>\$ -</u></u> | <u><u>\$ 339,170</u></u> | <u><u>\$ 2,502,575</u></u> | <u><u>\$ 412,702</u></u> |
| | | | | <i>(Concluded)</i> |

See accompanying Notes to the Basic Financial Statements.

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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.

The Successor Agency to the Redding Redevelopment Agency Private-purpose Trust Fund ("Successor Agency")

This fund is used to account for monies received from the Shasta County Auditor-Controller for the repayment of the enforceable obligations of the former Redding Redevelopment Agency. These funds are restricted for the sole purpose of payment of items on an approved Recognized Payment Obligation Schedule (ROPS).

City of Redding
Statement of Fiduciary Net Position
Successor Agency to the Redding Redevelopment Agency Private-purpose Trust Fund
June 30, 2017

| | Agency Funds | Successor Agency Private-Purpose Trust Fund |
|---|---------------------|---|
| ASSETS | | |
| Cash and investments: | | |
| Cash with trustee | \$ 3,423,325 | \$ 4,437,756 |
| Bond reserves | - | 6,724,463 |
| Interest receivable | 19,792 | 17,166 |
| Accounts receivable, net | 2,307 | - |
| Prepaid costs | - | 25,298 |
| Capital assets: | | |
| Land | - | 635,234 |
| Building | - | 1,455,733 |
| Equipment | - | 6,132 |
| Total capital assets | - | 2,097,099 |
| Less accumulated depreciation | - | (1,461,865) |
| Net capital assets | - | 635,234 |
| Total assets | \$ 3,445,424 | 11,839,917 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred charge on refunding | | 162,244 |
| Total deferred outflows of resources | | 162,244 |
| LIABILITIES | | |
| Accounts payable | \$ - | 1,883 |
| Accrued interest payable | - | 499,671 |
| Intergovernmental payable | - | 648,623 |
| Unearned Revenue | - | 3,199,294 |
| Deposits payable | 3,445,424 | - |
| Long-term debt | - | 33,941,032 |
| Total liabilities | \$ 3,445,424 | 38,290,503 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Total deferred inflows of resources | | - |
| NET POSITION | | |
| Held in trust | | (26,288,342) |
| Total net position | | \$ (26,288,342) |

See accompanying Notes to the Basic Financial Statements.

City of Redding
Statement of Changes in Fiduciary Net Position
Successor Agency to the Redding Redevelopment Agency Private-purpose Trust Fund
For the Year Ended June 30, 2017

| | Successor Agency Private-Purpose Trust Fund |
|---|---|
| | |
| ADDITIONS: | |
| Property taxes | \$ 5,036,715 |
| Investment revenue | 55,819 |
| Other revenue | 463,656 |
| | 5,556,190 |
| DEDUCTIONS: | |
| Administrative costs | 125,000 |
| Payment on Recognized Obligation Payment Schedule | 2,503,770 |
| | 2,628,770 |
| Total deductions | 2,628,770 |
| Net change in net position | 2,927,420 |
| NET POSITION: | |
| Beginning of period | (29,215,762) |
| End of period | \$ (26,288,342) |

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Redding
Index to Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

| | |
|---|-----------|
| Note 1 – Summary of Significant Accounting Policies | 65 |
| A. Reporting Entity | 65 |
| B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation | 66 |
| C. Cash and Investments | 70 |
| D. General Receivables and Property Taxes Receivable | 71 |
| E. Inventories | 71 |
| F. Capital Assets | 71 |
| G. Pensions | 72 |
| H. Vacation and Sick Pay | 73 |
| I. Unearned Revenue | 73 |
| J. Long – Term Obligations | 73 |
| K. Net Position | 74 |
| L. Fund Balances | 74 |
| M. Spending Policy | 75 |
| N. Use of Estimates | 75 |
| O. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2017 | 75 |
| P. Upcoming Governmental Accounting Standards Implementation | 77 |
| Note 2 – Cash and Investments | 78 |
| A. Demand Deposits | 79 |
| B. Investments | 80 |
| C. Investments in Local Agency Investment Fund | 80 |
| D. Risk Disclosures | 81 |
| Note 3 – Interfund Activities | 83 |
| A. Due From and Due To Other Funds | 83 |
| B. Interfund Receivable and Payable | 83 |
| C. Advances To and From Other Funds | 84 |
| D. Transfer In and Out | 85 |
| Note 4 – Capital Assets | 86 |
| A. Governmental Activities | 86 |
| B. Business-Type Activities | 87 |
| Note 5 – Power Acquisition Costs | 88 |
| Note 6 – Unavailable Revenue | 88 |
| Note 7 – Long-Term Debt | 89 |
| Note 8 – Leases | 95 |
| Note 9 – Pledged Revenue | 96 |
| Note 10 – Compensated Absences | 98 |
| Note 11 – Interest Cost Capitalized | 99 |

City of Redding
Index to Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

| | |
|--|-----|
| Note 12 – Self-Insurance | 99 |
| Note 13 – Individual Fund Disclosures | 100 |
| Note 14 – Joint Ventures | 101 |
| A. M-R-S Public Power Agency | 101 |
| B. M-R-S Energy Authority | 103 |
| C. Transmission Agency of Northern California | 104 |
| D. Balancing Authority of Northern California | 105 |
| E. Contingent Liability..... | 106 |
| Note 15 – Postclosure Care Costs | 106 |
| Note 16 – Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) Grant Information | 107 |
| Note 17 – Retirement Plans | 108 |
| Note 18 – Other Postemployment Healthcare Benefits | 127 |
| Note 19 – Fund Balances | 129 |
| Note 20 – Commitments and Contingencies | 130 |
| Note 21 – Successor Agency Trust for Assets of the Former Redevelopment Agency | 133 |
| Note 22 – Subsequent Events | 136 |

City of Redding
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies of the City of Redding (City), all of which conform to United States generally accepted accounting principles (U.S. GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The City was incorporated on October 4, 1887, as a general law city formed under state legislative statutes and governed by a body of laws in the State Constitution. The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police and fire protection; sanitation, electric, water, and wastewater services; the construction and maintenance of streets and infrastructure; recreational activities and cultural events.

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

- ◆ The component unit's governing body is substantively the same as the governing body of the City and:
 - there is a financial benefit or burden relationship between the City and the component unit or
 - management of the City has operational responsibility for the component unit.
- ◆ The component unit provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it does not provide services to it.
- ◆ The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the City.

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

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

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

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

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

Redding Joint Powers Financing Authority (JPA) was created by a joint exercise of power agreement between the City and the JPA 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.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity (Continued)

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

Redding Area Bus Authority (RABA) is a separate governmental entity formed under a joint powers agreement between the County of Shasta, City of Shasta Lake, the City of Anderson and the City. RABA's governing board comprises members of both the County's, and the cities of Redding, Anderson, and Shasta Lake's governing boards based on population ratios within the service area. Currently, the Redding City Council comprises a majority of the board members filling five of the eight positions. In addition, City of Redding personnel provides administrative responsibility for RABA. 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.

Financial statements for each of the individual component units may be obtained from the Finance Department of the City at 777 Cypress Avenue, Redding, California 96001.

B. Measurement Focus, Basis of Accounting, and Financial Statement 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 by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position 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.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Government-Wide Financial Statements (Continued)

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

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.

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.

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.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

Governmental fund financial statements are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues as available if they are collected within sixty (60) days of the end of the current fiscal period, except for sales tax which has a ninety (90) day availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Financial Statements (Continued)

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

The City reports the following major governmental funds:

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

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

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City's 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:

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

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

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

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

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

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Proprietary Fund Financial Statements (Continued)

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

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. Tap and similar fees have been reported as non-operating revenues in the City's statement of revenue expense and changes in net position for proprietary funds and as capital grants and contributions in the statement of activities and changes in net position. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary funds:

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

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

The **Waste Water 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 Collection / Disposal 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.

Fiduciary Fund Financial Statements

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

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Fiduciary Fund Financial Statements (Continued)

Fiduciary fund types are accounted for according to the nature of the fund.

The City's Agency funds are used *Agency Funds* are used to account for assets held by a governmental unit as an agent for individuals, governmental entities (other than the City) and non-public organizations. This fund is used to account for deposits and collects monies for various community events which are remitted to the organizers. These funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations.

The City's private purpose trust fund is a fiduciary fund type used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and interest benefit individuals, private organizations, or other governments. This trust fund is used to account for the fiduciary assets, liabilities and net position of the Successor Agency (Agency) to the Redding Redevelopment Agency, the former redevelopment agency of the City.

C. 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. Investment income is recorded as revenue in the individual funds based on the computed average interest rate of all investments and the average daily cash balance of each fund. For purposes of the statement of cash flows of the proprietary fund types, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

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

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash and Investments (Continued)

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position or Balance Sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, which are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

D. 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).

E. 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.

F. Capital Assets

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

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

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

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

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

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

For all infrastructure systems, the City elected to use the Basic Approach. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the streets, water purification and distribution system, sewer collection and treatment system, parks and recreation, lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land.

These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

G. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 17). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2015 |
| Measurement Date | June 30, 2016 |
| Measurement Period | July 1, 2015 to June 30, 2016 |

PARS:

| | |
|--------------------|----------------------------------|
| Valuation Date | January 1, 2014 |
| Measurement Date | June 30, 2016 |
| Measurement Period | January 1, 2015 to June 30, 2016 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Pensions (Continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

H. 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. Vacation pay and 33-1/3% to 60% of the sick pay of employees with terms of services equal to or exceeding ten years have been accrued in the accompanying government-wide financial statements and the accompanying proprietary fund financial statements.

I. Unearned Revenue

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

J. 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 position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures unless they are related to insurance costs. Bond issuance insurance costs are reported as a prepaid asset and amortized over the life of the bonds.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Net Position

For government-wide reporting as well as in proprietary funds, fund equity is called net position. Net position is comprised of three components: net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

L. Fund Balances

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

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

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

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

Assigned fund balance. This classification reflects the amounts constrained by the City Council ‘s “intent” to be used for specific purposes, but are neither restricted nor committed. By Council Policy the City Council and City Manager have the authority to allocate amounts to be used for specific purposes. City Council approves the appropriation; however, the budget ordinance authorizes the City Manager to modify the appropriations by resource or appropriation within a functional area or fund.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Fund Balances (Continued)

Unassigned fund balance. This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

M. Spending Policy

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, the unrestricted resources-committed, assigned, and unassigned-in order as needed. The City has no formal policy of assignment of fund balance. So it is presumed that the order of spending is first committed fund balance, then assigned fund balance, and last of all, unassigned fund balance.

N. 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.

O. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2017

During the fiscal year ended June 30, 2017, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting by postemployment benefits other than pensions (OPEB) plans that administer benefits on behalf of governments. This statement basically parallels GASB Statement 67 and replaces GASB Statement 43. The City has implemented GASB No. 74 which is reflected on the City's financial statements.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

O. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2017 (Continued)

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. The City has implemented GASB No. 74 which is reflected on the City's financial statements.

GASB Statement No. 77 – In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

GASB Statement No. 80 – In December 2015, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Upcoming Governmental Accounting Standards Implementation

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

GASB Statement No. 81 – In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 82 – In December 2015, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer’s expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the City’s fiscal year ending June 30, 2019.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the City’s fiscal year ending June 30, 2020.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Upcoming Governmental Accounting Standards Implementation

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 86 – In April 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. Application of this statement is effective for the City’s fiscal year ending June 30, 2020.

Note 2 – Cash and Investments

At June 30, 2017, cash and investments are reported in the accompanying basic financial statements as follows:

| | Government-Wide Statement of Net Position | | | Fiduciary Funds Statement of Net Position | |
|------------------------------------|--|------------------------------|----------------|---|----------------|
| | Governmental Activities | Business -type Activities | Total | Total | Total |
| Cash and investments | \$ 42,788,084 | \$ 162,216,076 | \$ 205,004,160 | \$ 7,861,081 | \$ 212,865,241 |
| Restricted cash and investments | \$ 1,850,718 | \$ 20,610,568 | \$ 22,461,286 | \$ 6,724,463 | \$ 29,185,749 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

At June 30, 2017, cash and investments, including cash and investments with fiscal agent, are reported at fair value. The following table presents the fair value measurements of the investments recognized in the accompanying statement of net position and balance sheet measured at fair value on a recurring basis and the levels within GASB 72 fair value hierarchy in which fair value measurement fall at June 30, 2017:

| | Fair Value | | Total | Measurement Input |
|------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | Unrestricted | Restricted | | |
| Deposits | \$ 28,997,942 | \$ 20,200,006 | \$ 49,197,948 | N/A |
| Medium Term Corporate Notes | 28,828,827 | - | 28,828,827 | Level 2 |
| Federal Agency Bonds | 120,288,901 | - | 120,288,901 | Level 2 |
| Local Agency Investment Fund | 34,593,372 | 5,934,871 | 40,528,243 | Uncategorized |
| Mutual Funds | 156,199 | 3,050,872 | 3,207,071 | Level 1 |
| Total Investments | <u>183,867,299</u> | <u>8,985,743</u> | <u>192,853,042</u> | |
| Total Cash and Investments | <u>\$ 212,865,241</u> | <u>\$ 29,185,749</u> | <u>\$ 242,050,990</u> | |

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

A. Demand Deposits

At June 30, 2017, the carrying amount of the City’s deposits was \$49,197,948 of which \$20,200,006 was restricted and \$28,997,942 was unrestricted. The bank balance was \$50,180,648. Of the bank balance, \$9,135,000 was covered by Federal depository insurance, and \$41,045,648 was covered by collateral held in the pledging bank’s trust department. Such collateral is in the City’s name as discuss below.

The California Government Code requires California banks and savings and loan associations to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

B. Investments

The California Government Investment 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.

C. Investments in Local Agency Investment Fund

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments in LAIF at June 30, 2017 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2017, the City had \$40,528,243 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines the value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2017, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants’ total aggregate amortized cost by total aggregate fair value. The fair value of the City’s position in the pool is the same as the value of the pool shares. The credit quality rating of LAIF is unrated as of June 30, 2017.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City varies its maturity dates throughout the five-year maturity period. The investments with maturities greater than 5 years pertain to investment agreements within the bond issues. These agreements afford the City long-term fixed interest rates for the duration of the bond issue, with the option to utilize those funds for debt service payments and at the City's option replenish those funds at the fixed rate until the maturity of the investment agreements. The City has no formal policy regarding interest rate risk.

As of June 30, 2017, the City had the following investments and maturities:

| Unrestricted: Investment Type | Investments Maturities (in Years) | | | | |
|---|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Fair Value | Less Than 1 | 1-2 | 3-4 | 5 |
| Medium Term Corporate Notes | \$ 28,828,827 | \$ - | \$ 5,996,980 | \$ 19,380,563 | \$ 3,451,284 |
| Federal Agency Bonds | 120,288,901 | 24,671,780 | 7,382,736 | 60,447,640 | 27,786,745 |
| Investment in State Treasurer's Investment Pool | 34,593,372 | 34,593,372 | - | - | - |
| Mutual Funds | 156,199 | 156,199 | - | - | - |
| Total | <u>\$183,867,299</u> | <u>\$ 59,421,351</u> | <u>\$ 13,379,716</u> | <u>\$ 79,828,203</u> | <u>\$ 31,238,029</u> |

| Restricted: Investment Type | Investments Maturities (in Years) | | | |
|---|-----------------------------------|---------------------|-------------|-------------|
| | Fair Value | Less Than 1 | 1-5 | More Than 5 |
| Investment in State Treasurer's Investment Pool | \$ 5,934,871 | \$ 5,934,871 | \$ - | \$ - |
| Mutual Funds | 3,050,872 | 3,050,872 | - | - |
| Total | <u>\$ 8,985,743</u> | <u>\$ 8,985,743</u> | <u>\$ -</u> | <u>\$ -</u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of yearend for each investment type.

As of June 30, 2017, the City's investments in Federal Agency Bonds were rated Aaa by Moody's Investors Service. The City's investments in Medium Term Corporate Notes were rated A, Aa, and Aaa by Moody's Investors Service. Investments in LAIF are not rated as LAIF is a State sponsored investment pool. The City policy limits the percentage invested in various instruments by category.

Disclosures Relating to Concentration of Credit Risk

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

| <u>Issuer</u> | <u>Investment Type</u> | <u>Amount</u> |
|--|-----------------------------------|---------------|
| Local Agency Investment Fund (LAIF) | California Pooled Investment Fund | 40,528,243 |
| Federal Farm Credit Bank | Federal Agency Securities | 31,014,335 |
| Federal Home Loan Bank | Federal Agency Securities | 31,066,083 |
| Federal Home Loan Mortgage Corporation | Federal Agency Securities | 30,677,305 |
| Federal National Mortgage Association | Federal Agency Securities | 27,539,991 |

Disclosures Relating to Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits.

All securities are held in the name of the City. As a result, the City had no custodial credit risk at June 30, 2017.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Interfund Activities

A. Due From and Due To Other Funds

At June 30, 2017, due to and due from other funds balances are as follows:

| Due To Other Funds | Due From Other Funds General Fund | Total |
|-----------------------------|---|-------------------|
| Governmental Funds: | | |
| Nonmajor Governmental Funds | \$ 100,492 | \$ 100,492 |
| Enterprise funds: | | |
| Nonmajor Enterprise Funds | 119,442 | 119,442 |
| Total | \$ 219,934 | \$ 219,934 |

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

B. Interfund Receivable and Payable

At June 30, 2017, interfund receivable and payable balances are as follows:

| Interfund Payable | Interfund Receivable | | Total |
|-------------------|-------------------------------|------------------------------|-------------------|
| | Wastewater Utility Fund | Internal Service Funds | |
| Enterprise Funds: | | | |
| Nonmajor: | | | |
| Enterprise funds | \$ 45,000 | \$ 73,464 | \$ 118,464 |
| Total | \$ 45,000 | \$ 73,464 | \$ 118,464 |

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

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Interfund Activities (Continued)

C. Advances To and From Other Funds

At June 30, 2017, long-term advances consisted of the followings:

| <u>Advances from other funds</u> | <i>Advances to other funds</i> | | | <u>Total</u> |
|----------------------------------|--------------------------------|------------------------------------|---------------------------------------|---------------------|
| | <u>Electric Utility</u> | <u>Waste Water Utility</u> | <u>Internal Service Funds</u> | |
| Governmental funds: | | | | |
| Non-major: Governmental Funds | \$ 233,781 | \$ - | \$ 186,913 | \$ 420,694 |
| Non-major: Enterprise Funds | - | 508,835 | 3,755,047 | 4,263,882 |
| Internal Service Funds | 282,502 | - | - | 282,502 |
| Total | <u>\$ 516,283</u> | <u>\$ 508,835</u> | <u>\$ 3,941,960</u> | <u>\$ 4,967,078</u> |

- a) The Electric Utility loaned the Parking Fund additional funds for another parking structure at the Downtown Mall. The outstanding balance at year-end was \$233,782.
- b) The General Fund has advanced funds to the Parking Fund to cover operating expenditures. This balance has been transferred to the Risk Management Fund and had a balance of \$186,913 at year-end.
- c) In recent years the General Fund has advanced \$8,917,054 to the Airport Fund to finance improvements and operating expenses. The balance was transferred to the Risk Management Fund during the 2009-2010 fiscal year. The Airport Fund has repaid \$7,217,670 to date. The remaining balance is \$1,699,384 all of which is classified as long-term.
- d) In recent years the General Fund has advanced \$1,374,847 to the Convention Center Fund to finance improvements and operating expenses. The balance was transferred to the Risk Management Fund during the 2009-2010 fiscal year. The balance at year-end was \$1,223,153.
- e) Under an agreement, the Wastewater Fund has made payments on the Airport Fund's sewer special assessment. The outstanding balance of the advance, in the amount of \$553,835, is to be repaid including interest at the City's average earnings on its pooled cash accounts. Of this amount, \$508,835 is long-term at year-end.
- f) The Risk Management Fund advanced funds to the Airport Fund to acquire property. There was a balance of \$129,294 at year-end.
- g) The Risk Management Fund advanced funds to the Convention Center Fund to finance additional improvements. At year-end the balance was \$776,681, of this amount, \$703,216 is long-term at year-end.
- h) The Electric Utility Fund advanced \$708,786 to the Information Technology division for the City's portion of the new telephone system. At year end the remaining balance is \$282,502.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Interfund Activities (Continued)

D. Transfer In and Out

The following operating transfers were made during the fiscal year ended June 30, 2017:

| <i>Transfers Out</i> | <i>Transfers In</i> | | | | | | | | | <i>Total</i> |
|-------------------------------|---------------------|--------------------------------------|------------------------------------|----------------------|-------------------|--------------------|--------------------|----------------------------------|-------------------------------|-------------------|
| | <i>General Fund</i> | <i>General Capital Projects Fund</i> | <i>Nonmajor Governmental Funds</i> | <i>Electric Fund</i> | <i>Water Fund</i> | <i>Waste-water</i> | <i>Solid Waste</i> | <i>Nonmajor Enterprise Funds</i> | <i>Internal Service Funds</i> | |
| Governmental Funds: | | | | | | | | | | |
| Major Funds: | | | | | | | | | | |
| General Fund | \$ 114,500 | \$ - | \$ 807,045 | \$ - | \$ - | \$ - | \$ - | \$ 1,223,263 | \$ - | \$ 2,144,808 |
| General Capital Projects Fund | 277,441 | 185,200 | - | - | - | - | 217,000 | - | - | 679,641 |
| Nonmajor Governmental Funds | 4,927,239 | - | - | - | - | - | - | - | - | 4,927,239 |
| Enterprise Funds: | | | | | | | | | | |
| Major Enterprise Funds: | | | | | | | | | | |
| Electric | 6,228,300 | - | - | - | - | - | - | - | - | 6,228,300 |
| Solid Waste | - | - | - | - | - | - | - | - | - | - |
| Water | - | - | - | - | - | - | - | 12,800 | 2 | 12,802 |
| Wastewater | - | - | - | - | - | - | - | - | 4 | 4 |
| Nonmajor Enterprise Funds | 185,000 | - | - | 2,500 | - | - | - | - | - | 187,500 |
| Internal Service Funds | 1,031,301 | - | - | 549,171 | 108,267 | 112,341 | 148,273 | 35,353 | - | 1,984,706 |
| Total | 12,763,781 | 185,200 | 807,045 | 551,671 | 108,267 | 112,341 | 365,273 | 1,271,416 | 6 | 16,165,000 |

The reasons for these transfers are set forth below:

- The General Fund transferred a portion of the transient occupancy tax to the Convention Center per City policy.
- The General Fund transferred funds to the Library for operations.
- The Airports and Electric Enterprise Funds transfer funds to the General Fund in lieu of property tax.
- Within the Nonmajor Governmental Funds, gas taxes and other special revenues are transferred to the General Fund to pay for related expenditures. In addition, funds were transferred to the capital project fund to cover portions of qualified projects.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for the year ended June 30, 2017 consisted of the following:

| | Balance July 1, 2016 | Additions | Deletions | Transfers/ Reclassifications | Balance June 30, 2017 |
|---|-----------------------------|-----------------------------|---------------------------|---------------------------------|-----------------------------|
| Governmental Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 30,239,102 | \$ 216,075 | \$ (145,085) | \$ 341,983 | \$ 30,652,075 |
| Construction in process | 18,910,150 | 6,374,112 | (42,994) | (17,405,555) | 7,835,713 |
| Total capital assets, not being depreciated | <u>49,149,252</u> | <u>6,590,187</u> | <u>(188,079)</u> | <u>(17,063,572)</u> | <u>38,487,788</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 62,870,731 | - | (440,648) | 2,078,441 | 64,508,524 |
| Improvements other than buildings | 102,776,190 | 52,875 | - | (3,465,948) | 99,363,117 |
| Infrastructure | 293,083,612 | 389,243 | - | 16,441,407 | 309,914,262 |
| Automotive equipment | 13,384,196 | 485,601 | (666,772) | 222,664 | 13,425,689 |
| Furnishings and equipment | 8,540,763 | 43,165 | (282,569) | 2,279,672 | 10,581,031 |
| Assets under capital lease: | | | | | |
| Automotive equipment | 565,048 | - | - | - | 565,048 |
| Total capital assets, being depreciated | <u>481,220,540</u> | <u>970,884</u> | <u>(1,389,989)</u> | <u>17,556,236</u> | <u>498,357,671</u> |
| Accumulated depreciation: | | | | | |
| Buildings | (28,322,090) | (2,011,306) | 440,494 | - | (29,892,902) |
| Improvements other than buildings | (56,988,856) | (3,162,255) | - | - | (60,151,111) |
| Infrastructure | (89,644,000) | (8,597,159) | - | - | (98,241,159) |
| Automotive equipment | (10,271,984) | (634,204) | 618,545 | (222,658) | (10,510,301) |
| Furnishings and equipment | (6,829,837) | (581,198) | 278,482 | - | (7,132,553) |
| Assets under capital lease: | | | | | |
| Automotive equipment | (43,948) | (37,670) | - | - | (81,618) |
| Total accumulated depreciation | <u>(192,100,715)</u> | <u>(15,023,792)</u> | <u>1,337,521</u> | <u>(222,658)</u> | <u>(206,009,644)</u> |
| Total capital assets, being depreciated, net | <u>289,119,825</u> | <u>(14,052,908)</u> | <u>(52,468)</u> | <u>17,333,578</u> | <u>292,348,027</u> |
| Total governmental activities | <u><u>\$338,269,077</u></u> | <u><u>\$(7,462,721)</u></u> | <u><u>\$(240,547)</u></u> | <u><u>\$270,006</u></u> | <u><u>\$330,835,815</u></u> |

Depreciation expense was charged to governmental activities as follows:

| Program | Depreciation |
|------------------------|-----------------------------|
| General government | \$ 1,608,110 |
| Police | 696,472 |
| Fire | 363,428 |
| Public works | 8,790,053 |
| Recreation and culture | 3,563,153 |
| Community development | 2,576 |
| Total | <u><u>\$ 15,023,792</u></u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in capital assets for the year ended June 30, 2017 consisted of the following:

| | Balance July 1, 2016 | Additions | Deletions | Transfers/ Reclassifications | Balance June 30, 2017 |
|--|-----------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------|
| Business-Type Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 19,532,764 | \$ - | \$ (89,566) | \$ 126,728 | \$ 19,569,926 |
| Construction in progress | 30,027,503 | 16,983,984 | (390,426) | (29,097,413) | 17,523,648 |
| Total capital assets, not being depreciated | <u>49,560,267</u> | <u>16,983,984</u> | <u>(479,992)</u> | <u>(28,970,685)</u> | <u>37,093,574</u> |
| Capital assets, being depreciated: | | | | | |
| Utility plants | 777,056,334 | 5,209,281 | (5,423,684) | 24,794,167 | 801,636,098 |
| Buildings | 68,299,585 | 103,414 | - | 7,889,902 | 76,292,901 |
| Improvements other than buildings | 46,090,080 | 19,388 | - | (981,268) | 45,128,200 |
| Automotive equipment | 38,410,380 | 4,629,616 | (2,025,293) | (104,007) | 40,910,696 |
| Furnishings and equipment | 26,483,600 | 1,307,650 | (607,657) | 755,965 | 27,939,558 |
| Assets under capital lease: | | | | | |
| Furnishings and equipment | 4,175,880 | - | (299,142) | (3,876,738) | - |
| Total capital assets, being depreciated | <u>960,515,859</u> | <u>11,269,349</u> | <u>(8,355,776)</u> | <u>28,478,021</u> | <u>991,907,453</u> |
| Less accumulated depreciation for: | | | | | |
| Utility plants | (378,535,181) | (21,501,025) | 3,851,244 | - | (396,184,962) |
| Buildings | (33,511,330) | (2,029,046) | - | - | (35,540,376) |
| Improvements other than buildings | (31,361,544) | (893,403) | - | (719,179) | (32,974,126) |
| Automotive equipment | (21,666,474) | (2,869,971) | 1,706,418 | 204,001 | (22,626,026) |
| Furnishings and equipment | (14,806,222) | (2,241,066) | 607,652 | 18,657 | (16,420,979) |
| Assets under capital lease: | | | | | |
| Furnishings and equipment | (719,179) | - | - | 719,179 | - |
| Total accumulated depreciation | <u>(480,599,930)</u> | <u>(29,534,511)</u> | <u>6,165,314</u> | <u>222,658</u> | <u>(503,746,469)</u> |
| Total capital assets, being depreciated, net | <u>479,915,929</u> | <u>(18,265,162)</u> | <u>(2,190,462)</u> | <u>28,700,679</u> | <u>488,160,984</u> |
| Total business-type activities | <u><u>\$529,476,196</u></u> | <u><u>\$(1,281,178)</u></u> | <u><u>\$(2,670,454)</u></u> | <u><u>\$(270,006)</u></u> | <u><u>\$525,254,558</u></u> |

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

| Program | Depreciation |
|-------------------|-----------------------------|
| Electric | \$ 13,801,580 |
| Water | 3,421,610 |
| Wastewater | 7,018,740 |
| Storm drainage | 864,219 |
| Solid waste | 1,940,682 |
| Transportation | 2,410,486 |
| Convention center | 77,194 |
| Total | <u><u>\$ 29,534,511</u></u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 5 – Power Acquisition Costs

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

| | |
|-----------------------------|--------------------------|
| Power Acquisition Cost | \$ 3,470,314 |
| Less: Amortization | <u>(2,924,690)</u> |
| Power Acquisition Cost, Net | <u><u>\$ 545,624</u></u> |

Note 6 – Unavailable Revenue

On the fund financial statements, unavailable revenue consisted of the following as of June 30, 2017:

| | General Fund | General Capital Projects Fund | Non Major Governmental Funds | Total |
|---|----------------------------|-------------------------------------|------------------------------------|----------------------------|
| Unavailable revenues: | | | | |
| Property taxes | \$ 526,184 | \$ - | \$ 626,334 | \$ 1,152,518 |
| Grant revenue | 254,351 | 1,829,061 | - | 2,083,412 |
| SHASCOM rents | 457,378 | - | - | 457,378 |
| Housing loans - principal and interest amounts | - | - | 5,139,768 | 5,139,768 |
| HUD funds | - | - | 73,186 | 73,186 |
| Total | <u><u>\$ 1,237,913</u></u> | <u><u>\$ 1,829,061</u></u> | <u><u>\$ 5,839,288</u></u> | <u><u>\$ 8,906,262</u></u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Long-Term Debt

Summary of changes in long-term debt for the year ended June 30, 2017, is as follows:

| | Balance July 1, 2016 | Additions | Deletions | Balance June 30, 2017 | Due within One Year | Due in more than One Year |
|--|-------------------------|----------------------|------------------------|--------------------------|------------------------|------------------------------|
| Governmental Activities: | | | | | | |
| Long-term debt: | | | | | | |
| Special assessment debt with governmental commitment | \$ 93,000 | \$ - | \$ (29,000) | \$ 64,000 | \$ 31,000 | \$ 33,000 |
| Revenue bonds | 34,310,243 | - | (2,390,777) | 31,919,466 | 2,478,315 | 29,441,151 |
| Capital lease payable | 405,165 | - | (112,968) | 292,197 | 112,967 | 179,230 |
| Long-term debt before unamortized amounts | 34,808,408 | - | (2,532,745) | 32,275,663 | 2,622,282 | 29,653,381 |
| Bond premium | 216,516 | - | (30,852) | 185,664 | 30,852 | 154,812 |
| Bond discount | (202,972) | - | 12,080 | (190,892) | (12,080) | (178,812) |
| Total governmental activities long-term debt | 34,821,952 | - | (2,551,517) | 32,270,435 | 2,641,054 | 29,629,381 |
| Business-type activities: | | | | | | |
| Long-term debt: | | | | | | |
| Revenue bonds | 46,234,756 | 55,785,000 | (3,679,223) | 98,340,533 | 3,046,685 | 95,293,848 |
| State loans payable | 84,164,134 | 1,795,897 | (5,175,800) | 80,784,231 | 5,258,285 | 75,525,946 |
| Capital leases payable | 1,355,968 | - | (1,355,968) | - | - | - |
| Certificates of participation | 118,735,000 | - | (67,435,000) | 51,300,000 | 6,920,000 | 44,380,000 |
| Long-term debt before unamortized amounts | 250,489,858 | 57,580,897 | (77,645,991) | 230,424,764 | 15,224,970 | 215,199,794 |
| Bond premium | 7,877,275 | 9,436,880 | (2,416,907) | 14,897,248 | 1,156,664 | 13,740,584 |
| Bond discount | (4,066) | - | 774 | (3,292) | (774) | (2,518) |
| Total business-type activities long-term debt | 258,363,067 | 67,017,777 | (80,062,124) | 245,318,720 | 16,380,860 | 228,937,860 |
| Total long-term debt | \$ 293,185,019 | \$ 67,017,777 | \$ (82,613,641) | \$ 277,589,155 | \$ 19,021,914 | \$ 258,567,241 |

Special Assessment Debt with Governmental Commitment

1915 Act Assessment District Bonds:

Interest from 4.70% to 9.25% payable on March 2 and September 2; maturities payable on September 2 in annual redemptions from \$2,000 to \$820,000; final payment September 2, 2019. Original issues totaled \$22,778,150. Payable from annual installments of unpaid special assessments on certain parcels of property within each assessment district.

Total Special Assessment Debt with Governmental Commitment

| | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| | \$ 64,000 | \$ - |
| Total Special Assessment Debt with Governmental Commitment | \$ 64,000 | \$ - |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Long-Term Debt (Continued)

| | Governmental Activities | Business-type Activities |
|--|----------------------------|-----------------------------|
| Revenue Bonds: | | |
| 2017 Electric Systems Revenue Bonds Series A: | | |
| The 2015 Electric Systems Revenue Bonds were issued to prepay and refund a portion of the City's outstanding 2008 A Electric System COP's and pay costs of issuance for the 2017 Bonds. Serial Bonds of \$55,800,000 bear interest from 3.0% to 5.0%, payable on December 1 and June 1; maturities are payable June 1 in annual redemptions from \$1,442,438 to \$6,473,250; final payment due June 1, 2030. The payments are payable from operating revenues of the Electric Utility Fund. | \$ - | \$ 55,035,000 |
| 2015 Electric Systems Revenue Bonds Series A: | | |
| The 2015 Electric Systems Revenue Bonds were issued to finance the costs of designs, acquisition and construction of new administrative building for the electric utility of the City of Redding and to refinance the 2005 Electric Certificates of Participation Bonds, which were used to provide funds to finance costs of acquisition and construction of certain additions, betterments and improvements to the City's electric system.. Serial Bonds of \$37,955,000 bear interest from 2.0% to 5.0%, payable on December 1 and June 1; maturities are payable June 1 in annual redemptions from \$335,000 to \$2,925,000; final payment due June 1, 2035. The payments are payable from operating revenues of the Electric Utility Fund. | \$ - | \$ 36,030,000 |
| 2013 Water and Wastewater Revenue Bonds Series A: | | |
| The 2013 Water Revenue Bonds were issued to refinance the 2003 Water Revenue Bonds which were used to refinance the 1993 Water Revenue Bonds, which were originally issued to finance capital improvements to the City's water system. The 2013 Wastewater Revenue Bonds were issued to refinance the 2002 Wastewater Revenue Bonds which were used to refinance wastewater debt and wastewater's portion of the corporation yard debt. Serial Bonds of \$14,730,000 bear interest from 2.0% to 5.0%, payable on December 1 and June 1; maturities are payable June 1 in annual redemptions from \$625,000 to \$2,095,000; final payment due June 1, 2023. The Water portion is payable from the operating revenues of the Water Utility Fund and the Wastewater portion is payable from the Wastewater operating revenues of the Wastewater Utility Fund. | - | 6,770,000 |
| 2013 Lease Revenue Bond, Series B and Series C: | | |
| Issued to finance the construction of the Redding Police Building and refinance the 2003 Aquatic Center, the Sports Complex, SHASCOM, Convention Center and the Municipal Airport, which was to refinance the 1993 Lease Revenue Bonds for SHASCOM, Convention Center and the Municipal Airport. Payable from the operating revenues of the Redding Aquatic Center, Sports Complex, SHASCOM, Convention Center, and Municipal Airport Funds. | | |
| <u>Series B, Serial/Term Bonds:</u> | | |
| Serial Bonds interest from 2% to 5.5% payable on April 1 and October 1; maturities payable annually on October 1 in annual redemptions from \$220,000 to \$460,000; final payment due October 1, 2043. Original issue \$9,740,000. Term Bonds, (1) bear interest at 5.0% maturity payable on October 1, 2028, in the amount of \$800,000; (2) bear interest at 5.25%, maturity payable on October 1, 2033, in the amount of \$1,650,000; (3) bear interest at 5.50% maturity payable on April 1, 2043, in the amount of \$2,840,000. | 8,154,466 | 505,533 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Long-Term Debt (Continued)

| | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| Revenue Bonds: (Continued) | | |
| 2013 Lease Revenue Bond, Series B and Series C (Continued): | | |
| <u>Series C, Serial/Term Bonds:</u> | | |
| Serial Bonds interest from 3.75% to 6.5% payable on April 1 and October 1; maturities payable on October 1 in annual redemptions from \$75,000 to \$180,000; final payment due October 1, 2043. | | |
| Term Bonds, (1) bear interest at 3.75%, maturity payable October 1, 2018 in the amount of \$390,000; (2) bear interest at 5.35%, maturity payable on October 1, 2024 in the amount of \$585,000; and (3) bear interest at 6.5%, maturity payable on October 1, 2032, in the amount of \$1,160,000. | 1,910,000 | - |
| 2004 Lease Revenue Bonds: | | |
| Issued to finance the purchase and renovation of certain public safety and recreation facilities of the City and payable from General Fund revenues. | | |
| <u>Series A, Serial/Term Bonds:</u> | | |
| Serial Bonds interest from 2.0% to 5.0%, payable on March 1 and September 1, maturities payable annually on March 1 from \$250,000 to \$1,430,000; final payment on March 1, 2023. Original issue: \$17,620,000. Term Bonds bear interest at (1) 4.25% maturity payable March 1, 2018 in the amount of \$865,000; (2) bear interest at 5.0%, maturity payable on March 1, 2020 in the amount of \$1,230,000. | 3,860,000 | - |
| <u>Series B, Serial/Term Bonds:</u> | | |
| Serial Bonds interest from 3.0% to 5.0%, payable on March 1 and September 1; maturities payable on March 1 from \$430,000 to \$1,305,000; final payment on March 1, 2026. Original issue: \$16,970,000. Term Bonds bear interest at (1) 5.00% maturity payable on March 1, 2022 in the amount of \$1,090,000; (2) bear interest at 5.0% maturity payable on March 1, 2024 in the amount of \$1,200,000; (3) bear interest at 4.625% maturity payable on March 1, 2026 in the amount of \$1,320,000. | 5,080,000 | - |
| 2007 Lease Revenue Bonds: | | |
| Serial Bonds interest from 3.45% to 5.00%, payable on March 1 and September 1; maturities payable on March 1 in annual redemptions from \$360,000 to \$1,220,000; final payment on March 1, 2037. Original issue: \$21,415,000. Term Bonds bear interest at (1) 4.00% maturity payable on March 1, 2023 in the amount of \$1,580,000; (2) bear interest at 4.25% maturity payable on March 1, 2032 in the amount of \$2,385,000; (3) bear interest at 4.25% maturity payable on March 1, 2037 in the amount of \$2,935,000. | 12,915,000 | - |
| Total Revenue Bonds: | \$ 31,919,466 | \$ 98,340,533 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Long-Term Debt (Continued)

| | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| State Loans: | | |
| 2007 California Airport Loan (Municipal): | | |
| Original loan amount was \$842,000. Annual installments are \$75,912, including interest at 5.219% payable June 10, maturity payable on June 10, 2025. | \$ - | \$ 331,259 |
| 2013 California Airport Loan (Benton): | | |
| Original loan amount was \$350,000. Annual installments are \$28,005, including interest at 3.655% payable May 28, maturity payable on May 28, 2031. | - | 302,673 |
| 2015 California Airport Loan (Municipal): | | |
| Original loan amount was \$1,100,000. Annual installments ranging from \$72,686 to \$74,319, including interest at 2.33% payable June 1, maturity payable on June 1, 2033. | - | 1,020,496 |
| State Water Resources Control Board Interceptor Loans: | | |
| Westside Interceptor | | |
| The total loan agreement is \$16,792,600. Annual installments ranging from \$610,061 to \$1,086,907 plus interest at 2.6% payable February 20, maturity payable on February 20, 2023. | - | 6,121,989 |
| Clear Creek Interceptor (Phase I) | | |
| The total loan agreement is \$4,360,035. Annual installments of \$272,605, including interest at 2.2% payable September 30, maturity payable on September 30, 2027. | - | 2,637,844 |
| Clear Creek Interceptor (Phase II) | | |
| The total loan agreement is \$4,966,936. Annual installments of \$319,677, including interest at 2.4% payable October 31, maturity payable on October 31, 2028. | - | 3,299,112 |
| Clear Creek Interceptor (Phase III) | | |
| The total loan agreement is \$18,194,825. Annual installments of \$1,208,152, including interest at 2.6% payable March 31, maturing March 31, 2030. | - | 13,183,611 |
| Clear Creek Interceptor (Phase IV) | | |
| The total loan agreement is \$8,542,186. Annual installments of \$567,387, including interest at 2.6% payable March 31, maturity payable on March 31, 2030. | - | 6,191,443 |
| Clear Creek Interceptor (Phase V) | | |
| The total loan agreement is \$20,457,000. Annual installments of \$1,158,208.41, including interest at 2.6% payable April 15, maturity payable on April 15, 2033. | - | 15,003,409 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Long-Term Debt (Continued)

| | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| State Loans (Continued): | | |
| State Water Resources Control Board Interceptor Loans (Continued): | | |
| Clear Creek Interceptor (Phase VI) The total loan agreement is \$12,122,280. Annual installments of \$565,390, including interest at 1.0% payable December 15, maturity payable on December 15, 2031. | - | 7,839,165 |
| Clear Creek Interceptor (Phase VII) The total loan agreement is \$5,744,251. Annual installments of \$376,241.37, including interest at 2.6% payable April 1, maturity payable April 1, 2034. | - | 5,117,022 |
| Clear Creek Interceptor (Phase VIII) (Bio solids) The total loan agreement is \$7,250,000. In 2016, withdrawals were taken in the amount of \$4,417,845 to construct Phase VIII of the Clear Creek Wastewater Interceptor (Bio solids). Annual installments of \$401,302, including interest at 2.1% payable March 31, maturity payable March 31, 2036. | - | 6,895,210 |
| Boulder Creek (Phase I) The total loan agreement is \$2,466,105. Annual installments of \$78,521, including interest at 2.7% payable February 1, maturity payable February 1, 2031. | - | 905,394 |
| Mary Street The total loan agreement is \$3,365,560. Annual installments of \$106,915, including interest at 2.7% payable April 16, maturity April 16, 2031. | - | 1,232,792 |
| Stillwater Interceptor The total loan agreement is \$12,563,200. In 2015, withdrawals were taken in the amount of \$2,634,464 to construct Phase I of the Stillwater Wastewater Interceptor. Annual installments of \$599,062.82, including interest at 2.2% payable December 30, maturity payable December 30, 2033. | - | 10,702,812 |
| Total State Loans | \$ - | \$ 80,784,231 |
| Capital Lease Payable: | | |
| The capital leases payable from governmental activities were \$405,165 for fiscal year ended June 30, 2016. | \$ 292,197 | \$ - |
| 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, 2016, the capital leases in the enterprise funds were \$1,355,968. | - | - |
| Total Capital Lease Payable | \$ 292,197 | \$ - |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Long-Term Debt (Continued)

| | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| Certificates of Participation: | | |
| 2008 Electric System Revenue Certificates of Participation - Series 2008: | | |
| \$157,965,000 Bonds due in annual principal installments of \$380,000 to \$10,790,000 payable June 1 and semi-annual interest installments of \$269,750 to \$3,813,557, payable on December 1. Bonds payable through June 1, 2030, interest accrues at 3.0% to 5%. Original issue \$157,965,000. Payable from the operating revenues of the Electric Utility. | \$ - | \$ 51,300,000 |
| Total Certificates of Participation | \$ - | \$ 51,300,000 |
| Summary of Outstanding Debt: | | |
| Total outstanding debt | \$ 32,275,663 | \$ 230,424,764 |
| Add: Bond Premium | 185,664 | 14,897,249 |
| Less: Bond Discount | (190,891) | (3,292) |
| Total Outstanding Debt, Net of Premiums and Discounts | \$ 32,270,436 | \$ 245,318,721 |

Current year amortization expense for bond premiums and discounts was \$18,771 for the governmental activities and \$2,416,133 for the business-type activities.

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

| | Original Amount | 2016-17 Additions | 2016-17 Deletions | Total Amortization | Net |
|--------------------------|--------------------|----------------------|----------------------|-----------------------|-------------------|
| Governmental Activities | \$ 594,266 | \$ - | \$ - | \$ 296,613 | \$ 297,653 |
| Business-Type Activities | 79,777 | - | - | 79,777 | - |
| Total | \$ 674,043 | \$ - | \$ - | \$ 376,390 | \$ 297,653 |

Current year amortization expense recorded in the governmental activities was \$21,672 and in the business-type activities was \$0.

The annual requirements to amortize all debt outstanding as of June 30, 2017, 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 |
| 2018 | 2,622,282 | 1,450,870 | 15,224,970 | 9,169,514 | 17,847,252 | 10,620,384 |
| 2019 | 2,731,555 | 1,352,459 | 14,290,184 | 8,584,267 | 17,021,739 | 9,936,726 |
| 2020 | 2,739,209 | 1,242,866 | 13,288,432 | 8,011,121 | 16,027,641 | 9,253,987 |
| 2021 | 2,788,967 | 1,127,578 | 13,801,327 | 7,494,414 | 16,590,294 | 8,621,992 |
| 2022 | 2,914,753 | 1,005,880 | 14,341,113 | 6,961,167 | 17,255,866 | 7,967,047 |
| 2023-2027 | 7,208,896 | 3,608,251 | 80,440,967 | 25,652,493 | 87,649,863 | 29,260,744 |
| 2028-2032 | 4,605,000 | 2,289,309 | 65,836,227 | 8,479,983 | 70,441,227 | 10,769,292 |
| 2033-2037 | 4,520,001 | 1,152,882 | 13,201,544 | 803,046 | 17,721,545 | 1,955,928 |
| 2038-2042 | 2,145,000 | 437,393 | - | - | 2,145,000 | 437,393 |
| Total | \$ 32,275,663 | \$ 13,667,488 | \$ 230,424,764 | \$ 75,156,005 | \$ 262,700,427 | \$ 88,823,493 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 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 |
|---|-------------------|
| 2018 | \$ 120,320 |
| 2019 | 120,320 |
| 2020 | 60,160 |
| Total minimum lease payments | 300,800 |
| Less amount representing interest | (8,602) |
| Present value of minimum lease payments | \$ 292,198 |

Debt service for the present value (discounted at rates ranging between 1.95% - 9.13%) of minimum lease payments will be provided from the following funds:

| | |
|--------------------|------------|
| General Fund | \$ 300,800 |
| Total debt service | \$ 300,800 |

Assets acquired with the above leases were as follows:

| | Government Activities |
|--------------------------------|--------------------------|
| Asset: | |
| Automotive equipment | \$ 565,048 |
| Less: Accumulated depreciation | (81,618) |
| Net capital assets | \$ 483,430 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Pledged Revenue

| Revenue Pledged | Borrowing Fund/Entity | Bond/Loan | Use of Funds | Year of Loan or Year Repayments and/or Interest Payments Began | Original Issue/Loan Amount | Payments Amortized Thru |
|----------------------------|--------------------------|-----------|--------------------------------------|---|----------------------------------|-------------------------------|
| Net Revenues | Water Utility | Bond | Refund prior debt issues. | 2013 | \$ 6,165,000 | 2023 |
| Net Revenues | Wastewater Utility | Bond | Refund prior debt issues. | 2013 | 8,565,000 | 2019 |
| Net Revenues | Wastewater Utility | SRF Loan* | Westside Interceptor | 2006 | 16,792,600 | 2023 |
| Net Revenues | Wastewater Utility | SRF Loan* | Clear Creek WWTP Ph I | 2009 | 4,360,035 | 2027 |
| Net Revenues | Wastewater Utility | SRF Loan* | Clear Creek WWTP Ph II | 2010 | 4,966,936 | 2029 |
| Net Revenues | Wastewater Utility | SRF Loan* | Clear Creek WWTP Ph III | 2011 | 18,156,295 | 2031 |
| Net Revenues | Wastewater Utility | SRF Loan* | Clear Creek WWTP Ph IV | 2012 | 8,542,186 | 2030 |
| Net Revenues | Wastewater Utility | SRF Loan* | Clear Creek WWTP Ph V | 2014 | 17,457,000 | 2033 |
| Net Revenues | Wastewater Utility | SRF Loan* | Clear Creek WWTP Ph VI | 2013 | 10,122,280 | 2031 |
| Net Revenues | Wastewater Utility | SRF Loan* | Clear Creek WWTP Ph VII | 2015 | 5,744,251 | 2034 |
| Net Revenues | Wastewater Utility | SRF Loan* | Mary Street Sewer | 2012 | 1,655,634 | 2031 |
| Net Revenues | Wastewater Utility | SRF Loan* | Boulder Creek Interceptor | 2012 | 1,233,053 | 2031 |
| Net Revenues | Wastewater Utility | SRF Loan* | Stillwater Ph I Interceptor | 2014 | 12,126,492 | 2034 |
| Net Revenues | Wastewater Utility | SRF Loan* | Clear Creek WTP Biosolids | 2017 | 8,877,104 | 2036 |
| Net Revenues Plus Reserves | Electric Utility | COPs | Refund prior debt and finance Unit 6 | 2009 | 157,965,000 | 2030 |
| Net Revenues Plus Reserves | Electric Utility | COPs | Refund prior debt and finance | 2015 | 37,955,000 | 2035 |

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

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

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Pledged Revenue (Continued)

| Estimated % of Pledged Revenue Required for | Estimated % of Pledged Revenue Plus Reserves | Remaining Principal & Interest | Current Year Principal & Interest Paid | Current Year Pledged Revenue Available | Reserve Balance |
|--|---|--------------------------------------|--|---|-----------------|
| 14% | | \$ 4,342,400 | \$ 770,500 | \$ 5,661,670 | \$ - |
| 13% | | 3,201,100 | 1,596,050 | 12,447,706 | - |
| 9% | | 6,691,001 | 1,115,167 | 12,447,706 | - |
| 2% | | 2,998,656 | 272,605 | 12,447,706 | - |
| 3% | | 3,836,121 | 319,677 | 12,447,706 | - |
| 10% | | 15,705,974 | 1,208,152 | 12,447,706 | - |
| 5% | 4% | 7,376,025 | 567,387 | 12,447,706 | 567,387 |
| 9% | 9% | 18,531,334 | 1,158,208 | 12,447,706 | 1,158,208 |
| 5% | 4% | 8,480,854 | 565,390 | 12,447,706 | 565,390 |
| 3% | 3% | 6,396,103 | 376,241 | 12,447,706 | 376,241 |
| 1% | 1% | 1,496,809 | 106,915 | 12,447,706 | 106,915 |
| 1% | 1% | 1,099,295 | 78,521 | 12,447,706 | 78,521 |
| 6% | 6% | 12,944,665 | 761,451 | 12,447,706 | 761,451 |
| 4% | 3% | 8,433,249 | 443,855 | 12,447,706 | 443,855 |
| 28% | 10% | 154,090,200 | 12,389,975 | 45,001,632 | 81,313,278 |
| 6% | 2% | 54,521,365 | 2,548,670 | 45,001,632 | 81,313,278 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Compensated Absences

The compensated absences liability will be paid from the General Fund, Housing Authority, Community Development, Airports, Electric Utility, Water Utility, Wastewater Utility, Solid Waste Utility, Storm Drainage Utility, Equipment Fund, Information Systems, General Support Services, Risk Management and Municipal Utility Support.

The City's changes in compensated absences for the year ended June 30, 2017 were as follows:

| | Balance July 1, 2016 | Additions | Deletions | Balance June 30, 2017 | Due within One Year | Due in More Than One Year |
|--------------------------|-------------------------|---------------------|-----------------------|--------------------------|------------------------|------------------------------|
| Governmental activities | \$ 11,253,950 | \$ 5,625,623 | \$ (5,404,259) | \$ 11,475,314 | \$ 4,010,033 | \$ 7,465,281 |
| Business-type activities | 6,963,018 | 3,752,231 | (4,005,406) | 6,709,843 | 2,127,871 | 4,581,972 |
| Total | <u>\$ 18,216,968</u> | <u>\$ 9,377,854</u> | <u>\$ (9,409,665)</u> | <u>\$ 18,185,157</u> | <u>\$ 6,137,904</u> | <u>\$ 12,047,253</u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Interest Cost Capitalized

Details of interest cost in proprietary funds at June 30, 2017, are as follows:

| | |
|-------------------------------------|----------------------------|
| Interest cost charged to operations | \$ 8,194,027 |
| Interest cost capitalized | <u>1,069,006</u> |
| Total interest cost incurred | <u><u>\$ 9,263,033</u></u> |

Note 12 – Self-Insurance

The City administers self-insurance programs for general liability and workers' compensation. These programs are accounted for in the Risk Management Fund. Liability for each claim 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. The City is also self-insured for health benefits and is a member of CSAC Excess Insurance Authority which administers the health benefits program.

Employee Health Insurance - The City is part of the California Public Entity Public Insurance Authority, a joint powers authority. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged estimated claims expense based on salary. The interfund charges are reported as an expense or expenditure in the at risk fund. The estimated liability for pending and incurred but not reported employee health insurance claims relating to July 1, 2016 and prior at June 30, 2017, has been included as an accrued liability in the risk management internal service fund.

Workers' Compensation Insurance is administered as a co-insurance plan. The City is self-insured up to \$750,000 with an insurance company co-insuring claims from \$750,001 to \$50,000,000. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience and salary costs. The interfund charges are reported as an expense or expenditure in the fund at risk. The estimated liability for pending and incurred but not reported claims at June 30, 2017, has been included in the Risk Management Fund's claims payable amount as of June 30, 2017.

General Liability Insurance is self-administered and is self-insured up to \$500,000. Any claims from \$500,001 to \$40,000,000 are administered through a governmental pooling joint powers authority, California Joint Powers Risk Management Authority. 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, 2017.

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 coverage for the Redding Power Plant up to \$100,000,000 with various sub-limits and deductibles for different types of losses. 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, 2017.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 12 – Self-Insurance (Continued)

The following is a reconciliation of changes in claims liability amounts for fiscal years ended June 30, 2017:

| For the Years Ended June 30, | Claims Payable July 1, | Claims Incurred | Claims Payments | Claims Payable June 30, | Due within One Year | Due in More Than One Year |
|---------------------------------|------------------------------|--------------------|--------------------|-------------------------------|------------------------|------------------------------|
| Workers' Compensation | | | | | | |
| 2015 | 11,706,000 | 2,772,331 | (1,546,981) | 12,931,350 | 2,287,658 | 10,643,692 |
| 2016 | 12,931,350 | 4,308,332 | (2,083,832) | 15,155,850 | 2,678,067 | 12,477,783 |
| 2017 | 15,155,850 | 2,680,921 | (1,917,871) | 15,918,900 | 2,894,665 | 13,024,235 |
| General Liability | | | | | | |
| 2015 | 2,216,500 | 1,660,412 | (1,157,712) | 2,719,200 | 1,600,087 | 1,119,113 |
| 2016 | 2,719,200 | 114,302 | (891,002) | 1,942,500 | 1,126,527 | 815,973 |
| 2017 | 1,942,500 | 510,911 | (689,511) | 1,763,900 | 1,052,986 | 710,914 |
| Health and Dental | | | | | | |
| 2015 | 94,020 | 19,232,571 | (19,217,651) | 108,940 | 108,940 | - (1) |
| 2016 | 108,940 | 20,534,425 | (20,522,485) | 120,880 | 120,880 | - (1) |
| 2017 | 120,880 | 21,392,180 | (21,406,920) | 106,140 | 106,140 | - (1) |
| Total | | | | | | |
| 2015 | 14,016,520 | 23,665,314 | (21,922,344) | 15,759,490 | 3,996,685 | 11,762,805 |
| 2016 | 15,759,490 | 24,957,059 | (23,497,319) | 17,219,230 | 3,925,474 | 13,293,756 |
| 2017 | 17,219,230 | 24,584,012 | (24,014,302) | 17,788,940 | 4,053,791 | 13,735,149 |

(1) These claims are dental claims only.

Note 13 – Individual Fund Disclosures

The following fund reported a deficit fund balance as of June 30, 2017:

Parking Special Revenue Fund - The deficit of \$343,985 in this fund arose from operational losses which have been covered by the General Fund. This project is being financed by parking meter funds, parking fines and property tax increment payments. The deficit will take a number of years to eliminate.

Convention Center Enterprise Fund - The deficit of \$598,144 in this fund is the result of expenses exceeding revenue. The City has adopted a 5-year plan to provide for a positive net income to the fund.

Information Systems Fund – The deficit of \$4,647,557 in this fund is resulted from the City funding Internal Service Funds on a cash flow basis. Until the City funds the Other Post Employment Benefit (OPEB) and the pension liability, this fund will continue to have a deficit balance.

General Support Services Fund – The deficit of \$3,781,902 in this fund is resulted from the City funding Internal Service Funds on a cash flow basis. Until the City funds the Other Post Employment Benefit (OPEB) and the pension liability, this fund will continue to have a deficit balance.

Municipal Utilities Support Fund – The deficit of \$5,943,088 in this fund is resulted from the City funding Internal Service Funds on a cash flow basis. Until the City funds the Other Post Employment Benefit (OPEB) and the pension liability, this fund will continue to have a deficit balance.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 13 – Individual Fund Disclosures (Continued)

Risk Management Fund – The deficit of \$4,113,358 in this fund is resulted from the City funding Internal Service Funds on a cash flow basis. Until the City funds the Other Post Employment Benefit (OPEB) and the pension liability, this fund will continue to have a deficit balance.

Note 14 – Joint Ventures

The City participates in the following four joint ventures:

- M-S-R Public Power Agency
- M-S-R Energy Authority
- Transmission Agency of Northern California
- Balancing Authority of Northern California

A. M-S-R Public Power Agency

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

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

The members' rights, property, income, and expense-sharing ratio in most all Power Agency activities prior to April 2018 are as follows: Modesto Irrigation District - 50%; City of Santa Clara - 35%; and City of Redding - 15%. The debt service through 2022, declining on-going administrative activities and other remaining obligations and costs associated with the San Juan Power Plant (described below) will remain at the 50% - 35% - 15% ratio.

The majority of activities after April 2018 will be related to renewables (Big Horn Wind energy project described below). Coordinating, regulatory, and compliance services costs will be shared as follows: Modesto Irrigation District – 40%; City of Santa Clara – 40%; and City of Redding – 20%. Renewable administrative services, electric product, delivery and environmental attribute rights benefits and costs will shared by contracted participation ratios as described below.

The activities of M-S-R consist of a 28.8% ownership interest in a 498-megawatt coal-fire electricity generating plant located in New Mexico (the "San Juan" plant). 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%).

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 14 – Joint Ventures (Continued)

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

REU is obligated to purchase from M-S-R Public Power Agency on a take-or-pay basis a 15% entitlement share of M-S-R's share in the San Juan generating station, which includes approximately 21.5 MW of capacity and associated energy from M-S-R San Juan Unit No. 4.

The owners of the San Juan Generation Station have approved a proposed ownership restructuring of the San Juan Generation Station effective December 31, 2017 under which M-S-R's (and thereby the City's) interest in the station and its generation will be transferred to the remaining owners. Definitive agreements for the proposed ownership restructuring of the San Juan Generation Station have since been executed by all nine San Juan Generation Station owners and the Public Service Company of New Mexico Resources (PNMR).

With the pending ownership restructuring of the San Juan Generation Station, M-S-R Public Power Agency sold its interest of the Southwest Transmission on May 25, 2016. Proceeds of the sale of the Southwest Transmission Project assets were applied primarily to the defeasance of a portion of M-S-R Public Power Agency's outstanding revenue bonds, and to fund certain deposits for future payments to the plant decommissioning trust fund, and to the mine reclamation trust fund established under the agreements relating to the ownership restructuring of the San Juan Generation Station.

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

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

Summary audited financial information of the M-S-R Public Power Agency as of and for the year ended December 31, 2016 is as follows (in thousands):

| | | | |
|--------------------------------------|-----------------------------|-------------------------------------|--------------------|
| Total Assets & Deferred Outflows | \$ 179,134 | Total revenues | \$ 160,465 |
| | <u> </u> | Total expenses | <u>(139,368)</u> |
| Total liabilities & Deferred Inflows | \$ 209,568 | | |
| Total members' deficit | <u>(30,434)</u> | Net income | 21,097 |
| | | | |
| Total liabilities & members' deficit | <u>\$ 179,134</u> | Members' deficit, January 1, 2016 | (48,231) |
| | | Member distributions | <u>(3,300)</u> |
| | | Members' deficit, December 31, 2016 | <u>\$ (30,434)</u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 14 – Joint Ventures (Continued)

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

The debt of the Power Agency is comprised entirely of revenue bonds totaling \$161 million. These bonds are secured by a pledge and assignment of the net electric revenues of the Power Agency and are supported by take-and-pay commitments of the participants.

The City utilizes the equity method of accounting for M-S-R Public Power Agency. The City has invested \$17.4 million in this joint venture. However, operating losses have caused the City to have a deficit equity in the Power Agency of \$4.57 million at December 31, 2016. 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 costs, to the extent such funding is necessary. During the year ended June 30, 2017, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in operating expenses.

B. M-S-R Energy Authority

The Modesto Irrigation District, the City of Santa Clara, and the City of Redding formed M-S-R Energy Authority for the principal purpose to acquire, construct, maintain, operate and finance projects for the benefit of any one or more of the Members. On September 10, 2009, the Authority entered into a series of thirty-year prepaid gas contracts with Citigroup Energy, Inc., which are financed by non-recourse revenue bonds. The M-S-R Energy Authority also entered into matching Natural Gas Supply Agreements ("Supply Agreements") whereby each member is obligated to purchase the natural gas from the Authority at a discount from the Index Price. The Supply Agreements will continue in effect until September 30, 2039, unless terminated earlier due to certain defaults, as set forth therein, or the termination of the matching prepaid gas contract. If the M-S-R Energy Authority fails on any day to deliver the quantity of natural gas required to be delivered pursuant to a Supply Agreement, the member will have no obligation for any of the natural gas supply that was not delivered as a result of such delivery default.

The equity of the M-S-R Energy Authority is split between the members based on the revenues and expenses applicable to each individual member's Supply Agreement. Redding's equity in the M-S-R Energy Authority's net losses exceeds its investment and, therefore, the equity method of accounting has been suspended. As of December 31, 2016, the City's unrecognized share of member's deficit of the M-S-R Energy Authority was \$84,375,000.

The long term debt of the M-S-R Energy Authority totaled \$901,620,000 at December 31, 2016. The M-S-R Energy Authority did not make any principal payments in 2016.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 14 – Joint Ventures (Continued)

B. M-S-R Energy Authority (Continued)

Summarized financial information of M-S-R Energy Authority as of and for the year ended December 31, 2016, is as follows (in thousands):

| | |
|---|-------------------|
| Total assets | <u>\$ 904,707</u> |
| Total liabilities | <u>\$ 904,707</u> |
| Total net position | <u>\$ -</u> |
| Total liabilities and net position | <u>\$ 904,707</u> |
| Net increase (decrease) in net position | <u>\$ -</u> |

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

Also TANC receives from Pacific Gas and Electric Company (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, 2017.

Summarized financial information of TANC as of and for the year ended June 30, 2017, is as follows (in thousands):

| | |
|---|-------------------|
| Total assets & deferred outflows | <u>\$ 342,171</u> |
| Total liabilities & deferred inflows | \$ 321,361 |
| Total net position | <u>20,810</u> |
| Total liabilities and net position | <u>\$ 342,171</u> |
| Net increase (decrease) in net position | <u>\$ (3,139)</u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 14 – Joint Ventures (Continued)

D. Balancing Authority of Northern California

The Balancing Authority of Northern California (BANC) is a joint powers agency consisting of the Sacramento Municipal Utility district (SMUD), Modesto Irrigation District (MID), Roseville Electric and Redding Electric Utility (REU) as its founding members as was formed in 2009. On June 26, 2013, BANC members voted to accept Trinity Public Utilities District (TPUD) as a new member. REU participates in BANC through the Western sub-balancing authority. BANC assumed the balancing authority responsibilities on May 1, 2011, from SMUD that include the matching of generation to load and coordinating system operations with neighboring Balancing Authorities. The Central Valley project (CVP) generation, owned by the Bureau of Reclamation and Western Area Power Administration’s transmission facilities along with the 500 kV California Oregon Transmission Project (COTP), are included among other resources within the BANC footprint. BANC members contract for about 40 percent of the CVP hydroelectric resource. The COTP is jointly owned by several parties including WAPA and BANC members via the Transmission Agency of Northern California (TANC).

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

The member’s rights and expense-sharing is based on the participation percentages in most BANC activities. BANC member’s participation percentages are based on the member’s retail sales and stands at 68.8%, 16.5%, 7.8%, 5.0%, 1.2% and 0.7% for SMUD, MID, Roseville, REU, Shasta Lake and TPUD respectively. These participation percentages can be updated as the need requires.

Summarized financial information of BANC as of and for the year ended December 31, 2016, is as follows (in thousands):

| | |
|---|--------------------|
| Total current assets | <u>\$1,594,137</u> |
| Total current liabilities | 1,594,137 |
| Total net position | <u>-</u> |
| Total liabilities and net position | <u>\$1,594,137</u> |
| Net increase (decrease) in net position | <u>\$ -</u> |

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

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 14 – Joint Ventures (Continued)

E. Contingent Liability

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

| | Total Debt | City of Redding's Participating Share | City of Redding's Contingent liability |
|---------------|------------------------------|--|---|
| M-S-R (1): | | | |
| Bonds | \$ 160,995,000 | 15.000% | \$ 24,149,250 |
| TANC (2) | | | |
| Bonds (2009A) | 34,475,000 | 9.0076% | 3,105,370 |
| Bonds (2016A) | <u>173,920,000</u> | 8.3912% | <u>14,594,010</u> |
| TANC subtotal | <u>208,395,000</u> | | <u>17,699,380</u> |
| Total | <u><u>\$ 369,390,000</u></u> | | <u><u>\$ 41,848,630</u></u> |

(1) As of December 31, 2016

(2) As of June 30, 2017

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

Note 15 – Postclosure Care Costs

State and federal laws and regulations required the City to place a final cover on Benton Landfill, which closed in 1990. The City has completed the final cover and other closure items required. The City is also required under state and federal laws and regulations to perform certain maintenance and monitoring functions at the landfill site for the next 15 years. The remaining estimated liability for landfill postclosure care cost was \$2,230,050 as of June 30, 2017, as shown in the table below. The total estimated cost of the landfill postclosure care is based on the amount that would be paid if all services required to monitor and maintain the landfill were acquired as of June 30, 2017. There is no requirement to currently fund this amount. The cost for postclosure care at the landfill and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) will be covered by charges to Solid Waste rate payers.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 15 – Postclosure Care Costs (Continued)

Changes in postclosure care costs for the year ended June 30, 2017, were as follows:

| | Balance July 1, 2016 | Additions | Deletions | Balance June 30, 2017 | Due within One Year | Due in More Than One Year |
|----------------------------|-------------------------|------------|------------|--------------------------|------------------------|------------------------------|
| Postclosure care liability | \$ 2,201,432 | \$ 189,547 | \$ 160,929 | \$ 2,230,050 | \$ 140,000 | \$ 2,090,050 |

Note 16 – Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) Grant Information.

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

During fiscal year 2016-17, RABA received \$0 in additional PTMISEA Funding. During the fiscal year RABA incurred \$249,947 in qualifying expenditures and earned \$17,012 in interest income. The June 30, 2017, unspent balance in PTMISEA funding was \$3,562,224.

Other Proposition 1B Funds

During fiscal year 2016-17 RABA received \$153,561 in additional non PTMISEA Proposition 1B funds. During the fiscal year RABA incurred \$0 in qualifying expenditures and earned \$988 in interest income. The June 30, 2017 balance of non PTMISEA Proposition 1B funds was \$306,098.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans

A. Summary

Aggregate Net Pension Liability

Aggregate Net pension liability is reported in the accompanying Statements of Net Position as follows:

| | Miscellaneous Plan | Safety Plan | PARS Plan | Total |
|---|-----------------------|-----------------------|----------------------|-----------------------|
| Governmental Activities (minus Internal Service Funds) | \$ 40,488,188 | \$ 102,734,974 | \$ 10,082,971 | \$ 153,306,133 |
| Internal Service Funds: | | | | |
| Equipment | 2,709,094 | - | 603,481 | 3,312,575 |
| Information Systems | 3,660,358 | - | 890,220 | 4,550,578 |
| General Support Services | 2,771,153 | - | 649,044 | 3,420,197 |
| Risk Management | 1,425,765 | - | 420,376 | 1,846,141 |
| Municipal Utilities Support | 4,426,807 | - | 1,060,498 | 5,487,305 |
| Total Internal Service Funds | <u>14,993,177</u> | <u>-</u> | <u>3,623,619</u> | <u>18,616,796</u> |
| Total Governmental Activities | <u>55,481,365</u> | <u>102,734,974</u> | <u>13,706,590</u> | <u>171,922,929</u> |
| Enterprise funds: | | | | |
| Electric Utility | 44,046,738 | - | 12,146,434 | 56,193,172 |
| Water Utility | 6,159,546 | - | 1,395,549 | 7,555,095 |
| Wastewater Utility | 8,286,028 | - | 1,834,722 | 10,120,750 |
| Solid Waste Utility | 12,254,214 | - | 2,673,575 | 14,927,789 |
| Airport | 1,133,799 | - | 126,000 | 1,259,799 |
| Storm Drainage Utility | 862,438 | - | 212,594 | 1,075,032 |
| Total Enterprise funds | <u>72,742,763</u> | <u>-</u> | <u>18,388,874</u> | <u>91,131,637</u> |
| Total | <u>\$ 128,224,128</u> | <u>\$ 102,734,974</u> | <u>\$ 32,095,464</u> | <u>\$ 263,054,566</u> |

Deferred Outflows of Resources

Deferred outflows of resources are reported in the accompanying Statements of Net Position as follows:

Pension Contributions Made after the Measurement Date

| | Miscellaneous Plan | Safety Plan | PARS Plan | Total |
|---|-----------------------|---------------------|---------------------|----------------------|
| Governmental Activities (minus Internal Service Funds) | \$ 3,169,756 | \$ 8,645,158 | \$ 1,529,337 | \$ 13,344,251 |
| Internal Service Funds: | | | | |
| Equipment | 212,324 | - | 90,603 | 302,927 |
| Information Systems | 295,682 | - | 141,697 | 437,379 |
| General Support Services | 218,219 | - | 97,884 | 316,103 |
| Risk Management | 115,879 | - | 66,940 | 182,819 |
| Municipal Utilities Support | 346,557 | - | 156,889 | 503,446 |
| Total Internal Service Funds | <u>1,188,661</u> | <u>-</u> | <u>554,013</u> | <u>1,620,350</u> |
| Total Governmental Activities | <u>4,358,417</u> | <u>8,645,158</u> | <u>2,083,350</u> | <u>14,964,601</u> |
| Enterprise funds: | | | | |
| Electric Utility | 3,428,182 | - | 1,806,488 | 5,234,670 |
| Water Utility | 485,936 | - | 205,135 | 691,071 |
| Wastewater Utility | 653,636 | - | 271,603 | 925,239 |
| Solid Waste Utility | 961,661 | - | 403,272 | 1,364,933 |
| Airport | 88,014 | - | 16,921 | 104,935 |
| Storm Drainage Utility | 67,440 | - | 31,240 | 98,680 |
| Total Enterprise funds | <u>5,684,869</u> | <u>-</u> | <u>2,734,659</u> | <u>8,419,528</u> |
| Total | <u>\$ 10,043,286</u> | <u>\$ 8,645,158</u> | <u>\$ 4,818,009</u> | <u>\$ 23,384,129</u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

A. Summary (Continued)

Deferred Outflows of Resources (Continued)

Difference between Projected and Actual Earnings on Pension Plan Investments

| | Miscellaneous Plan | Safety Plan | PARS Plan | Total |
|---|-----------------------|---------------------|---------------------|----------------------|
| Governmental Activities (minus Internal Service Funds) | \$ 4,350,021 | \$ 9,263,123 | \$ 850,368 | \$ 14,463,512 |
| Internal Service Funds: | | | | |
| Equipment | 313,390 | - | 53,337 | 366,727 |
| Information Systems | 331,810 | - | 54,369 | 386,179 |
| General Support Services | 309,834 | - | 56,357 | 366,191 |
| Risk Management | 121,906 | - | 27,189 | 149,095 |
| Municipal Utilities Support | 516,175 | - | 97,845 | 614,020 |
| Total Internal Service Funds | <u>1,593,115</u> | <u>-</u> | <u>289,097</u> | <u>1,620,350</u> |
| Total Governmental Activities | <u>5,943,136</u> | <u>9,263,123</u> | <u>1,139,465</u> | <u>16,083,862</u> |
| Enterprise funds: | | | | |
| Electric Utility | 5,237,345 | - | 1,120,553 | 6,357,898 |
| Water Utility | 683,924 | - | 137,497 | 821,421 |
| Wastewater Utility | 925,674 | - | 173,140 | 1,098,814 |
| Solid Waste Utility | 1,392,127 | - | 232,045 | 1,624,172 |
| Airport | 140,387 | - | 16,561 | 156,948 |
| Storm Drainage Utility | 100,363 | - | 20,867 | 121,230 |
| Total Enterprise funds | <u>8,479,820</u> | <u>-</u> | <u>1,700,663</u> | <u>10,180,483</u> |
| Total | <u>\$ 14,422,956</u> | <u>\$ 9,263,123</u> | <u>\$ 2,840,128</u> | <u>\$ 26,264,345</u> |

Total Pension-related Deferred Outflows

| | Miscellaneous Plan | Safety Plan | PARS Plan | Total |
|---|-----------------------|----------------------|---------------------|----------------------|
| Governmental Activities (minus Internal Service Funds) | \$ 7,519,777 | \$ 17,908,281 | \$ 2,379,705 | \$ 27,807,763 |
| Internal Service Funds: | | | | |
| Equipment | 525,714 | - | 143,940 | 669,654 |
| Information Systems | 627,492 | - | 196,066 | 823,558 |
| General Support Services | 528,053 | - | 154,241 | 682,294 |
| Risk Management | 237,785 | - | 94,129 | 331,914 |
| Municipal Utilities Support | 862,732 | - | 254,734 | 1,117,466 |
| Total Internal Service Funds | <u>2,781,776</u> | <u>-</u> | <u>843,110</u> | <u>3,624,886</u> |
| Total Governmental Activities | <u>10,301,553</u> | <u>17,908,281</u> | <u>3,222,815</u> | <u>31,432,649</u> |
| Enterprise funds: | | | | |
| Electric Utility | 8,665,527 | - | 2,927,041 | 11,592,568 |
| Water Utility | 1,169,860 | - | 342,632 | 1,512,492 |
| Wastewater Utility | 1,579,310 | - | 444,743 | 2,024,053 |
| Solid Waste Utility | 2,353,788 | - | 635,317 | 2,989,105 |
| Airport | 228,401 | - | 33,482 | 261,883 |
| Solid Waste Collection/Disposal | 167,803 | - | 52,107 | 219,910 |
| Total Enterprise funds | <u>14,164,689</u> | <u>-</u> | <u>4,435,322</u> | <u>18,600,011</u> |
| Total | <u>\$ 24,466,242</u> | <u>\$ 17,908,281</u> | <u>\$ 7,658,137</u> | <u>\$ 50,032,660</u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

A. Summary (Continued)

Deferred Inflows of Resources

Deferred inflows of resources are reported in the accompanying Statements of Net Position as follows:

Changes in Assumptions

| | Miscellaneous Plan | Safety Plan | PARS Plan | Total |
|---|-----------------------|---------------------|--------------------|---------------------|
| Governmental Activities (minus Internal Service Funds) | \$ 930,114 | \$ 2,580,075 | \$ (21,206) | \$ 3,488,983 |
| Internal Service Funds: | | | | |
| Equipment | 64,375 | - | (1,336) | 63,039 |
| Information Systems | 68,159 | - | (1,083) | 67,076 |
| General Support Services | 63,643 | - | (1,420) | 62,223 |
| Risk Management | 25,042 | - | (662) | 24,380 |
| Municipal Utilities Support | 106,030 | - | (2,324) | 103,706 |
| Total Internal Service Funds | <u>327,249</u> | <u>-</u> | <u>(6,825)</u> | <u>320,424</u> |
| Total Governmental Activities | <u>1,257,363</u> | <u>2,580,075</u> | <u>(28,031)</u> | <u>3,809,407</u> |
| Enterprise funds: | | | | |
| Electric Utility | 998,690 | - | (28,335) | 970,355 |
| Water Utility | 143,750 | - | (3,661) | 140,089 |
| Wastewater Utility | 198,128 | - | (4,425) | 193,703 |
| Solid Waste Utility | 276,984 | - | (5,850) | 271,134 |
| Airport | 29,132 | - | (441) | 28,691 |
| Storm Drainage Utility | 19,891 | - | (548) | 19,343 |
| Total Enterprise funds | <u>1,666,575</u> | <u>-</u> | <u>(43,260)</u> | <u>1,623,315</u> |
| Total | <u>\$ 2,923,938</u> | <u>\$ 2,580,075</u> | <u>\$ (71,291)</u> | <u>\$ 5,432,722</u> |

Differences between Expected and Actual Experience

| | Miscellaneous Plan | Safety Plan | PARS Plan | Total |
|---|-----------------------|---------------------|--------------|---------------------|
| Governmental Activities (minus Internal Service Funds) | \$ 221,909 | \$ 1,499,461 | \$ - | \$ 1,721,370 |
| Internal Service Funds: | | | | |
| Equipment | 16,207 | - | - | 16,207 |
| Information Systems | 17,161 | - | - | 17,161 |
| General Support Services | 16,025 | - | - | 16,025 |
| Risk Management | 6,306 | - | - | 6,306 |
| Municipal Utilities Support | 26,696 | - | - | 26,696 |
| Total Internal Service Funds | <u>82,395</u> | <u>-</u> | <u>-</u> | <u>82,395</u> |
| Total Governmental Activities | <u>304,304</u> | <u>1,499,461</u> | <u>-</u> | <u>1,803,765</u> |
| Enterprise funds: | | | | |
| Electric Utility | 277,348 | - | - | 277,348 |
| Water Utility | 35,096 | - | - | 35,096 |
| Wastewater Utility | 47,205 | - | - | 47,205 |
| Solid Waste Utility | 72,753 | - | - | 72,753 |
| Airport | 7,236 | - | - | 7,236 |
| Storm Drainage Utility | 5,252 | - | - | 5,252 |
| Total Enterprise funds | <u>444,890</u> | <u>-</u> | <u>-</u> | <u>444,890</u> |
| Total | <u>\$ 749,194</u> | <u>\$ 1,499,461</u> | <u>\$ -</u> | <u>\$ 2,248,655</u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

A. Summary (Continued)

Deferred Inflows of Resources (Continued)

Difference between Projected and Actual Earnings on Pension Plan Investments

| | Miscellaneous Plan | Safety Plan | PARS Plan | Total |
|---|-----------------------|----------------|-------------------|-------------------|
| Governmental Activities (minus Internal Service Funds) | \$ 2,427,120 | \$ - | \$ 269,544 | \$ 2,696,664 |
| Internal Service Funds: | | | | |
| Equipment | (66,350) | - | 15,385 | (50,965) |
| Information Systems | 62,759 | - | 30,203 | 92,962 |
| General Support Services | (50,004) | - | 16,853 | (33,151) |
| Risk Management | 36,647 | - | 13,764 | 50,411 |
| Municipal Utilities Support | (115,192) | - | 25,820 | (89,372) |
| Total Internal Service Funds | (132,140) | - | 102,025 | (30,115) |
| Total Governmental Activities | 2,294,980 | - | 371,569 | 2,666,549 |
| Enterprise funds: | | | | |
| Electric Utility | (1,730,354) | - | 295,233 | (1,435,121) |
| Water Utility | (85,673) | - | 31,192 | (54,481) |
| Wastewater Utility | (105,265) | - | 43,397 | (61,868) |
| Solid Waste Utility | (306,128) | - | 69,449 | (236,679) |
| Airport | (41,545) | - | 1,548 | (39,997) |
| Storm Drainage Utility | (26,015) | - | 4,778 | (21,237) |
| Total Enterprise funds | (2,294,980) | - | 445,597 | (1,849,383) |
| Total | \$ - | \$ - | \$ 817,166 | \$ 817,166 |

Total Pension-related Deferred Inflows

| | Miscellaneous Plan | Safety Plan | PARS Plan | Total |
|---|-----------------------|---------------------|-------------------|---------------------|
| Governmental Activities (minus Internal Service Funds) | \$ 3,579,143 | \$ 4,079,536 | \$ 248,338 | \$ 7,907,017 |
| Internal Service Funds: | | | | |
| Equipment | 14,232 | - | 14,049 | 28,281 |
| Information Systems | 148,079 | - | 29,120 | 177,199 |
| General Support Services | 29,664 | - | 15,433 | 45,097 |
| Risk Management | 67,995 | - | 13,102 | 81,097 |
| Municipal Utilities Support | 17,534 | - | 23,496 | 41,030 |
| Total Internal Service Funds | 277,504 | - | 95,200 | 372,704 |
| Total Governmental Activities | 3,856,647 | 4,079,536 | 343,538 | 8,279,721 |
| Enterprise funds: | | | | |
| Electric Utility | (454,316) | - | 266,898 | (187,418) |
| Water Utility | 93,173 | - | 27,531 | 120,704 |
| Wastewater Utility | 140,068 | - | 38,972 | 179,040 |
| Solid Waste Utility | 43,609 | - | 63,599 | 107,208 |
| Airport | (5,177) | - | 1,107 | (4,070) |
| Solid Waste Collection/Disposal | (872) | - | 4,230 | 3,358 |
| Total Enterprise funds | (183,515) | - | 402,337 | 218,822 |
| Total | \$ 3,673,132 | \$ 4,079,536 | \$ 745,875 | \$ 8,498,543 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

B. CalPERS

General Information about the Pension Plans

All qualified permanent and probationary employees are eligible to participate in the City's separate Miscellaneous and Safety (police and fire) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employee's Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

In addition to the defined benefit pension plan through CalPERS, the City offers a defined benefit Retirement Enhancement Plan (REP) to the CalPERS Miscellaneous Plan through Public Agency Retirement Services (PARS). This plan became effective on January 1, 2005. Information about the REP Plan through PARS will be discussed following the discussion of the CalPERS Plan.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

B. CalPERS (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basis Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

| | Miscellaneous | |
|---|-----------------------------|--------------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit Payments | monthly for life | monthly for life |
| Retirement age | 50-55 | 52-67 |
| Monthly benefits, as a % of eligible compensation | 1.426% to 2.0% | 1.0% to 2.5% |
| Required employee contributions rates | 7% | 6.75% |
| Required employer contribution rates | 23.631% | 23.631% |

| | Safety | | |
|---|-------------------------------|--|--------------------------------|
| | Prior to September 8, 2012 | September 8, 2012 to December 31, 2012 | On or after January 1, 2013 |
| Hire date | | | |
| Benefit formula | 3% @ 50 | 3% @ 55 | 2.7% @ 57 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit Payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50-55 | 50-55 | 52-57 |
| Monthly benefits, as a % of eligible compensation | 3.0% | 2.4% to 3.0% | 2.0% to 2.7% |
| Required employee contributions rates | 9.0% | 9.0% | 12.0% |
| Required employer contribution rates | 49.475% | 49.475% | 49.475% |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

B. CalPERS (Continued)

a. Net Pension Liability

Employees Covered by Benefit Terms

At June 30, 2015 (actuarial valuation date), the following employees were covered by the benefit terms for each Plan:

| | <u>Miscellaneous</u> | <u>Safety</u> |
|--|----------------------|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 694 | 259 |
| Inactive employees entitled to but not yet receiving benefits | 239 | 61 |
| Active Employees | <u>570</u> | <u>178</u> |
| Total | <u><u>1,503</u></u> | <u><u>498</u></u> |

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions for both Plans are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer-Paid Member Contributions or situations where members are paying a portion of the employer contribution.

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

B. CalPERS (Continued)

a. Net Pension Liability (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

| | <u>Miscellaneous</u> | <u>Safety</u> |
|-----------------------------------|---|---------------|
| Valuation Date | June 30, 2015 | June 30, 2015 |
| Measurement Date | June 30, 2016 | June 30, 2016 |
| Actuarial Cost Method | Entry-Age Normal Cost | |
| Actuarial Assumptions: | | |
| Discount Rate | 7.65% | 7.65% |
| Inflation | 2.75% | 2.75% |
| Payroll Growth | 3.00% | 3.00% |
| Projected Salary Increase | Varies by Entry Age and Service | |
| Investment Rate of Return | 7.65% Net of Pension Plan Investment Expense, includes Inflation | |
| Mortality Rate Table ¹ | Derived using CalPERS' Membership Data for all Funds. | |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter | |

¹The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publication.

Change of Assumptions

GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.5 percent used for the June 30, 2015 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

B. CalPERS (Continued)

a. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ assets classes, expected compound (geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above the rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

| <u>Asset Class</u> | <u>Current Target Allocation</u> | <u>Real Return Years 1-10¹</u> | <u>Real Return Years 11+²</u> |
|-------------------------------|----------------------------------|---|--|
| Global Equity | 47.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0% | 0.99% | 2.43% |
| Inflation Sensitive | 6.0% | 0.45% | 3.36% |
| Private Equity | 12.0% | 6.83% | 6.95% |
| Real Estate | 11.0% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3.0% | 4.50% | 5.09% |
| Liquidity | 2.0% | (0.55%) | (1.05%) |

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

B. CalPERS (Continued)

b. Changes in Net Pension Liability

The changes in the Net Pension Liability for each Plan follow:

Miscellaneous Plan:

| | Total Pension Liability | Increase (Decrease) Plan Fiduciary Net Pension | Net Pension Liability/ (Asset) |
|--|----------------------------|---|-----------------------------------|
| Balance at June 30, 2015 | \$ 380,400,604 | \$ 273,402,099 | \$ 106,998,505 |
| Changes in the year: | | | |
| Service costs | 6,259,646 | - | 6,259,646 |
| Interest on the total pension liability | 28,527,904 | - | 28,527,904 |
| Changes of benefit terms | - | - | - |
| Differences between actual and expected experience | (705,952) | - | (705,952) |
| Change in assumptions | - | - | - |
| Plan to Plan Resource Movement | - | (1,256) | 1,256 |
| Contributions - employer | - | 8,742,083 | (8,742,083) |
| Contribution - employee | - | 2,849,237 | (2,849,237) |
| Net investment income | - | 1,432,535 | (1,432,535) |
| Benefit Payments, including refunds of employee contributions | (19,821,373) | (19,821,373) | - |
| Administrative expense | - | (166,624) | 166,624 |
| Net changes | <u>14,260,225</u> | <u>(6,965,398)</u> | <u>21,225,623</u> |
| Balance at June 30, 2016 | <u>\$ 394,660,829</u> | <u>\$ 266,436,701</u> | <u>\$ 128,224,128</u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

B. CalPERS (Continued)

b. Changes in Net Pension Liability (Continued)

Safety Plan:

| | Total Pension Liability | Increase (Decrease) Plan Fiduciary Net Pension | Net Pension Liability/ (Asset) |
|---|----------------------------|---|-----------------------------------|
| Balance at June 30, 2015 | \$ 259,492,927 | \$ 170,321,745 | \$ 89,171,182 |
| Changes in the year: | | | |
| Service costs | 4,868,242 | - | 4,868,242 |
| Interest on the total pension liability | 19,492,841 | - | 19,492,841 |
| Changes of benefit terms | - | - | - |
| Differences between actual and expected experience | (610,852) | - | (610,852) |
| Change in assumptions | - | - | - |
| Plan to Plan Resource Movement | - | 1,256 | (1,256) |
| Contributions - employer | - | 7,839,435 | (7,839,435) |
| Contribution - employee | - | 1,620,695 | (1,620,695) |
| Net investment income | - | 828,855 | (828,855) |
| Benefit Payments, including refunds of employee contributions | (13,015,636) | (13,015,636) | - |
| Administrative expense | - | (103,802) | 103,802 |
| Net changes | 10,734,595 | (2,829,197) | 13,563,792 |
| Balance at June 30, 2016 | <u>\$ 270,227,522</u> | <u>\$ 167,492,548</u> | <u>\$ 102,734,974</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

| | <u>Miscellaneous</u> | <u>Safety</u> |
|-----------------------|----------------------|---------------|
| 1% Decrease | 6.65% | 6.65% |
| Net Pension Liability | 178,712,234 | 139,841,101 |
| Current Discount Rate | 7.65% | 7.65% |
| Net Pension Liability | 128,224,128 | 102,734,974 |
| 1% Increase | 8.65% | 8.65% |
| Net Pension Liability | 86,178,042 | 72,326,823 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

B. CalPERS (Continued)

b. Changes in Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the City’s GASB 68 accounting valuation report may differ from the plan assets report in the funding actuarial valuation report due to several reasons. First, for the account valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

c. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$21,071,443. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Pension Contributions made after Measurement Date | \$ 10,043,278 | \$ - |
| Changes of Assumptions | - | (2,923,940) |
| Difference between Expected and Actual Experience | - | (749,193) |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 14,422,963 | - |
| Total | <u>\$ 24,466,241</u> | <u>\$ (3,673,133)</u> |

Safety Plan:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Pension Contributions made after Measurement Date | \$ 8,645,157 | \$ - |
| Changes of Assumptions | - | (2,580,073) |
| Difference between Expected and Actual Experience | - | (1,499,461) |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 9,263,123 | - |
| Total | <u>\$ 17,908,280</u> | <u>\$ (4,079,534)</u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

B. CalPERS (Continued)

c. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The amounts above are net of outflow and inflows recognized in the 2015-16 measurement period expense.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the miscellaneous plan and safety plan for the 2015-16 measurement is 3.5 and 4.3 years, which was obtained by dividing the total service years of 5,322 and 1,503 (the sum of remaining service lifetimes of the active employees) by 2,165 and 498 (the total number of participants: active, inactive and retired), respectively.

The \$10,043,278 and \$8,645,157 reported as deferred outflows of resources related to pension resulting from the City’s contributions subsequent to the measurement date during the year ended June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflow and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

| <u>Year Ended June 30</u> | <u>Miscellaneous Plan</u> | <u>Safety Plan</u> |
|---------------------------|---------------------------|---------------------|
| 2017 | \$ (224,566) | \$ (328,994) |
| 2018 | 567,656 | (328,992) |
| 2019 | 6,597,431 | 3,480,954 |
| 2020 | 3,809,309 | 2,360,621 |
| 2021 | - | - |
| Thereafter | - | - |
| Total | <u>\$ 10,749,830</u> | <u>\$ 5,183,589</u> |

d. Payable to the Pension Plan

At June 30, 2016, The City reported a payable of \$ -0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

C. PARS

a. General Information about the Pension Plans

Effective January 1, 2005, the City adopted a defined benefit plan administered through the Public Agency Retirement System (PARS) to provide supplemental retirement benefits to eligible employees in addition to the benefits the employees receive from CalPERS. Employee groups who are eligible to participate in the Retirement Enhancement Plan (REP) are as follows: Tier I – Executive Management Employees, Tier II – Redding Independent Employees’ Organization (RIEO) represented employees, Tier III Redding Police Officers’ Association (RPOA) - Miscellaneous Unit employees, Tier IV International Brotherhood of Electrical Workers (IBEW) – Maintenance unit represented employees and Tier V International Brotherhood of electrical Workers (IBEW) – Electric represented employees. The Plan is now closed to new participants.

Benefits Provided

The REP plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are based on years of service credited service, equal to one year of full time employment. Members in Tiers I, III, IV and V with five years of service with the City are eligible to retire at age 50. Members in Tier II with ten years of service with the City are eligible to retire at age 50. The death benefit is one of the following: the Basis Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

| | <u>Tier I</u> | <u>Tier II</u> | <u>Tier III</u> | <u>Tier IV</u> | <u>Tier V</u> |
|---|---------------------------|-----------------------------|---------------------------|---------------------------|----------------------------|
| Hire date | 1/1/2005 thru 8/7/2011 | 1/1/2005 thru 12/31/2012 | 1/1/2005 thru 1/5/2011 | 1/1/2005 thru 1/5/2011 | 1/1/2005 thru 9/21/2011 |
| Benefit formula | 2.7% @ 55 | 2.7% @ 55 | 2.5% @55 | 2.7% @ 55 | 2.7% @ 55 |
| Benefit vesting schedule | 5 years service | 10 years service | 5 years service | 5 years service | 5 years service |
| Benefit Payments | monthly for life | monthly for life | monthly for life | monthly for life | monthly for life |
| Retirement age | 50-55 | 50-55 | 50-55 | 50-55 | 50-55 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.7% | 2.0% to 2.7% | 2.0% to 2.5% | 2.0% to 2.7% | 2.0% to 2.7% |
| Required employee contributions rates | 0% | 0% | 0% | 0% | 0% |
| Required employer contribution rates | 19.36% | 15.40% | 14.35% | 14.57% | 13.46% |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

C. PARS (Continued)

a. General Information about the Pension Plans (Continued)

Employees Covered

At January 1, 2014, the following employees were covered by the benefit terms for each Plan:

| | <u>Tier I</u> | <u>Tier II</u> | <u>Tier III</u> | <u>Tier IV</u> | <u>Tier V</u> |
|--|---------------|----------------|-----------------|----------------|---------------|
| Inactive employees or beneficiaries currently receiving benefits | 67 | 123 | 6 | 68 | 20 |
| Inactive employees entitled to but not yet receiving benefits | 3 | - | - | - | - |
| Active Employees | 84 | 224 | 5 | 110 | 48 |
| Total | <u>154</u> | <u>347</u> | <u>11</u> | <u>178</u> | <u>68</u> |

b. Net Pension Liability

The City's total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. That have been no significant changes between the valuation date and the fiscal year end. As summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuation were determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2016 |
| Actuarial Cost Method | Entry-Age Normal |
| Actuarial Assumptions: | |
| Discount Rate | 7.50% |
| Inflation | 3.00% |
| Projected Salary Increase | Graded rates based on years of services, 3.85% after 22 years of service. |
| Investment Rate of Return | 7.50% |
| Mortality Rate Table | Pre-retirement/Post-retirement: CalPERS 1997-2001 Healthy Retiree Tables (sex distinct) projected using Scale AA and base year of 2008 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

C. PARS (Continued)

b. Net Pension Liability (Continued)

Discount Rate

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman’s investment consulting practice as of July 1, 2016.

| <u>Asset Class</u> | <u>Index</u> | <u>Target Allocation</u> | <u>Long-Term Expected Arithmetic Real Rate of Return</u> | <u>Long-Term Expected Geometric Real Rate of Return</u> |
|--|-------------------------|------------------------------|--|---|
| US Cash | BAML 3-Mon Tbill | 21.00% | 0.36% | 0.35% |
| US Core Fixed Income | Barclays Aggregate | 37.11% | 2.17% | 2.04% |
| US Large Caps | Russell 3000 | 42.67% | 4.83% | 3.57% |
| Foreign Developed Equity | MSCI EAFE NR | 11.42% | 5.76% | 4.15% |
| Emerging Markets Equity | MSCI EM NR | 3.99% | 8.06% | 4.84% |
| US REITs | FTSE NAREIT Equity REIT | 1.60% | 5.04% | 3.27% |
| Assumed Inflation - Mean | | | 2.32% | 2.30% |
| Assumed Inflation - Standard Deviation | | | 1.85% | 1.85% |
| Portfolio Real Mean Return | | | 3.94% | 3.43% |
| Portfolio Nominal Mean Return | | | 6.26% | 5.81% |
| Portfolio Standard Deviation | | | | 9.94% |
| Long-Term Expected Rate of Return | | | | 7.50% |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

C. PARS (Continued)

c. Changes in Net Pension Liability

The changes in the Net Pension Liability for the Plan follow:

PARS-REP Plan

| | Total Pension Liability | Increase (Decrease) Plan Fiduciary Net Pension | Net Pension Liability/ (Asset) |
|---|----------------------------|---|-----------------------------------|
| Balance at June 30, 2015 | \$ 69,301,913 | \$ 38,237,992 | \$ 31,063,921 |
| Changes in the year: | | | |
| Service costs | 1,170,873 | - | 1,170,873 |
| Interest on the total pension liability | 5,162,353 | - | 5,162,353 |
| Changes of benefit terms | - | - | - |
| Effect of economic/demographic gains or losses | 92,895 | - | 92,895 |
| Differences between actual and expected experience | - | - | - |
| Change in assumptions | - | - | - |
| Contributions - employer | - | 5,020,997 | (5,020,997) |
| Contribution - employer (paid by employer) | - | - | - |
| Net investment income | - | 643,326 | (643,326) |
| Administrative expenses | - | (269,745) | 269,745 |
| Benefit Payments, including refunds of employee contributions | (3,343,227) | (3,343,227) | - |
| Net changes | <u>3,082,894</u> | <u>2,051,351</u> | <u>1,031,543</u> |
| Balance at June 30, 2016 | <u>\$ 72,384,807</u> | <u>\$ 40,289,343</u> | <u>\$ 32,095,464</u> |

Sensitivity Analysis

The following presents the net pension liability of the City of Redding Retirement Enhancement Plan, calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate.

| | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|-------------------------|---------------------|----------------------------------|---------------------|
| Total Pension Liability | \$ 81,067,863 | \$ 72,384,807 | \$ 65,084,009 |
| Fiduciary net position | 40,289,343 | 40,289,343 | 40,289,343 |
| Net pension liability | 40,778,520 | 32,095,464 | 24,794,666 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

C. PARS (Continued)

c. Changes in Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the City’s GASB 68 accounting valuation report may differ from the plan assets report in the funding actuarial valuation report due to several reasons. First, for the account valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

d. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of \$3,912,355. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Pension Contributions made after Measurement Date | \$ 4,816,795 | \$ - |
| Changes of Assumptions | 71,292 | - |
| Difference between Expected and Actual Experience | - | - |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 2,840,124 | (817,166) |
| Total | \$ 7,728,211 | \$ (817,166) |

The amounts above are net of outflow and inflows recognized in the 2015-16 measurement period expense.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the PARS plan for the 2015-16 measurement is 4.3 years, which was obtained by dividing the total service years of 3,147 (the sum of remaining service lifetimes of the active employees) by 729 (the total number of participants: active, inactive and retired).

The \$4,816,795 reported as deferred outflows of resources related to pension resulting from the City’s contributions subsequent to the measurement date during the year ended June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflow and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 17 – Retirement Plans (Continued)

D. PARS (Continued)

d. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

| <u>Year Ended June 30</u> | <u>Amount</u> |
|---------------------------|---------------------|
| 2017 | \$ 407,970 |
| 2018 | 407,970 |
| 2019 | 816,553 |
| 2020 | 461,757 |
| 2021 | - |
| Thereafter | - |
| Total | <u>\$ 2,094,250</u> |

e. Payable to the Pension Plan

At June 30, 2016, The City reported a payable of \$ -0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 18 – Other Postemployment Healthcare Benefits

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

Funding Policy. The contribution requirements of plan members are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For fiscal year 2017, the City did not prefund any portion of the plan. The cost of current premiums, financed on a pay-as-you-go basis, is shared equally between the City and the retirees. The full cost of current premiums for the fiscal year ended June 30, 2017, was \$7,399,650 of which the retirees contributed \$3,567,805.

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

| | |
|--|-----------------------------|
| Annual required contribution | \$ 11,892,000 |
| Interest on net OPEB obligation | 2,846,000 |
| Adjustment to annual required contribution | <u>(3,479,000)</u> |
| Annual OPEB cost (expense) | 11,259,000 |
| Contributions made | <u>(3,479,805)</u> |
| Increase in net OPEB obligation | 7,779,195 |
| Net OPEB obligation - beginning of year | <u>71,475,732</u> |
| Net OPEB obligation - end of year | <u><u>\$ 79,254,927</u></u> |

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

| <u>For the Years Ended June 30,</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|---|-----------------------------|---|------------------------------------|
| 2015 | 14,547,000 | 22.0% | 64,150,290 |
| 2016 | 10,714,000 | 31.6% | 71,475,726 |
| 2017 | 11,259,000 | 30.9% | 79,254,927 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 18 – Other Postemployment Healthcare Benefits (Continued)

Funded Status and Funding Progress. As of January 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits at January 1, 2015 was \$102.6 million, and the actuarial value of assets was \$.1 million, resulting in a projected unfunded actuarial accrued liability (UAAL) of \$102.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$54.4 million, and the ratio of the UAAL to the covered payroll was 189%.

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

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

In the January 1, 2016, actuarial valuation, the Entry Age Normal cost funding method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to a rate of 5 percent after seven years. Both rates include a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2017, was twenty-three years.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 19 – Fund Balances

Fund balance as of June 30, 2017, consists of the following:

| | <u>General Fund</u> | <u>Major Capital Project Fund</u> | <u>Other Funds</u> | <u>Total</u> |
|-----------------------------------|-------------------------|---------------------------------------|------------------------|----------------------|
| Fund balances: | | | | |
| Nonspendable fund balance: | | | | |
| Prepays and inventory | \$ 925,517 | \$ - | \$ 18,429 | \$ 943,946 |
| Contractually nonspendable | 907,489 | - | - | 907,489 |
| Total nonspendable | <u>1,833,006</u> | <u>-</u> | <u>18,429</u> | <u>1,851,435</u> |
| Restricted fund balance: | | | | |
| Fiscal agent reserves | 757,254 | - | - | 757,254 |
| Capital projects | - | 6,769,615 | - | 6,769,615 |
| Assessment District debt service | - | - | 154,973 | 154,973 |
| Special Revenue: | | | | |
| Community development | - | - | 23,725,751 | 23,725,751 |
| Housing | - | - | 15,516,919 | 15,516,919 |
| Landscape maintenance | - | - | 322,187 | 322,187 |
| Library | - | - | 1,039,251 | 1,039,251 |
| Local transportation | - | - | 3,060,409 | 3,060,409 |
| Police asset seizure | - | - | 314,673 | 314,673 |
| Total restricted | <u>757,254</u> | <u>6,769,615</u> | <u>44,134,163</u> | <u>51,661,032</u> |
| Assigned fund balance: | | | | |
| Operations & Maintenance | | | | |
| Fire | 12,883 | - | - | 12,883 |
| Public works | 192,864 | - | - | 192,864 |
| Other | 123,850 | - | - | 123,850 |
| Capital Projects | | | | |
| Fire | 30,105 | - | - | 30,105 |
| Public works | 1,051,393 | - | - | 1,051,393 |
| Other | 185,393 | - | - | 185,393 |
| Vehicles & Equipment | | | | |
| Fire | 952,290 | - | - | 952,290 |
| Public works | 22,589 | - | - | 22,589 |
| Other | 33,414 | - | - | 33,414 |
| Rolling stock | 361,463 | - | - | 361,463 |
| Future expenditures | 1,503,000 | - | - | 1,503,000 |
| Future capital projects | 1,040,323 | - | - | 1,040,323 |
| Total assigned | <u>5,509,567</u> | <u>-</u> | <u>-</u> | <u>5,509,567</u> |
| Unassigned: | | | | |
| General Fund | 12,381,575 | - | - | 12,381,575 |
| Special Revenue | - | - | (344,254) | (344,254) |
| Total Unassigned | <u>12,381,575</u> | <u>-</u> | <u>(344,254)</u> | <u>12,037,321</u> |
| Total fund balances | <u>\$ 20,481,402</u> | <u>\$ 6,769,615</u> | <u>\$ 43,808,338</u> | <u>\$ 71,059,355</u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 20 – Commitments and Contingencies

A. Construction Commitments

A number of construction contracts existed at June 30, 2017. The unexpended authorized amount of \$23,307,432 represents a commitment by the City.

B. Redding Electric Utility (REU)

- i) REU is contractually obligated to purchase 7,500 Dth/day of natural gas pipeline capacity in four (4) segments connecting the AECO supply hub to California (PG&E Citygate). Three of those segments, Nova, Foothills, and Redwood expired on October 31, 2015 and REU has chosen not to renew them. The remaining segment, GTN, will expire October 31, 2023. The City has sold its delivery rights to the GTN through the remainder of the contract period ending October 31, 2023.

REU is also contractually obligated to purchase 1,000 Dth/day of natural gas pipeline capacity, connecting the OPAL supply hub to the California Intrastate system. The City sold the delivery rights to the Kern River pipeline through April 2018.

The City's total annual obligation for the above described pipeline capacity aggregates less than \$1.027 million per year

- ii) REU is contractually committed to purchase natural gas in the 2017 through 2025 time period. The following table provides on a yearly basis the approximate purchase dollar amount and what percentage these purchases cover of the minimum fuel requirements for the expected operating level of the Redding Power facility.

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Purchase Cost \$ (million) | \$ 11.3 | \$ 11.2 | \$ 9.7 | \$ 7.0 | \$ 7.3 | \$ 7.5 | \$ 7.0 | \$ 6.5 |
| % Natural Gas Hedge ** | 93% | 91% | 87% | 88% | 88% | 93% | 94% | 93% |

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

- iii) In 2010, REU entered into a 28 - year term contract with Gill Ranch Storage. Under the Agreement REU has leased 2,250,000 Dth of cushion gas initially valued at \$13,570,000 to Gill Ranch and Gill Ranch provides REU with approximately 600,000 Dth of natural gas storage. At the end of the contract term in 2038, the cushion gas will be returned to REU with an anticipated value greater than the initial \$13,570,000 value.
- iv) REU has contractually committed to purchase power from M-S-R Public Power agency on an as-delivered basis from a Pacific Northwest wind project. Deliveries began October 1, 2006. REU's share of the output from the wind project is approximately 181,000 MWH per year. The twenty-year contract with an option to extend five years has a \$12,855,000 annual expected expense. The wind based energy from this contract is a major source of eligible renewable energy with the associated environmental attributes available to meet REU's renewable resource portfolio requirements. M-S-R has completed an amendment to the Pacific Northwest Wind Contract which addresses financial responsibility for the Bonneville Power Administration's Wind Integration Charge (WIC). M-S-R assumes responsibility for the first \$1.20 per kw-mo, Iberdrola Renewable assumes responsibility for the next \$1.20 per kw-mo. The contract term is extended

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 20 – Commitments and Contingencies (Continued)

B. Redding Electric Utility (REU) (Continued)

5 years with certain adjustments in pricing and delivery. Currently, the WIC is approximately \$1.20 per kw-mo and is included in the annual expected expense mentioned above.

- v) Although REU was an early adopter of renewable energy, as covered in the previous item, the California Energy Commission's (CEC) report for the first "Renewables Portfolio Standard" (RPS) compliance period (2011 – 2013) shows Redding with 8% rather than the 20% target. This is a result of Redding's City Council allowing large hydro to count towards REU's renewable energy obligation in accordance with their understanding of the CEC regulations at the time. Later, REU sold off most of its "Renewable Energy Credits" (REC) for 2011 and 2012, which was in keeping with that decision and was for the benefit of its customers. Following the REC sales, the CEC modified the regulations for RPS and applied them retroactively. REU was forced to employ "Optional Compliance Measures" in meeting its RPS obligation for the first compliance period. For the remaining compliance periods REU is on-track to meet the CEC's current RPS targets.
- vi) The City of Redding, in conjunction with the Northern California Power Agency and Cities of Roseville and Santa Clara, filed a complaint in September 2014 in the U.S. Court of Claims seeking recovery of more than \$45 million in overcharges imposed by the Bureau of Reclamation for the Central Valley Project Improvement Act (CVPIA). The CVPIA, established in 1992, obligates Reclamation to collect roughly \$30 million per year (in 1992 dollars) from water and power customers who benefit from the Central Valley Project (CVP), in proportion to the users' project repayment obligation over a 10-year rolling average. As of the complaint filing date, Reclamation had allocated 25.4% of CVP capital costs to the power users over the previous 10 years; however the CVPIA collections had averaged 39% over the same time period. Redding and the other plaintiffs in this claim, believe that Reclamation has overcharged the CVP power customers and are seeking repayment.
- vii) Commencing with fiscal year 1988-89, the City has, each year, transferred from REU to the City's general fund a "payment in lieu of tax" (PILOT) designed to be equivalent to the ad valorem tax on property REU would have to pay if privately owned. The PILOT in fiscal year 2015-16 was \$5,730,700. Two lawsuits challenging the PILOT were filed against the City, one on February 4, 2011 and the second on August 29, 2011. The City has to date received related refund claims from approximately 384 REU customers. The Superior Court of the State of California, Shasta County, consolidated the two lawsuits and ruled in favor of the City on July 13, 2012 and the plaintiffs appealed the trial court's decision.

On February 19, 2015, the City received a decision and opinion from the Court of Appeal of the State of California, Third Appellate District, in Citizens for Fair REU Rates v. City of Redding. The Court of Appeal concluded that the PILOT constitutes a "tax" as defined in Article XIII C, Section (e)(1) of the California Constitution (added by Proposition 26, adopted on November 2, 2010) "unless [the City] proves the amount collected is necessary to cover the reasonable costs to [the City] to provide electric service." The Court of Appeal's ruling remands the case to the Superior Court to allow the City opportunity to prove the extent to which the PILOT recovers the cost of services provided to REU at the expense of its general fund. On February 27, 2015 the City filed a Petition for Review with the California Supreme Court. The California Supreme Court has granted review. The parties' principal briefs have been filed in the California Supreme Court. Oral arguments are expected to occur sometime in 2018. A decision will be due 90 days after oral arguments.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 20 – Commitments and Contingencies (Continued)

B. Redding Electric Utility (REU) (Continued)

The City is unable to predict whether or the extent to which the City will be able to demonstrate to the satisfaction of the California Supreme Court that the PILOT reflects the reasonable cost to the City of providing electric service, or, if or to the extent the City is not successful, what remedies against the City may be available.

C. West Central Landfill

In 1990 the City entered into an agreement with Shasta County to operate West Central Landfill (the landfill). Under the agreement, the City is obligated to operate the landfill at least until there are no bonds or contracts outstanding. The current 1997 refunding bonds expired July 1, 2010, and the bonds were paid off. The City records the activity and net position of the operations portion of the landfill in its Solid Waste enterprise fund. Net position associated with the landfill, recorded on the City's books at June 30, 2017, was \$3,274,508.

D. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustments by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have material adverse effect on the financial position of the City.

E. Litigation

Various claims and suits have been filed against the City in the normal course of business. Although the outcome of these matters is not presently determinable in the opinion of legal counsel, the city believes that the resolutions of these matters will not have a material adverse effect on the financial condition of the City.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 21 – Successor Agency Trust for Assets of the Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. The assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

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

Following the disbursement of unencumbered funds, the Department of Finance of the State of California granted a “Finding of Completion” on June 20, 2013, to the City of Redding Successor Agency. The Successor Agency is now allowed to place loan agreements between the former redevelopment agency and sponsoring entity on the Recognized Obligation Payment Schedule and utilize remaining bond proceeds.

Successor agencies are only allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill. The State Controller completed the review of all assets transferred and issued a report dated October 13, 2014.

The review found that the Agency transferred \$69,027,149 in assets after January 2, 2011, including unallowable transfers to the City totaling \$876,800. The City turned over the \$876,800 to the Agency that was subsequently remitted to the Shasta County Auditor-Controller for distribution to the taxing entities.

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 21 – Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

Long-term debt consisted of the following as of June 30, 2017:

| | |
|--|-----------------------------|
| Market Street Tax Allocation Bonds, Series 2003: | \$ 2,400,000 |
| Interest from 2.0% to 5.679% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$170,000 to \$400,000; final payment September 1, 2023. Original issue: \$5,185,000. Proceeds from the Series 2003 Bonds are used to finance various capital improvements within the Market Street Redevelopment Area. | |
| Canby-Hilltop-Cypress Tax Allocation Bonds, Series B: | 3,395,000 |
| 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. | |
| Canby-Hilltop-Cypress Tax Allocation Bonds, Series A 2003: | 12,750,000 |
| Interest from 2.0% to 5.0% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$1,040,000 to \$2,055,000; final payment September 1, 2023. Original issue: \$28,935,000. Proceeds from the Series A 2003 Bonds are used to finance various capital improvements within the Canby-Hilltop-Cypress Redevelopment Area. | |
| SHASTECC Tax Allocation Bonds, Series 2006: | 12,045,000 |
| Interest from 4.0% to 5.0% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$245,000 to \$5,585,000; final payment September 1, 2036. Original issue: \$15,000,000. Proceeds from the Series 2006 Bonds are used to finance various capital improvements within the SHASTECC Redevelopment Area. | |
| Total Bonds Outstandings | <u>\$ 30,590,000</u> |
| Discount on Market Street Tax Allocation Bonds, Series 2003 | (15,809) |
| Discount on Canby-Hilltop-Cypress Tax Allocation Bonds, Series B | (9,581) |
| Premium on Canby-Hilltop-Cypress Tax Allocation Bonds, Series A 2003 | 23,271 |
| Discount on SHASTECC Tax Allocation Bonds, Series 2006 | <u>(42,282)</u> |
| Total Discount/Premium | <u>(44,401)</u> |
| Total Long-Term Bonded Debt | <u><u>\$ 30,545,599</u></u> |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 21 – Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

| | |
|--|---------------|
| Note payable to the City of Redding Electric Fund: | \$ 587,999 |
| A note was approved by City Council on August 25, 1972, for \$550,000 from the City of Redding Electric Utility Fund to the Agency. The principal balance due at June 30, 2016, is \$308,105 along with \$277,601 of simple interest calculated at the LAIF quarterly interest rate. | |
| Note payable to the City of Redding Risk Management Fund | 321,634 |
| A repayment agreement was made by and between the City of Redding Risk Management Fund and the Agency on May 18, 1999, for repayment of a \$2,000,000 loan for the construction of the Clover Creek Preserve Drainage Project. Simple interest is calculated using the LAIF quarterly interest rate. | |
| Notes payable to the City of Redding General Fund: | 2,485,800 |
| A reimbursement agreement was entered into by and between the Agency and the City of Redding on September 21, 2009, for property tax increment advanced to the Agency between fiscal year 1984-85 and 2008-09. No interest is calculated on this loan. | |
| Total Notes Payable Outstandings | \$ 3,395,433 |
| Total Long-Term Debt, net | \$ 33,941,032 |

Annual requirements to amortize long-term bonds outstanding as of June 30, 2017, are set forth below:

| Fiscal Year | Principal | Interest | Total |
|-------------|---------------|---------------|---------------|
| 2018 | 2,890,000 | 1,436,065 | 4,326,065 |
| 2019 | 3,030,000 | 1,290,824 | 4,320,824 |
| 2020 | 3,180,000 | 1,138,621 | 4,318,621 |
| 2021 | 3,340,000 | 978,096 | 4,318,096 |
| 2022 | 3,515,000 | 809,502 | 4,324,502 |
| 2023-2027 | 7,195,000 | 2,388,373 | 9,583,373 |
| 2028-2032 | 3,260,000 | 1,469,250 | 4,729,250 |
| 2033-2037 | 4,180,000 | 543,000 | 4,723,000 |
| Total | \$ 30,590,000 | \$ 10,053,731 | \$ 40,643,731 |

City of Redding
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 22 – Subsequent Events

There are no material subsequent events to disclose as of the audit report date.

**REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)**

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City of Redding
Required Supplementary Information
Budgetary Information
For the Year Ended June 30, 2017

Note 1 – Budgetary Principles

Budget Data

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

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

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

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

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

- A. The City does not budget for the fair market value adjustment required under GASB 31.
- B. The City does not budget for accounts payable or intergovernmental payables.
- C. The City does not budget for benefit accruals.
- D. The City budgets for certain receivables and payables on a cash basis.
- E. The City budgets for land to be held for resale as expenditure.
- F. Encumbrances are not included in the Statement of Revenue, Expenditures and Changes in Fund Balance

Budgetary Basis Reconciliation

Budgets are not adopted for the Landscape Maintenance Fund and the Asset Seizure Fund.

City of Redding
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
General Fund
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive (Negative) |
|---|----------------------|----------------------|---|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 16,788,900 | \$ 18,183,550 | \$ 18,130,539 | \$ (53,011) |
| Sales and use taxes | 24,104,000 | 22,854,140 | 22,854,141 | 1 |
| Other taxes | 6,617,000 | 6,834,970 | 7,071,699 | 236,729 |
| Licenses and permits | 1,072,550 | 1,112,060 | 1,250,657 | 138,597 |
| Intergovernmental revenues | 1,147,740 | 2,581,150 | 2,634,908 | 53,758 |
| Charges for services | 1,760,900 | 2,107,890 | 2,510,787 | 402,897 |
| Fines, forfeitures, and penalties | 507,470 | 1,218,170 | 1,496,610 | 278,440 |
| Use of money and property | 7,831,660 | 7,861,850 | 7,905,927 | 44,077 |
| Interest revenue | 102,000 | 102,000 | 135,491 | 33,491 |
| Other revenue | 418,005 | 1,036,795 | 925,014 | (111,781) |
| Total revenues | 60,350,225 | 63,892,575 | 64,915,773 | 1,023,198 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government: | | | | |
| City Attorney | 698,650 | 699,570 | 515,358 | 184,212 |
| City Clerk | 800,280 | 834,770 | 834,266 | 504 |
| City Manager | 2,064,200 | 2,198,620 | 2,093,955 | 104,665 |
| City Treasurer | 623,110 | 613,640 | 592,883 | 20,757 |
| Finance | 1,280,546 | 1,259,246 | 1,172,378 | 86,868 |
| Personnel | 454,880 | 452,090 | 451,571 | 519 |
| Purchasing | 569,830 | 573,040 | 555,436 | 17,604 |
| Public safety: | | | | |
| Police | 28,077,314 | 30,343,624 | 29,738,329 | 605,295 |
| Fire safety | 19,919,431 | 21,438,121 | 21,393,407 | 44,714 |
| Public works | 9,856,965 | 11,928,285 | 10,149,271 | 1,779,014 |
| Planning | 4,166,930 | 4,313,320 | 4,156,439 | 156,881 |
| Recreation and culture | 4,930,120 | 5,286,470 | 5,130,685 | 155,785 |
| Principal payments | 1,665,780 | 1,778,750 | 1,778,744 | 6 |
| Interest and fiscal charges | 1,354,290 | 1,361,640 | 1,359,978 | 1,662 |
| Bond issuance costs | - | - | - | - |
| Total expenditures | 76,462,326 | 83,081,186 | 79,922,700 | 3,158,486 |
| REVENUES OVER (UNDER) EXPENDITURES | (16,112,101) | (19,188,611) | (15,006,927) | 4,181,684 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of capital assets | 10,000 | 179,500 | 117,443 | (62,057) |
| Transfers in | 12,245,440 | 15,059,170 | 13,002,111 | (2,057,059) |
| Transfers out | (2,694,940) | (2,933,940) | (2,902,648) | 31,292 |
| Total other financing sources (uses) | 9,560,500 | 12,304,730 | 10,216,906 | (2,087,824) |
| CHANGE IN FUND BALANCE | (6,551,601) | (6,883,881) | (4,790,021) | 2,093,860 |
| BUDGETARY FUND BALANCES: | | | | |
| Beginning of year | 21,844,712 | 21,844,712 | 21,844,712 | - |
| End of year | \$ 15,293,111 | \$ 14,960,831 | \$ 17,054,691 | \$ 2,093,860 |

City of Redding
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2017

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

| | |
|--|--------------------------|
| Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances | \$ 20,481,402 |
| 1. The City budgets for taxes on a cash basis. | (57,107) |
| 2. The City budgets for grants on a cash basis. | (15,734) |
| 3. Timing difference due to GASB #33. | 105,345 |
| 4. The City does not budget for accounts payable adjustments. | 38,990 |
| 5. The City does not budget for benefit accruals. | (97,034) |
| 6. Financial statement only adjustment for GASB #31. | 127,072 |
| 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. | 380,392 |
| 8. The City does not budget for special assessments. | (9,791) |
| 9. Encumbrances are not included in the Statement of Revenues, Expenditures and Changes in Fund Balance. | (2,924,464) |
| 10. The City did not budget for prepaid rent for the Housing Authority and the Agency | - |
| 11. The City does not budget for developer's fees that are prepaid. | 60,366 |
| 12. The City budgeted for prepaid expenditures. | - |
| 13. The City does not budget for interest on deposits held in trust. | (5,981) |
| 14. The City Budgets for cash transfers to/from other funds as loans, but records the advances in advances receivable/payable on the balance sheet. | - |
| 15. The City does not budget for the transfers in from Internal Service Fund excess reserves. | (1,028,765) |
| Budgetary Fund Balance | <u>\$ 17,054,691</u> |

City of Redding
Required Supplementary Information
Schedules of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2017

California Public Employees' Retirement System ("CalPERS") - Miscellaneous Plan

| Measurement Period | 2016 | 2015 | 2014 |
|---|-----------------------|-----------------------|-----------------------|
| TOTAL PENSION LIABILITY: | | | |
| Service Costs | \$ 6,259,646 | \$ 6,164,984 | \$ 6,465,244 |
| Interest | 28,527,904 | 27,466,002 | 26,335,482 |
| Changes of Benefit Terms | - | - | - |
| Difference Between Expected and Actual Experience | (705,952) | (551,120) | - |
| Changes of Assumptions | - | (6,578,864) | - |
| Benefit Payments, Including Refunds of Employee Contributions | (19,821,373) | (18,361,188) | (16,894,132) |
| Net Change in Total Pension Liability | 14,260,225 | 8,139,814 | 15,906,594 |
| Total Pension Liability - Beginning | 380,400,604 | 372,260,790 | 356,354,196 |
| Total Pension Liability - Ending (a) | \$ 394,660,829 | \$ 380,400,604 | \$ 372,260,790 |
| PLAN FIDUCIARY NET POSITION: | | | |
| Contributions - Employer | \$ 8,742,083 | 7,771,417 | 7,140,089 |
| Contributions - Employee | 2,849,237 | 2,892,519 | 2,924,099 |
| Net Investment Income | 1,432,535 | 6,167,183 | 41,359,309 |
| Benefit Payments, Including Refunds of Employee Contributions | (19,821,373) | (18,361,188) | (16,894,132) |
| Plan to Plan Resource Movement | (1,256) | 20,221 | - |
| Administrative Expense | (166,624) | (307,951) | - |
| Net Change in Fiduciary Net Position | \$ (6,965,398) | \$ (1,817,799) | \$ 34,529,365 |
| Plan Fiduciary Net Position - Beginning | \$ 273,402,099 | \$ 275,219,898 | \$ 240,690,533 |
| Plan Fiduciary Net Position - Ending (b) | 266,436,701 | 273,402,099 | 275,219,898 |
| Plan Net Pension Liability/(Asset) - Ending (a) - (b) | \$ 128,224,128 | \$ 106,998,505 | \$ 97,040,892 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 67.51% | 71.87% | 73.93% |
| Covered - Employee Payroll ¹ | \$ 41,323,256 | \$ 40,294,018 | \$ 40,286,914 |
| Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll | 310.30% | 265.54% | 240.87% |

¹ Covered-Employee Payroll presented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to Schedules of Changes in Net Pension Liability and Related Ratios:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense to 7.65 percent).

The Required Supplementary Information for Schedules of Changes in Net Pension Liability and Related Ratios is intended to show information for ten years; as additional years' information becomes available it will be displayed accordingly.

City of Redding
Required Supplementary Information
Schedule of Plan Contributions
For the Year Ended June 30, 2017

California Public Employees' Retirement System ("CalPERS") - Miscellaneous Plan

| | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|
| Actuarially Determined Contribution ² | \$ 8,742,083 | \$ 7,771,417 | \$ 7,140,089 |
| Contributions in Relations to the Actuarially Determined Contribution ² | (8,742,083) | (7,771,417) | (7,140,089) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| Covered-Employee Payroll ^{3,4} | \$ 41,323,256 | \$ 40,294,018 | \$ 40,286,914 |
| Contributions as a Percentage of Covered-Employee Payroll ³ | 21.16% | 19.29% | 17.72% |

¹ As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be determined as of the employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for the covered-employees, the employer should in the disclosure footnotes the payroll passed on total earnings for the covered group and recalculate the required pay

⁴ Includes one year's payroll growth using 3.00 percent payroll assumption.

Notes to Schedule of Plan Contributions:

The Required Supplementary Information for Schedule of Plan Contributions is intended to show information for ten years; as additional years' information becomes available it will be displayed accordingly.

City of Redding
Required Supplementary Information
Schedules of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2017

California Public Employees' Retirement System ("CalPERS") - Safety Plan

| Measurement Period | 2016 | 2015 | 2014 |
|---|-----------------------|-----------------------|-----------------------|
| TOTAL PENSION LIABILITY: | | | |
| Service Costs | \$ 4,868,242 | \$ 4,702,492 | \$ 4,982,595 |
| Interest | 19,492,841 | 18,712,421 | 18,027,294 |
| Changes of Benefit Terms | - | - | - |
| Difference Between Expected and Actual Experience | (610,852) | (1,889,558) | - |
| Changes of Assumptions | - | (4,730,135) | - |
| Benefit Payments, Including Refunds of Employee Contributions | (13,015,636) | (12,355,104) | (11,659,397) |
| Net Change in Total Pension Liability | 10,734,595 | 4,440,116 | 11,350,492 |
| Total Pension Liability - Beginning | 259,492,927 | 255,052,811 | 243,702,319 |
| Total Pension Liability - Ending (a) | \$ 270,227,522 | \$ 259,492,927 | \$ 255,052,811 |
| PLAN FIDUCIARY NET POSITION: | | | |
| Contributions - Employer | \$ 7,839,435 | 7,466,754 | 6,761,771 |
| Contributions - Employee | 1,620,695 | 1,570,703 | 1,517,735 |
| Net Investment Income | 828,855 | 3,715,343 | 25,448,647 |
| Benefit Payments, Including Refunds of Employee Contributions | (13,015,636) | (12,355,104) | (11,659,397) |
| Plan to Plan Resource Movement | 1,256 | 193,399 | - |
| Administrative Expense | (103,802) | (191,504) | - |
| Net Change in Fiduciary Net Position | \$ (2,829,197) | \$ 399,591 | \$ 22,068,756 |
| Plan Fiduciary Net Position - Beginning | \$ 170,321,745 | \$ 169,922,154 | \$ 147,853,398 |
| Plan Fiduciary Net Position - Ending (b) | 167,492,548 | 170,321,745 | 169,922,154 |
| Plan Net Pension Liability/(Asset) - Ending (a) - (b) | \$ 102,734,974 | \$ 89,171,182 | \$ 85,130,657 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 61.98% | 65.64% | 66.62% |
| Covered - Employee Payroll ¹ | \$ 17,313,615 | \$ 16,601,913 | \$ 16,800,737 |
| Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll | 593.38% | 537.11% | 506.71% |

¹ Covered-Employee Payroll presented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to Schedules of Changes in Net Pension Liability and Related Ratios:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense to 7.65 percent).

The Required Supplementary Information for Schedules of Changes in Net Pension Liability and Related Ratios is intended to show information for ten years; as additional years' information becomes available it will be displayed accordingly.

City of Redding
Required Supplementary Information
Schedule of Plan Contributions
For the Year Ended June 30, 2017

California Public Employees' Retirement System ("CalPERS") - Safety Plan

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|--------------------|
| Actuarially Determined Contribution ² | \$ 7,839,435 | \$ 7,466,754 | \$ 6,761,771 |
| Contributions in Relations to the Actuarially Determined Contribution ² | <u>(7,839,435)</u> | <u>(7,466,754)</u> | <u>(6,761,771)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-Employee Payroll ^{3,4} | \$ 17,313,615 | \$ 16,601,913 | \$ 16,800,737 |
| Contributions as a Percentage of Covered-Employee Payroll ³ | 45.28% | 44.98% | 40.25% |

¹ As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be determined as of the employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for the covered-employees, the employer should include in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required pay.

⁴ Includes one year's payroll growth using 3.00 percent payroll assumption.

Notes to Schedule of Plan Contributions:

The Required Supplementary Information for Schedule of Plan Contributions is intended to show information for ten years; as additional years' information becomes available it will be displayed accordingly.

City of Redding
Required Supplementary Information
Schedules of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2017

Public Agency Retirement System - Miscellaneous Plan (PARS)¹

| Measurement Period | 2016 | 2015 | 2014 |
|---|----------------------|----------------------|----------------------|
| TOTAL PENSION LIABILITY: | | | |
| Service Costs | \$ 1,170,873 | \$ 1,478,671 | \$ 1,432,128 |
| Interest | 5,162,353 | 4,941,220 | 4,689,105 |
| Changes of Benefit Terms | - | - | - |
| Difference Between Expected and Actual Experience | - | - | - |
| Effect of economic/demographic gains or losses | 92,895 | - | - |
| Changes of Assumptions | - | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (3,343,227) | (2,990,408) | (2,628,633) |
| Net Change in Total Pension Liability | \$ 3,082,894 | \$ 3,429,483 | \$ 3,492,600 |
| Total Pension Liability - Beginning | 69,301,913 | 65,872,430 | 62,379,830 |
| Total Pension Liability - Ending (a) | \$ 72,384,807 | \$ 69,301,913 | \$ 65,872,430 |
| PLAN FIDUCIARY NET POSITION: | | | |
| Contributions - Employer | 5,020,997 | 5,760,375 | 6,042,892 |
| Contributions - Employee | - | - | - |
| Net Investment Income ² | 643,326 | 998,681 | 3,990,007 |
| Benefit Payments, Including Refunds of Employee Contributions | (3,343,227) | (2,990,408) | (2,628,633) |
| Administrative Expenses | (269,745) | (258,434) | - |
| Other Changes in Fiduciary Net Position | - | - | - |
| Net Change in Fiduciary Net Position | \$ 2,051,351 | \$ 3,510,214 | \$ 7,404,266 |
| Plan Fiduciary Net Position - Beginning | \$ 38,237,992 | \$ 34,727,778 | \$ 27,323,592 |
| Plan Fiduciary Net Position - Ending (b) | 40,289,343 | 38,237,992 | 34,727,858 |
| Plan Net Pension Liability/(Asset) - Ending (a) - (b) | \$ 32,095,464 | \$ 31,063,921 | \$ 31,144,572 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 55.66% | 55.18% | 52.72% |
| Covered - Employee Payroll | \$ 29,834,685 | \$ 34,838,650 | \$ 33,451,518 |
| Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll | 107.58% | 89.17% | 93.10% |

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Net of administrative expenses.

Notes to Schedules of Changes in Net Pension Liability and Related Ratios:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.

The Required Supplementary Information for Schedules of Changes in Net Pension Liability and Related Ratios is intended to show information for ten years; as additional years' information becomes available it will be displayed accordingly.

City of Redding
Required Supplementary Information
Schedules of Public Agency Retirement Services Retirement Enhancement Plan Contributions All Tiers
For the Year Ended June 30, 2017

Public Agency Retirement System - Miscellaneous Plan (PARS) All Tiers¹

| | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|
| Actuarially Determined Contribution ² | \$ 5,020,997 | \$ 5,760,375 | \$ 6,042,892 |
| Contributions in Relations to the Actuarially Determined Contribution ² | (5,020,997) | (5,760,375) | (6,042,892) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| Covered-Employee Payroll ³ | \$ 29,834,685 | \$ 34,838,650 | \$ 33,451,518 |
| Contributions as a Percentage of Covered-Employee Payroll ³ | 16.83% | 16.53% | 18.06% |

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for the covered-employees, the employer should display in the disclosure footnotes the payroll passed on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to Schedules:

The following actuarial methods and assumptions were used in the January 1, 2014 funding valuation. Please see the valuation report dated April 23, 2015 for further details.

| | |
|----------------------------|--|
| Valuation Timing | Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method/Period | Level dollar, closed, amortization period at 1/1/2014 was 11 years |
| Asset Valuation Method | None |
| Inflation | 3.00% |
| Salary Increases | Varies by Years of Service |
| Payroll Growth | 3.00% |
| Investment Rate of Return | 7.50% Net of Pension Plan Investment and Administrative Expenses |
| Cost of Living Adjustments | 2.00% |
| Withdrawal | Consistent with Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plan |
| Mortality | Pre-Retirement/Post-Retirement: CalPERS 1997-2011 Healthy Retiree Tables (sex distinct) projected using Scale AA and base year of 2008. |
| Disability | None assumed. |

The Required Supplementary Information for Schedules of Public Agency Retirement Services Retirement Enhancement Plan Contributions All Tiers is intended to show information for ten years; as additional years' information becomes available it will be displayed accordingly.

City of Redding
Required Supplementary Information
Schedule of Funding Progress – Healthcare Plan
For the Year Ended June 30, 2017

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

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) - Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|---|---------------------------|-----------------|--------------------|--|
| 1/1/11 | \$ 65,000 | \$ 121,227,000 | \$ 121,162,000 | 0.00% | \$ 50,335,000 | 241% |
| 1/1/13 | \$ 56,000 | \$ 107,262,000 | \$ 107,206,000 | 0.00% | \$ 50,410,000 | 213% |
| 1/1/15 | \$ 51,000 | \$ 102,631,000 | \$ 102,580,000 | 0.00% | \$ 52,651,000 | 195% |

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Parking Fund

This fund was established to account for the receipts of parking-related revenues and expenditures.

Street Maintenance Fund

This fund was established to account for the construction and maintenance of the street system of the City. Financing is provided by the State and is restricted to street expenditures.

Community Development Fund

This fund was established to account for financing and rehabilitation of homes and government structures. Financing is provided by Federal Housing and Urban Development.

Housing Fund

This fund was established to account for subsidies received on behalf of low to moderate income families. Financing is provided by Federal Housing and Urban Development and a portion of tax increment revenue from redevelopment project area property.

General Special Revenue

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

Landscape Maintenance Districts

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

Library Fund

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

Asset Seizure Fund

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

DEBT SERVICE FUND

The debt service fund is used to account for the payment of interest and principal on general debt of the City.

1915 Act Assessment Districts

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

City of Redding
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

| | Special Revenue | | | | General Special Revenue |
|---|------------------|-----------------------|--------------------------|----------------------|-------------------------------|
| | Parking | Street Maintenance | Community Development | Housing | |
| ASSETS | | | | | |
| Cash and investments | \$ 80,074 | \$ 1,791,056 | \$ 1,915,825 | \$ 2,459,604 | \$ - |
| Interest receivable, unrestricted | 477 | 9,110 | 2,270,681 | 1,729,043 | - |
| Accounts receivable, net | - | - | - | 73,186 | - |
| Intergovernmental receivable | - | 1,260,243 | 52,468 | 686,957 | - |
| Taxes receivable | - | - | - | 235,881 | - |
| Other receivable | - | - | 18,318 | 2,049 | - |
| Restricted cash and investments | - | - | - | 84,799 | - |
| Prepaid items | 269 | - | 18,160 | - | - |
| Special assessments receivable | - | - | - | - | - |
| Notes receivable | - | - | 21,938,071 | 13,624,723 | - |
| Total assets | \$ 80,820 | \$ 3,060,409 | \$ 26,213,523 | \$ 18,896,242 | \$ - |
| LIABILITIES | | | | | |
| Accounts payable | \$ 409 | \$ - | \$ 4,159 | \$ 11,054 | \$ - |
| Accrued liabilities | 3,065 | - | 10,305 | 38,293 | - |
| Intergovernmental payable | 637 | - | 2,618 | 792 | - |
| Due to other funds | - | - | - | 100,492 | - |
| Accounts payable from restricted assets | - | - | - | 8,740 | - |
| Unearned revenue | - | - | 12,266 | 362,463 | - |
| Deposits | - | - | - | 84,799 | - |
| Advances from other funds | 420,694 | - | - | - | - |
| Total liabilities | 424,805 | - | 29,348 | 606,633 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | - | - | 2,440,264 | 2,772,690 | - |
| Total Deferred Inflows of Resources: | - | - | 2,440,264 | 2,772,690 | - |
| FUND BALANCES | | | | | |
| Nonspendable | 269 | - | 18,160 | - | - |
| Restricted | - | 3,060,409 | 23,725,751 | 15,516,919 | - |
| Unassigned (deficit) | (344,254) | - | - | - | - |
| Total fund balances | (343,985) | 3,060,409 | 23,743,911 | 15,516,919 | - |
| Total liabilities, deferred inflows of resources and fund balances | \$ 80,820 | \$ 3,060,409 | \$ 26,213,523 | \$ 18,896,242 | \$ - |

(Continued)

City of Redding
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2017

| | Special Revenue | | Debt Service | | Total Non-Major Governmental Funds |
|---|--------------------------------------|---------------------|--------------------------|---|---|
| | Landscape Maintenance District | Library | Asset Seizure Fund | 1915 Act Assessment District Bonds | |
| ASSETS | | | | | |
| Cash and investments | \$ 321,110 | \$ 1,332,690 | \$ 313,595 | \$ 154,647 | \$ 8,368,601 |
| Interest receivable, unrestricted | 1,168 | 4,253 | 1,078 | 326 | 4,016,136 |
| Accounts receivable, net | - | 16 | - | - | 73,202 |
| Intergovernmental receivable | - | - | - | - | 1,999,668 |
| Taxes receivable | - | - | - | - | 235,881 |
| Other receivable | - | - | - | - | 20,367 |
| Restricted cash and investments | - | - | - | - | 84,799 |
| Prepaid items | - | - | - | - | 18,429 |
| Special assessments receivable | 7,288 | - | - | 623,604 | 630,892 |
| Notes receivable | - | - | - | - | 35,562,794 |
| Total assets | \$ 329,566 | \$ 1,336,959 | \$ 314,673 | \$ 778,577 | \$ 51,010,769 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 522 | \$ 229,079 | \$ - | \$ - | \$ 245,223 |
| Accrued liabilities | 4,127 | 51 | - | - | 55,841 |
| Intergovernmental payable | - | 254 | - | - | 4,301 |
| Due to other funds | - | - | - | - | 100,492 |
| Accounts payable from restricted assets | - | - | - | - | 8,740 |
| Unearned revenue | - | 68,324 | - | - | 443,053 |
| Deposits | - | - | - | - | 84,799 |
| Advances from other funds | - | - | - | - | 420,694 |
| Total liabilities | 4,649 | 297,708 | - | - | 1,363,143 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | 2,730 | - | - | 623,604 | 5,839,288 |
| Total Deferred Inflows of Resources: | 2,730 | - | - | 623,604 | 5,839,288 |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | 18,429 |
| Restricted | 322,187 | 1,039,251 | 314,673 | 154,973 | 44,134,163 |
| Unassigned (deficit) | - | - | - | - | (344,254) |
| Total fund balances | 322,187 | 1,039,251 | 314,673 | 154,973 | 43,808,338 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 329,566 | \$ 1,336,959 | \$ 314,673 | \$ 778,577 | \$ 51,010,769 |

(Concluded)

City of Redding
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2017

| | Special Revenue | | | | General Special Revenue |
|---|---------------------|-----------------------|--------------------------|----------------------|-------------------------------|
| | Parking | Street Maintenance | Community Development | Housing | |
| REVENUES: | | | | | |
| Sales tax revenue | \$ - | \$ - | \$ - | \$ - | \$ 272,517 |
| Special assessments | - | - | - | - | - |
| Licenses, fees and permits | 29,658 | - | - | - | - |
| Intergovernmental revenues | - | 4,128,969 | 1,044,210 | 8,443,828 | - |
| Charges for services | - | - | - | 39,679 | - |
| Fines, forfeitures and penalties | 16,452 | - | - | - | - |
| Interest revenue | 1,304 | 15,405 | 179,142 | 118,621 | - |
| Other revenues | - | - | 11,448 | 59,824 | - |
| Total revenues | 47,414 | 4,144,374 | 1,234,800 | 8,661,952 | 272,517 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Community development | - | - | 1,319,119 | 8,668,224 | - |
| Public safety | - | - | - | - | - |
| Public works | 84,108 | - | - | - | - |
| Recreation and culture | - | - | - | - | - |
| Capital outlay | - | - | 59,280 | 21,294 | - |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | - |
| Interest and fiscal charges | - | - | 669 | - | - |
| Total expenditures | 84,108 | - | 1,379,068 | 8,689,518 | - |
| REVENUE OVER (UNDER) EXPENDITURE | (36,694) | 4,144,374 | (144,268) | (27,566) | 272,517 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Sale of Assets | - | - | 2,619 | - | - |
| Transfers in | - | - | - | - | - |
| Transfers out | - | (4,654,722) | - | - | (272,517) |
| Total other financing sources (uses) | - | (4,654,722) | 2,619 | - | (272,517) |
| Net change in fund balances | (36,694) | (510,348) | (141,649) | (27,566) | - |
| FUND BALANCES: | | | | | |
| Beginning of year | (307,291) | 3,570,757 | 23,885,560 | 15,544,485 | - |
| End of year | \$ (343,985) | \$ 3,060,409 | \$ 23,743,911 | \$ 15,516,919 | \$ - |

(Continued)

City of Redding
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2017

| | Special Revenue | | Debt Service | | Non-Major Governmental Funds |
|---|--------------------------------------|---------------------|--------------------------|---------------------------------|------------------------------------|
| | Landscape Maintenance District | Library | Asset Seizure Fund | Assessment District Bonds | |
| REVENUES: | | | | | |
| Sales tax revenue | \$ - | \$ - | \$ - | \$ - | \$ 272,517 |
| Special assessments | 471,064 | - | - | - | 471,064 |
| Licenses, fees and permits | - | - | - | 38,910 | 68,568 |
| Intergovernmental revenues | - | 77,970 | - | - | 13,694,977 |
| Charges for services | - | 1,302,892 | - | - | 1,342,571 |
| Fines, forfeitures and penalties | 239 | 84,942 | - | - | 101,633 |
| Interest revenue | 33 | (1,545) | 870 | 505 | 314,335 |
| Other revenues | - | 6,225 | 14,076 | - | 91,573 |
| Total revenues | <u>471,336</u> | <u>1,470,484</u> | <u>14,946</u> | <u>39,415</u> | <u>16,357,238</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Community development | - | - | - | - | 9,987,343 |
| Public safety | - | - | 51,517 | - | 51,517 |
| Public works | 476,059 | - | - | - | 560,167 |
| Recreation and culture | - | 2,366,160 | - | - | 2,366,160 |
| Capital outlay | - | - | - | - | 80,574 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 29,000 | 29,000 |
| Interest and fiscal charges | - | - | - | 7,237 | 7,906 |
| Total expenditures | <u>476,059</u> | <u>2,366,160</u> | <u>51,517</u> | <u>36,237</u> | <u>13,082,667</u> |
| REVENUE OVER (UNDER) EXPENDITURE | <u>(4,723)</u> | <u>(895,676)</u> | <u>(36,571)</u> | <u>3,178</u> | <u>3,274,571</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Sale of Assets | - | - | - | - | 2,619 |
| Transfers in | - | 807,045 | - | - | 807,045 |
| Transfers out | - | - | - | - | (4,927,239) |
| Total other financing sources (uses) | <u>-</u> | <u>807,045</u> | <u>-</u> | <u>-</u> | <u>(4,117,575)</u> |
| Net change in fund balances | <u>(4,723)</u> | <u>(88,631)</u> | <u>(36,571)</u> | <u>3,178</u> | <u>(843,004)</u> |
| FUND BALANCES: | | | | | |
| Beginning of year | <u>326,910</u> | <u>1,127,882</u> | <u>351,244</u> | <u>151,795</u> | <u>44,651,342</u> |
| End of year | <u>\$ 322,187</u> | <u>\$ 1,039,251</u> | <u>\$ 314,673</u> | <u>\$ 154,973</u> | <u>\$ 43,808,338</u> |

(Concluded)

City of Redding
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Parking Special Revenue Fund
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | Budgetary Basis | Positive (Negative) |
| REVENUES: | | | | |
| Licenses and permits | \$ 30,750 | \$ 30,750 | \$ 29,658 | \$ (1,092) |
| Fines, forfeitures and penalties | 20,000 | 20,000 | 16,452 | (3,548) |
| Interest revenue | 1,500 | 1,500 | 2,121 | 621 |
| Other revenue | - | - | - | - |
| Total revenues | <u>52,250</u> | <u>52,250</u> | <u>48,231</u> | <u>(4,019)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 103,630 | 103,630 | 83,614 | 20,016 |
| Total expenditures | <u>103,630</u> | <u>103,630</u> | <u>83,614</u> | <u>20,016</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | <u>(51,380)</u> | <u>(51,380)</u> | <u>(35,383)</u> | <u>(15,997)</u> |
| Net change in fund balance | <u>(51,380)</u> | <u>(51,380)</u> | <u>(35,383)</u> | <u>(15,997)</u> |
| FUND BALANCE: | | | | |
| Beginning of year | <u>(307,291)</u> | <u>(307,291)</u> | <u>(307,291)</u> | <u>-</u> |
| End of year | <u>\$ (358,671)</u> | <u>\$ (358,671)</u> | <u>\$ (342,674)</u> | <u>\$ (15,997)</u> |

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

| | |
|--|---------------------|
| Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances | \$ (343,985) |
| 1. Financial statement only adjustment per GASB #31. | 817 |
| 2. The City does not budget for accounts payable adjustments. | <u>494</u> |
| Budgetary Fund Balance | <u>\$ (342,674)</u> |

City of Redding
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Street Maintenance Special Revenue Fund
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental revenue | \$ 4,603,270 | \$ 4,915,460 | \$ 2,968,067 | \$ (1,947,393) |
| Interest revenues | 25,000 | 25,000 | 40,024 | 15,024 |
| Total revenues | <u>4,628,270</u> | <u>4,940,460</u> | <u>3,008,091</u> | <u>(1,932,369)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | <u>4,628,270</u> | <u>4,940,460</u> | <u>3,008,091</u> | <u>(1,932,369)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (5,443,690) | (5,755,880) | (4,654,722) | 1,101,158 |
| Total other financing sources (uses) | <u>(5,443,690)</u> | <u>(5,755,880)</u> | <u>(4,654,722)</u> | <u>1,101,158</u> |
| Net change in fund balance | (815,420) | (815,420) | (1,646,631) | (831,211) |
| FUND BALANCE: | | | | |
| Beginning of year | <u>3,570,757</u> | <u>3,570,757</u> | <u>3,570,757</u> | <u>-</u> |
| End of year | <u>\$ 2,755,337</u> | <u>\$ 2,755,337</u> | <u>\$ 1,924,126</u> | <u>\$ (831,211)</u> |

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

| | |
|--|---------------------|
| Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances | \$ 3,060,409 |
| 1. Financial statement only adjustment per GASB #31. | 24,618 |
| 2. The City does not budget for revenue accruals. | <u>(1,160,901)</u> |
| Budgetary Fund Balance | <u>\$ 1,924,126</u> |

City of Redding
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Community Development Special Revenue Fund
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with |
|---|----------------------|----------------------|----------------------|---------------------|
| | Original | Final | Budgetary | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| REVENUES: | | | | |
| Intergovernmental | \$ 2,394,860 | \$ 6,212,420 | \$ 743,601 | \$ (5,468,819) |
| Interest revenue | 22,460 | 88,070 | 210,609 | 122,539 |
| Use of money and property | 331,140 | 475,130 | 608,565 | 133,435 |
| Other revenues | - | 16,130 | 17,935 | 1,805 |
| Total revenues | 2,748,460 | 6,791,750 | 1,580,710 | (5,211,040) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 2,758,619 | 13,279,460 | 1,287,954 | 11,991,506 |
| Total expenditures | 2,758,619 | 13,279,460 | 1,287,954 | 11,991,506 |
| EXCESS (DEFICIENCY) OF REVENUES OVER | | | | |
| (UNDER) EXPENDITURES | | | | |
| | (10,159) | (6,487,710) | 292,756 | 6,780,466 |
| Net change in fund balance | (10,159) | (6,487,710) | 292,756 | 6,780,466 |
| FUND BALANCE: | | | | |
| Beginning of year | 23,885,560 | 23,885,560 | 23,885,560 | - |
| End of year | <u>\$ 23,875,401</u> | <u>\$ 17,397,850</u> | <u>\$ 24,178,316</u> | <u>\$ 6,780,466</u> |

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

| | |
|---|-----------------------------|
| Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances | \$ 23,743,911 |
| 1. Financial statement only adjustment per GASB #31. | 18,332 |
| 2. The City does not budget for accounts payable and accrued liability adjustments. | (11,760) |
| 3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable. | (274,136) |
| 4. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable. | 608,565 |
| 5. The City budgets for grants on a cash basis. | (300,609) |
| 6. The City budgets for interest income on notes receivable, trust fund assets, and rolling stock on a cash basis | 13,097 |
| 7. The City budgets for interest income on notes receivable, trust fund assets and rolling stock cash on a cash basis. | (2,619) |
| 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. | (41,361) |
| 9. The City does not budget for Allowance for uncollectable loans | 418,371 |
| 10. The City budgets for grants on a cash basis - McConnell | 6,525 |
| Budgetary Fund Balance | <u><u>\$ 24,178,316</u></u> |

City of Redding
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Housing Special Revenue Fund
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with |
|---|----------------------|----------------------|----------------------|---------------------|
| | Original | Final | Budgetary | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| REVENUES: | | | | |
| Intergovernmental revenue | \$ 8,735,170 | \$ 8,735,710 | \$ 8,673,851 | \$ (61,859) |
| Use of money and property | 46,340 | 224,130 | 527,889 | 303,759 |
| Interest | 15,470 | 51,980 | 129,524 | 77,544 |
| Taxes and special assessments | 20,300 | 36,240 | 99,503 | 63,263 |
| Total revenues | 8,817,280 | 9,048,060 | 9,430,767 | 382,707 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 8,949,541 | 9,155,581 | 8,592,433 | 563,148 |
| Capital Outlay | 5,000 | 30,000 | 21,294 | 8,706 |
| Total expenditures | 8,954,541 | 9,185,581 | 8,613,727 | 571,854 |
| EXCESS (DEFICIENCY) OF REVENUES OVER | | | | |
| (UNDER) EXPENDITURES | (137,261) | (137,521) | 817,040 | (954,561) |
| Net change in fund balance | (137,261) | (137,521) | 817,040 | (954,561) |
| FUND BALANCE: | | | | |
| Beginning of year | 15,544,485 | 15,544,485 | 15,544,485 | - |
| End of year | <u>\$ 15,407,224</u> | <u>\$ 15,406,964</u> | <u>\$ 16,361,525</u> | <u>\$ (954,561)</u> |

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

| | |
|--|-----------------------------|
| Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances | \$ 15,516,919 |
| 1. Financial statement only adjustment per GASB #31. | 11,029 |
| 2. The City does not budget for accounts payable or intergovernmental payable adjustments. | 9,103 |
| 3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to disbursement to loans receivable. | (12,803) |
| 3. The City budgets for and records loans payments received in the revenue accounts, but adjusts the actual disbursement to loans receivable. | 527,889 |
| 4. The City budgets for grants on a cash basis. | (2,487) |
| 5. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance. | (29,120) |
| 6. The City budgets for interest income on notes receivable on a cash basis. | (50) |
| 7. The City budgets for interest income on notes receivable, trust fund assets. | (95) |
| 8. The City does not budget for interest accruals. | 19 |
| 9. The City budgets for housing loans as expenditures, but adjusts the disbursements to loans receivable. | 68,932 |
| 10. Vested retirement benefits are not included in actual expenditures budgetary basis, but are included in the Statement of Revenues, Expenditures, and Fund Balance. | 39,679 |
| 11. The City does not budget for unearned revenue. | 232,510 |
| Budgetary Fund Balance | <u>\$ 16,361,525</u> |

City of Redding
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Special Revenue Fund
For the Year Ended June 30, 2017

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

City of Redding
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Library Special Revenue Fund
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|---|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ - | \$ 42,900 | \$ 56,359 | \$ 13,459 |
| Charges for services | 1,324,820 | 1,324,820 | 1,302,893 | (21,927) |
| Fines, forfeitures and penalties | 104,310 | 104,310 | 84,942 | (19,368) |
| Interest revenue | 2,500 | 2,500 | 2,834 | 334 |
| Other revenue | - | 6,200 | 6,222 | 22 |
| Total revenues | 1,431,630 | 1,480,730 | 1,453,250 | (27,480) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Recreation and culture | 2,448,650 | 2,636,870 | 2,412,154 | 224,716 |
| Total expenditures | 2,448,650 | 2,636,870 | 2,412,154 | 224,716 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,017,020) | (1,156,140) | (958,904) | (197,236) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 819,090 | 906,670 | 894,625 | (12,045) |
| Transfers out | (50,000) | (50,000) | (50,000) | - |
| Total other financing sources (uses) | 769,090 | 856,670 | 844,625 | (12,045) |
| Net change in fund balance | (247,930) | (299,470) | (114,279) | 185,191 |
| FUND BALANCE: | | | | |
| Beginning of year | 1,127,882 | 1,127,882 | 1,127,882 | - |
| End of year | <u>\$ 879,952</u> | <u>\$ 828,412</u> | <u>\$ 1,013,603</u> | <u>\$ 185,191</u> |

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

| | |
|---|----------------------------|
| Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances | \$ 1,039,251 |
| 1. Financial statement only adjustment per GASB #31. | 13,237 |
| 2. The City does not budget for accounts payable adjustments. | 192,441 |
| 3. The City budgets for grants on a cash basis. | (21,611) |
| 4. The City does not budget for interest income, sale of property or rental income related to the equipment replacement fund. The City budgets only for the transfers in and out of the equipment replacement fund. | 28,722 |
| 5. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance. | (238,437) |
| Budgetary Fund Balance | <u><u>\$ 1,013,603</u></u> |

City of Redding
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
General Capital Projects Fund - Major Fund
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|------------------------|------------------------|---|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental revenue | \$ - | \$ 17,040,130 | \$ 4,101,185 | \$ (12,938,945) |
| Use of money and property | - | - | - | - |
| Investment revenue | 15,000 | 15,000 | 84,201 | 69,201 |
| Other | 1,579,890 | 2,120,860 | 2,651,451 | 530,591 |
| Total revenues | 1,594,890 | 19,175,990 | 6,836,837 | (12,339,153) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 2,157,740 | 2,265,740 | 207,475 | 2,058,265 |
| Police | 27,020 | 27,020 | 25,339 | 1,681 |
| Public works | 33,343,640 | 49,599,110 | 8,975,187 | 40,623,923 |
| Recreation and culture | 583,327 | 2,169,717 | 1,082,056 | 1,087,661 |
| Debt Service: | | | | |
| Principal retirement | 748,150 | 748,150 | 748,150 | - |
| Interest and fiscal charges | 189,530 | 189,530 | 189,525 | 5 |
| Total expenditures | 37,049,407 | 54,999,267 | 11,227,732 | 43,771,535 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (35,454,517) | (35,823,277) | (4,390,895) | 31,432,382 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 373,130 | 541,630 | 462,025 | (79,605) |
| Transfers out | (406,210) | (675,710) | (752,401) | (76,691) |
| Total other financing sources (uses) | (33,080) | (134,080) | (290,376) | (156,296) |
| Net change in fund balance | (35,487,597) | (35,957,357) | (4,681,271) | 31,276,086 |
| FUND BALANCE: | | | | |
| Beginning of year | 8,299,366 | 8,299,366 | 8,299,366 | - |
| End of year | <u>\$ (27,188,231)</u> | <u>\$ (27,657,991)</u> | <u>\$ 3,618,095</u> | <u>\$ 31,276,086</u> |

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

| | |
|--|---------------------|
| Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances | \$ 6,769,615 |
| 1. Financial statement only adjustment per GASB #31. | 70,413 |
| 2. The City does not budget for accounts payable adjustments. | 960,212 |
| 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. | (5,638,360) |
| 4. The City does not budget for the transfer of developer fees and interest on those fees to the related enterprise funds. | 263,808 |
| 5. The City budgets for grants on a cash basis. | 1,148,549 |
| 6. The City did not budget for revenue from the Agency Fund. | 43,858 |
| Budgetary Fund Balance | <u>\$ 3,618,095</u> |

NON-MAJOR ENTERPRISE FUNDS

Enterprise funds account for operations that are financed and operated in a manner similar to a private business enterprise. The intent of the governing body is that the cost of providing goods or services be financed primarily through user charges. An enterprise fund is also used when the governing body has decided that periodic determination of revenues earned and expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Airport

This fund was established to account for the operations of the City's airports.

Storm Drainage

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

Redding Area Bus Authority

This fund was established to account for the operations of the Redding Area Bus Authority.

Convention Center

This fund was established to account for the operations of the Convention Center.

City of Redding
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017

| | Airport | Storm Drainage Utility | Redding Area Bus Authority | Convention Center | Total |
|---------------------------------------|-------------------|------------------------------|----------------------------------|----------------------|-------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 90,911 | \$ 1,714,154 | \$ 2,405,000 | \$ 750,870 | \$ 4,960,935 |
| Accounts receivable, net | - | 61,601 | 64,007 | - | 125,608 |
| Interest receivable | 115 | 14,805 | 6,708 | 7 | 21,635 |
| Intergovernmental receivable | 572,403 | 68,373 | 2,488,967 | - | 3,129,743 |
| Prepaid items | 15,054 | 7,991 | - | 14,385 | 37,430 |
| Inventories | - | 29,988 | 138,533 | - | 168,521 |
| Total current assets | 678,483 | 1,896,912 | 5,103,215 | 765,262 | 8,443,872 |
| Non-current assets: | | | | | |
| Restricted assets: | | | | | |
| Cash and investments | - | 2,992,199 | - | - | 2,992,199 |
| Total restricted assets | - | 2,992,199 | - | - | 2,992,199 |
| Capital assets: | | | | | |
| Land | 6,186,580 | 909,184 | 1,806,581 | 188,430 | 9,090,775 |
| Construction in progress | 1,842,886 | - | 192,177 | - | 2,035,063 |
| Other capital assets, net | 26,243,946 | 12,648,274 | 9,078,463 | 1,053,754 | 49,024,437 |
| Capital assets | 34,273,412 | 13,557,458 | 11,077,221 | 1,242,184 | 60,150,275 |
| Total non-current assets | 34,273,412 | 16,549,657 | 11,077,221 | 1,242,184 | 63,142,474 |
| Total assets | 34,951,895 | 18,446,569 | 16,180,436 | 2,007,446 | 71,586,346 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred loss on refunding | 42,017 | - | - | 17,879 | 59,896 |
| Deferred outflows related to pensions | 261,883 | 219,910 | - | - | 481,793 |
| Total deferred outflows | 303,900 | 219,910 | - | 17,879 | 541,689 |

(Continued)

City of Redding
Combining Statement of Net Position (Continued)
Nonmajor Enterprise Funds
June 30, 2017

| | Airport | Storm Drainage Utility | Redding Area Bus Authority | Convention Center | Total |
|--|----------------------|------------------------------|----------------------------------|----------------------|----------------------|
| LIABILITIES | | | | | |
| Current liabilities (payable from current assets): | | | | | |
| Accounts payable | 700,741 | 11,188 | 446,473 | 102,805 | 1,261,207 |
| Accrued liabilities | 30,185 | 20,190 | 8,512 | - | 58,887 |
| Accrued interest payable | 31,280 | - | - | 1,673 | 32,953 |
| Intergovernmental payables | - | 834 | 5,201 | - | 6,035 |
| Due to other funds | - | - | 119,442 | - | 119,442 |
| Interfund payables | 45,000 | - | - | 73,464 | 118,464 |
| Unearned revenue | 41,109 | - | 3,868,322 | - | 3,909,431 |
| Deposits payable | 78,615 | - | 3,000 | - | 81,615 |
| Compensated absences, due within one year | 18,321 | 26,356 | - | - | 44,677 |
| Long-term debt, due within one year | 40,333 | - | - | 25,579 | 65,912 |
| State loan, due within one year | 124,364 | - | - | - | 124,364 |
| Total current liabilities | 1,109,948 | 58,568 | 4,450,950 | 203,521 | 5,822,987 |
| Long-term liabilities: | | | | | |
| Compensated absences, due in more than one year | 60,008 | 71,365 | - | - | 131,373 |
| Advances from other funds | 2,337,512 | - | - | 1,926,370 | 4,263,882 |
| Accrued liabilities, due in more than one year | 604,068 | 452,556 | - | 324,251 | 1,380,875 |
| Long-term debt, due in more than one year | 267,001 | - | - | 169,327 | 436,328 |
| State loan, due in more than one year | 1,530,064 | - | - | - | 1,530,064 |
| Aggregate net pension liability | 1,259,799 | 1,075,032 | - | - | 2,334,831 |
| Total long-term liabilities | 6,058,452 | 1,598,953 | - | 2,419,948 | 10,077,353 |
| Total liabilities | 7,168,400 | 1,657,521 | 4,450,950 | 2,623,469 | 15,900,340 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows related to pensions | (4,070) | 3,358 | - | - | (712) |
| Total Deferred Inflows | (4,070) | 3,358 | - | - | (712) |
| NET POSITION | | | | | |
| Net investment in capital assets | 31,761,811 | 13,557,458 | 11,077,221 | 482,451 | 56,878,941 |
| Restricted for capital projects | - | 3,200,821 | - | - | 3,200,821 |
| Unrestricted (deficit) | (3,670,346) | 247,321 | 652,265 | (1,080,595) | (3,851,355) |
| Total net position | \$ 28,091,465 | \$ 17,005,600 | \$ 11,729,486 | \$ (598,144) | \$ 56,228,407 |

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City of Redding
Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

| | Airport | Storm Drainage Utility | Redding Area Bus Authority | Convention Center | Total |
|--|----------------------|------------------------------|----------------------------------|----------------------|----------------------|
| OPERATING REVENUES: | | | | | |
| User Fees and Charges | \$ 117,136 | \$ 1,211,613 | \$ 1,364,373 | \$ - | \$ 2,693,122 |
| Rental fees | 1,346,292 | - | - | 241,080 | 1,587,372 |
| Other operating revenue | 619,114 | 3,245 | - | 274 | 622,633 |
| Total operating revenues | 2,082,542 | 1,214,858 | 1,364,373 | 241,354 | 4,903,127 |
| OPERATING EXPENSES: | | | | | |
| Cost of power, water, and transportation | - | 2,634 | 3,604,394 | - | 3,607,028 |
| Maintenance, operations, and administration | 2,017,517 | 1,123,251 | 2,027,431 | 1,251,656 | 6,419,855 |
| Depreciation and amortization | 1,270,952 | 864,219 | 1,139,534 | 77,194 | 3,351,899 |
| Total operating expenses | 3,288,469 | 1,990,104 | 6,771,359 | 1,328,850 | 13,378,782 |
| Operating (loss) | (1,205,927) | (775,246) | (5,406,986) | (1,087,496) | (8,475,655) |
| NONOPERATING REVENUE (EXPENSES): | | | | | |
| Interest revenue | (479) | 5,216 | 632 | 917 | 6,286 |
| Interest expense | (73,590) | - | (1,413) | (11,091) | (86,094) |
| Intergovernmental revenues | 138,893 | 1,110 | 4,242,840 | - | 4,382,843 |
| Gain on disposal of assets | 50,644 | 235 | - | - | 50,879 |
| Other non-operating revenues (expenses) | 195,643 | 231,219 | 18,895 | - | 445,757 |
| Total nonoperating revenues (expenses) | 311,111 | 237,780 | 4,260,954 | (10,174) | 4,799,671 |
| (Loss) before operating transfers and capital contributions | (894,816) | (537,466) | (1,146,032) | (1,097,670) | (3,675,984) |
| Capital contributions | 762,465 | 326,370 | 556,554 | | 1,645,389 |
| Transfers in | 20,547 | 24,136 | - | 1,226,733 | 1,271,416 |
| Transfers out | (187,500) | - | - | - | (187,500) |
| Change in net position | (299,304) | (186,960) | (589,478) | 129,063 | (946,679) |
| NET POSITION: | | | | | |
| Beginning of year | 28,390,769 | 17,192,560 | 12,318,964 | (727,207) | 57,175,086 |
| End of year | <u>\$ 28,091,465</u> | <u>\$ 17,005,600</u> | <u>\$ 11,729,486</u> | <u>\$ (598,144)</u> | <u>\$ 56,228,407</u> |

City of Redding
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

| | Airport | Storm Drainage Utility | Redding Area Bus Authority | Convention Center | Total |
|---|------------------|------------------------------|----------------------------------|----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Cash received from customers | \$ 2,083,632 | \$ 1,205,220 | \$ 1,406,001 | 241,354 | \$ 4,936,207 |
| Cash paid to suppliers | (1,168,535) | (458,730) | (5,983,805) | (1,182,823) | (8,793,893) |
| Cash paid to employees | (768,178) | (601,018) | - | (50,319) | (1,419,515) |
| Other operating revenue | 11,348 | 3,245 | - | - | 14,593 |
| Net cash provided (used) by operating activities | 158,267 | 148,717 | (4,577,804) | (991,788) | (5,262,608) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Intergovernmental revenue received | 139,305 | - | 3,497,323 | - | 3,636,628 |
| Advances from other funds | 6,978 | - | 119,442 | - | 126,420 |
| Repayment of advances from other funds | (70,000) | - | (183,309) | (94,794) | (348,103) |
| Transfers in | 20,547 | 11,336 | - | 1,226,733 | 1,258,616 |
| Transfers out | (187,500) | - | - | - | (187,500) |
| Net cash provided (used) by noncapital financing activities | (90,670) | 11,336 | 3,433,456 | 1,131,939 | 4,486,061 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Capital grants received | 413,586 | - | 479,975 | - | 893,561 |
| Proceeds from sale of assets | 140,210 | 235 | - | - | 140,445 |
| Purchases of capital assets | (610,538) | (118,000) | (572,679) | - | (1,301,217) |
| Interest paid | (43,359) | - | (1,413) | (7,085) | (51,857) |
| Proceeds from long-term debt | 1,100,000 | - | - | - | 1,100,000 |
| Principal paid on long-term debt | (190,863) | - | - | (24,923) | (215,786) |
| Principal paid on capital leases | (1,056,826) | - | - | - | (1,056,826) |
| Cash collected for future capital outlay | 184,295 | 228,709 | - | - | 413,004 |
| Net cash provided (used) by capital and related financing activities | (63,495) | 110,944 | (94,117) | (32,008) | (78,676) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Investment revenue received | (522) | 2,210 | (744) | 2,526 | 3,470 |
| Rents received | - | - | 18,895 | - | 18,895 |
| Net cash provided (used) by investing activities | (522) | 2,210 | 18,151 | 2,526 | 22,365 |
| Net increase (decrease) in cash and cash equivalents | 3,580 | 273,207 | (1,220,314) | 110,669 | (832,858) |
| CASH AND CASH EQUIVALENTS: | | | | | |
| Beginning of year | 87,331 | 4,433,146 | 3,625,314 | 640,201 | 8,785,992 |
| End of year | <u>\$ 90,911</u> | <u>\$ 4,706,353</u> | <u>\$ 2,405,000</u> | <u>\$ 750,870</u> | <u>\$ 7,953,134</u> |
| Reconciliation to statement of net position: | | | | | |
| Cash and cash equivalents | \$ 90,911 | \$ 1,714,154 | \$ 2,405,000 | \$ 750,870 | \$ 4,960,935 |
| Restricted cash and cash equivalents | - | 2,992,199 | - | - | 2,992,199 |
| | <u>\$ 90,911</u> | <u>\$ 4,706,353</u> | <u>\$ 2,405,000</u> | <u>\$ 750,870</u> | <u>\$ 7,953,134</u> |

(Continued)

City of Redding
Combining Statement of Cash Flows (Continued)
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

| | Airport | Storm Drainage Utility | Redding Area Bus Authority | Convention Center | Total |
|--|-------------------|------------------------------|----------------------------------|----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Operating (loss) | \$ (1,205,927) | \$ (775,246) | \$ (5,406,986) | \$ (1,087,496) | \$ (8,475,655) |
| Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities: | | | | | |
| Other non-operating revenue and expense | 11,348 | - | - | - | 11,348 |
| Depreciation and amortization | 1,270,952 | 864,219 | 1,139,534 | 77,194 | 3,351,899 |
| Pension expense | 8,443 | 4,083 | - | - | 12,526 |
| Accounts receivable | - | (6,393) | 41,628 | - | 35,235 |
| Inventories | - | (1,913) | 13,935 | - | 12,022 |
| Prepaid items | (2,401) | 459 | - | (4,010) | (5,952) |
| Accounts payable | 14,385 | 10,213 | (366,649) | 22,524 | (319,527) |
| Accrued liabilities | 3,243 | 6,024 | 1,307 | - | 10,574 |
| Deposits payable | 1,090 | - | (895) | - | 195 |
| Intergovernmental payable | (3,058) | (230) | 322 | - | (2,966) |
| Unearned revenue | 680 | - | - | - | 680 |
| Accrued compensated absences | 7,417 | 8,175 | - | - | 15,592 |
| Accrued liabilities long-term | 52,095 | 39,326 | - | - | 91,421 |
| Net cash provided (used) by operating activities | <u>\$ 158,267</u> | <u>\$ 148,717</u> | <u>\$ (4,577,804)</u> | <u>\$ (991,788)</u> | <u>\$ (5,262,608)</u> |
| SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Plant contributed from developers | \$ - | \$ 326,370 | \$ - | \$ - | \$ 326,370 |
| Transfer of capital assets | - | 12,800 | - | - | 12,800 |
| Total non-cash capital and related financing activities | <u>\$ -</u> | <u>\$ 339,170</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 339,170</u> |

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INTERNAL SERVICE FUNDS

Internal service funds are used to finance and account for special activities and services performed by a designated department to other departments within the same governmental unit on a cost reimbursement basis.

Equipment Fund

This fund was established to account for all motorized and communications equipment utilization by City departments.

Information Systems Fund

This fund was established to account for the data processing activities utilized by all City departments.

General Support Services Fund

This fund was established to account for general support services utilized by all City departments.

Risk Management Fund

This fund was established to account for the self-insurance activities of the City.

Municipal Utilities Support Fund

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

City of Redding
Combining Statement of Net Position
All Internal Service Funds
June 30, 2017

| | Equipment | Information Systems | General Support Services |
|---------------------------------------|-------------------|------------------------|-----------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 363,463 | \$ 797,896 | \$ 456,511 |
| Interest receivable | 1,351 | 4,558 | 1,639 |
| Accounts receivable, net | 92 | - | 2,246 |
| Prepaid items | 29,098 | 23,224 | 28,787 |
| Intergovernmental receivable | - | - | - |
| Inventories | 194,435 | - | - |
| Interfund receivable | - | - | - |
| Total current assets | <u>588,439</u> | <u>825,678</u> | <u>489,183</u> |
| Non-current assets: | | | |
| Capital assets: | | | |
| Nondepreciable | - | - | 110,810 |
| Depreciable, net | 4,406,126 | 437,626 | 132,730 |
| Capital assets, net | <u>4,406,126</u> | <u>437,626</u> | <u>243,540</u> |
| Other assets: | | | |
| Advances to other funds | - | - | - |
| Total other assets | <u>-</u> | <u>-</u> | <u>-</u> |
| Total non-current assets | <u>4,406,126</u> | <u>437,626</u> | <u>243,540</u> |
| Total assets | <u>4,994,565</u> | <u>1,263,304</u> | <u>732,723</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 669,654 | 823,558 | 682,294 |
| Total Deferred Outflows | <u>669,654</u> | <u>823,558</u> | <u>682,294</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 18,926 | 16,756 | 112,713 |
| Intergovernmental payable | - | - | 21,736 |
| Accrued liabilities | 68,871 | 66,502 | 85,403 |
| Claims and judgements payable | - | - | - |
| Deposits | - | - | 11 |
| Compensated absences - current | 76,414 | 45,460 | 58,601 |
| Total current liabilities | <u>164,211</u> | <u>128,718</u> | <u>278,464</u> |
| Long-term liabilities: | | | |
| Advances from other funds | - | 282,502 | - |
| Compensated absences | 137,151 | 91,494 | 116,568 |
| Accrued liabilities | 1,310,858 | 1,503,928 | 1,336,593 |
| Claims and judgements | - | - | - |
| Aggregate net pension liability | 3,312,575 | 4,550,578 | 3,420,197 |
| Total long-term liabilities | <u>4,760,584</u> | <u>6,428,502</u> | <u>4,873,358</u> |
| Total liabilities | <u>4,924,795</u> | <u>6,557,220</u> | <u>5,151,822</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 28,281 | 177,199 | 45,097 |
| Total Deferred Inflows | <u>28,281</u> | <u>177,199</u> | <u>45,097</u> |
| NET POSITION | | | |
| Investment in capital assets | 4,406,126 | 437,626 | 243,540 |
| Unrestricted (deficit) | (3,694,983) | (5,085,183) | (4,025,442) |
| Total net position | <u>\$ 711,143</u> | <u>\$ (4,647,557)</u> | <u>\$ (3,781,902)</u> |

(Continued)

City of Redding
Combining Statement of Net Position (Continued)
All Internal Service Funds
June 30, 2017

| | Risk Management | Municipal Utilities Support | Total |
|---------------------------------------|-----------------------|--------------------------------|------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 11,503,520 | \$ 826,980 | \$ 13,948,370 |
| Interest receivable | 40,425 | 2,495 | 50,468 |
| Accounts receivable, net | 31,321 | - | 33,659 |
| Prepaid items | 368,076 | 23,228 | 472,413 |
| Intergovernmental receivable | 321,634 | - | 321,634 |
| Inventories | - | - | 194,435 |
| Interfund receivable | 73,464 | - | 73,464 |
| Total current assets | 12,338,440 | 852,703 | 15,094,443 |
| Non-current assets: | | | |
| Capital assets: | | | |
| Nondepreciable | - | - | 110,810 |
| Depreciable, net | - | 57,767 | 5,034,249 |
| Capital assets, net | - | 57,767 | 5,145,059 |
| Other assets: | | | |
| Advances to other funds | 3,941,960 | - | 3,941,960 |
| Total other assets | 3,941,960 | - | 3,941,960 |
| Total non-current assets | 3,941,960 | 57,767 | 9,087,019 |
| Total assets | 16,280,400 | 910,470 | 24,181,462 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 331,914 | 1,117,466 | 3,624,886 |
| Total Deferred Outflows | 331,914 | 1,117,466 | 3,624,886 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 174,954 | 3,727 | 327,076 |
| Intergovernmental payable | 202 | - | 21,938 |
| Accrued liabilities | 67,617 | 112,428 | 400,821 |
| Claims and judgements payable | 13,841,289 | - | 13,841,289 |
| Deposits | - | - | 11 |
| Compensated absences - current | 34,166 | 129,163 | 343,804 |
| Total current liabilities | 14,118,228 | 245,318 | 14,934,939 |
| Long-term liabilities: | | | |
| Advances from other funds | - | - | 282,502 |
| Compensated absences | 91,598 | 300,676 | 737,487 |
| Accrued liabilities | 640,957 | 1,896,695 | 6,689,031 |
| Claims and judgements | 3,947,651 | - | 3,947,651 |
| Aggregate net pension liability | 1,846,141 | 5,487,305 | 18,616,796 |
| Total long-term liabilities | 6,526,347 | 7,684,676 | 30,273,467 |
| Total liabilities | 20,644,575 | 7,929,994 | 45,208,406 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 81,097 | 41,030 | 372,704 |
| Total Deferred Inflows | 81,097 | 41,030 | 372,704 |
| NET POSITION | | | |
| Investment in capital assets | - | 57,767 | 5,145,059 |
| Unrestricted (deficit) | (4,113,358) | (6,000,855) | (22,919,821) |
| Total net position | \$ (4,113,358) | \$ (5,943,088) | \$ (17,774,762) |

(Concluded)

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City of Redding
Combining Statement of Activities and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2017

| | Equipment | Information Systems | General Support Services | Risk Management | Municipal Utilities Support | Total |
|---|------------------|---------------------|--------------------------|--------------------|-----------------------------|--------------------|
| OPERATING REVENUES: | | | | | | |
| User fees and charges | \$ 3,688,466 | \$ 2,950,511 | \$ 4,568,478 | \$ 51,479,168 | \$ 3,279,880 | \$ 65,966,503 |
| Other operating revenue | 8,031 | - | 913 | 3,348 | - | 12,292 |
| Total operating revenues | 3,696,497 | 2,950,511 | 4,569,391 | 51,482,516 | 3,279,880 | 65,978,795 |
| OPERATING EXPENSES: | | | | | | |
| Maintenance, operations, and administration | 3,682,572 | 2,581,238 | 4,904,931 | 52,279,362 | 3,558,739 | 67,006,842 |
| Depreciation and amortization | 758,089 | 194,908 | 35,607 | - | 12,588 | 1,001,192 |
| Total operating expenses | 4,440,661 | 2,776,146 | 4,940,538 | 52,279,362 | 3,571,327 | 68,008,034 |
| OPERATING INCOME (LOSS) | (744,164) | 174,365 | (371,147) | (796,846) | (291,447) | (2,029,239) |
| NONOPERATING REVENUE (EXPENSES): | | | | | | |
| Interest revenue | 1,088 | 5,044 | 1,012 | 22,398 | 551 | 30,093 |
| Gain on disposal of capital assets | 2,857 | - | 620 | - | - | 3,477 |
| Other non-operating revenues(exp) | - | - | - | (22,147) | 3,351 | (18,796) |
| Total nonoperating expenses | 3,945 | 5,044 | 1,632 | 251 | 3,902 | 14,774 |
| Income (loss) before transfers and contributions | (740,219) | 179,409 | (369,515) | (796,595) | (287,545) | (2,014,465) |
| Capital contributions | 412,698 | - | - | - | - | 412,698 |
| Transfers in | 4 | - | - | - | 2 | 6 |
| Transfers out | (37,036) | (691,640) | (195,030) | (1,061,000) | - | (1,984,706) |
| Change in net position | (364,553) | (512,231) | (564,545) | (1,857,595) | (287,543) | (3,586,467) |
| NET POSITION: | | | | | | |
| Beginning of year | 1,075,696 | (4,135,326) | (3,217,357) | (2,255,763) | (5,655,545) | (14,188,295) |
| End of year | \$ 711,143 | \$ (4,647,557) | \$ (3,781,902) | \$ (4,113,358) | \$ (5,943,088) | \$ (17,774,762) |

City of Redding
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017

| | Equipment | Information Systems | General Support Services | Risk Management | Municipal Utilities Support | Total |
|---|-------------------|------------------------|--------------------------------|----------------------|-----------------------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Cash received from other funds | \$ 3,697,162 | \$ 2,950,342 | \$ 4,569,310 | \$ 51,491,854 | \$ 3,279,880 | \$ 65,988,548 |
| Cash paid to suppliers | (1,748,987) | (749,695) | (3,122,126) | (51,028,729) | (621,207) | (57,270,744) |
| Cash paid to employees | (1,855,420) | (1,646,523) | (1,596,224) | (623,328) | (2,707,410) | (8,428,905) |
| Net cash provided (used) by operating activities | 92,755 | 554,124 | (149,040) | (160,203) | (48,737) | 288,899 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | | |
| Repayment of advances from other funds | - | - | - | 367,289 | - | 367,289 |
| Advances from other funds | - | - | - | - | - | - |
| Repayment of advances to other funds | - | (95,001) | - | 21,330 | - | (73,671) |
| Advances to other funds | - | - | - | 22,470 | - | 22,470 |
| Intergovernmental revenue received | - | - | - | (3,426) | - | (3,426) |
| Transfers out | (37,036) | (691,640) | (195,030) | (1,061,000) | - | (1,984,706) |
| Property damage claim | - | - | - | (22,147) | 3,351 | (18,796) |
| Net cash provided (used) by noncapital financing activities | (37,036) | (786,641) | (195,030) | (675,484) | 3,351 | (1,690,840) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | |
| Proceeds from sale of assets | 6,785 | - | 621 | - | - | 7,406 |
| Purchase of capital assets | - | (36,845) | 2,848 | - | (28,604) | (62,601) |
| Interest Paid | - | (1) | - | - | - | (1) |
| Net cash provided (used) by capital and related financing activities | 6,785 | (36,846) | 3,469 | - | (28,604) | (55,196) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Investment revenue received | 488 | 2,718 | 1,018 | 7,936 | (119) | 12,041 |
| Net cash provided (used) by investing activities | 488 | 2,718 | 1,018 | 7,936 | (119) | 12,041 |
| Net increase (decrease) in cash and cash equivalents | 62,992 | (266,645) | (339,583) | (827,751) | (74,109) | (1,445,096) |
| CASH AND CASH EQUIVALENTS: | | | | | | |
| Beginning of year | 300,471 | 1,064,541 | 796,094 | 12,331,271 | 901,089 | 15,393,466 |
| End of year | <u>\$ 363,463</u> | <u>\$ 797,896</u> | <u>\$ 456,511</u> | <u>\$ 11,503,520</u> | <u>\$ 826,980</u> | <u>\$ 13,948,370</u> |

(Continued)

City of Redding
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2017

| | Equipment | Information Systems | General Support Services | Risk Management | Municipal Utilities Support | Total |
|---|-------------------|------------------------|--------------------------------|---------------------|-----------------------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Operating income (loss) | \$ (744,164) | \$ 174,365 | \$ (371,147) | \$ (796,846) | \$ (291,447) | \$ (2,029,239) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Depreciation and amortization | 758,089 | 194,908 | 35,607 | - | 12,588 | 1,001,192 |
| Pension expense | 15,554 | 19,843 | 14,374 | 4,600 | 24,364 | 78,735 |
| (Increase) decrease in accounts receivable | 665 | - | (80) | 9,338 | - | 9,923 |
| (Increase) decrease in inventories | (17,834) | - | - | - | - | (17,834) |
| (Increase) decrease in prepaid items | 1,090 | 142 | (1,981) | (4,284) | 2,544 | (2,489) |
| Increase (decrease) in accounts payable | (16,026) | 8,213 | 43,624 | (1,423) | 2,318 | 36,706 |
| Increase (decrease) in accrued liabilities | 7,351 | 16,259 | 15,607 | 6,791 | 25,021 | 71,029 |
| Increase (decrease) in claims and judgements payable | - | - | - | 9,915,815 | - | 9,915,815 |
| Increase (decrease) in deposits | - | - | (1) | - | - | (1) |
| Increase (decrease) in intergovernmental payable | - | - | 195 | (2,880) | (67) | (2,752) |
| Increase (decrease) in unearned revenue | - | (169) | - | - | - | (169) |
| Increase (decrease) in accrued compensated absences | (41,968) | 11,636 | 438 | 7,444 | (12,227) | (34,677) |
| Increase (decrease) in claims and judgements long-term | - | - | - | (9,346,105) | - | (9,346,105) |
| Increase (decrease) in accrued liabilities long-term | 129,998 | 128,927 | 114,324 | 47,347 | 188,169 | 608,765 |
| Total adjustments | 836,919 | 379,759 | 222,107 | 636,643 | 242,710 | 2,318,138 |
| Net cash provided (used) by operating activities | \$ 92,755 | \$ 554,124 | \$ (149,040) | \$ (160,203) | \$ (48,737) | \$ 288,899 |
| Schedule of noncash capital activities: | | | | | | |
| Equipment contributed from customer | \$ 412,698 | \$ - | \$ - | \$ - | \$ - | \$ 412,698 |
| Transfer of capital assets | 4 | - | - | - | - | 4 |
| Total non-cash capital and related financing activities | \$ 412,702 | \$ - | \$ - | \$ - | \$ - | \$ 412,702 |

(Concluded)

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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.

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City of Redding
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

| | Balance July 1, 2016 | Additions | Deletions | Balance June 30, 2017 |
|--------------------------------|-------------------------|----------------------|----------------------|--------------------------|
| <u>Special Deposits</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,273,827 | \$ 9,544,879 | \$ 9,026,189 | \$ 1,792,517 |
| Accounts receivable | - | 5,508,302 | 5,505,995 | 2,307 |
| Interest receivable | 9,139 | 5,825 | - | 14,964 |
| Total assets | \$ 1,282,966 | \$ 15,059,006 | \$ 14,532,184 | \$ 1,809,788 |
| Liabilities: | | | | |
| Deposits | \$ 1,282,966 | \$ 15,059,006 | \$ 14,532,184 | \$ 1,809,788 |
| Total liabilities | \$ 1,282,966 | \$ 15,059,006 | \$ 14,532,184 | \$ 1,809,788 |
| <u>IPSS</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,442,826 | \$ 893,808 | \$ 705,826 | \$ 1,630,808 |
| Accounts receivable | - | 396,837 | 396,837 | - |
| Interest receivable | 3,079 | 1,749 | - | 4,828 |
| Total assets | \$ 1,445,905 | \$ 1,292,394 | \$ 1,102,663 | \$ 1,635,636 |
| Liabilities: | | | | |
| Deposits | \$ 1,445,905 | \$ 1,292,394 | \$ 1,102,663 | \$ 1,635,636 |
| Total liabilities | \$ 1,445,905 | \$ 1,292,394 | \$ 1,102,663 | \$ 1,635,636 |
| <u>Total</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 2,716,653 | \$ 10,438,687 | \$ 9,732,015 | \$ 3,423,325 |
| Accounts receivable | - | 5,905,139 | 5,902,832 | 2,307 |
| Interest receivable | 12,218 | 7,574 | - | 19,792 |
| Total assets | \$ 2,728,871 | \$ 16,351,400 | \$ 15,634,847 | \$ 3,445,424 |
| Liabilities: | | | | |
| Deposits | \$ 2,728,871 | \$ 16,351,400 | \$ 15,634,847 | \$ 3,445,424 |
| Total liabilities | \$ 2,728,871 | \$ 16,351,400 | \$ 15,634,847 | \$ 3,445,424 |

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OTHER SUPPLEMENTARY INFORMATION

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City of Redding
Redding Municipal Airport
Schedule of Passenger Facility Charges Collected and Expended and Interest Collected
For the quarters ended September 30, 2016, December 31, 2016, March 31, 2017, and June 30, 2017

Application 11-04-C-11-RDD

| | September 30, 2016 | December 31, 2016 | March 31, 2017 | June 30, 2017 |
|---|-----------------------|----------------------|-------------------|------------------|
| Unexpended (over expended) passenger facility charges and interest, beginning of period | \$ (56,068) | \$ (7,743) | \$ - | \$ - |
| Passenger facility charges collected | 48,325 | 7,743 | | |
| Interest earned | - | - | - | - |
| Subtotal | <u>(7,743)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenses for approved passenger facility charges projects | - | - | - | - |
| Unexpended (over expended) passenger facility charges and interest, end of period | <u>\$ (7,743)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Application 17-05-C-00-RDD

| | September 30, 2016 | December 31, 2016 | March 31, 2017 | June 30, 2017 |
|---|-----------------------|----------------------|---------------------|---------------------|
| Unexpended (over expended) passenger facility charges and interest, beginning of period | \$ - | \$ - | \$ - | \$ (150,495) |
| Passenger facility charges collected | | | 83,561 | 44,666 |
| Interest earned | - | - | - | - |
| Subtotal | <u>-</u> | <u>-</u> | <u>83,561</u> | <u>(105,829)</u> |
| Expenses for approved passenger facility charges projects | | - | (234,056) | (10,951) |
| Unexpended (over expended) passenger facility charges and interest, end of period | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (150,495)</u> | <u>\$ (116,781)</u> |

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STATISTICAL SECTION

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City of Redding
Statistical Section
Overview

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

| <u>INDEX</u> | <u>Page</u> |
|--|--------------------|
| Financial Trends | 190 |
| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | |
| Revenue Capacity | 201 |
| These schedules contain information to help the reader assess the City's most significant local revenues sources. | |
| Debt Capacity | 208 |
| These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | |
| Demographic and Economic Information | 219 |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | |
| Operating Information | 223 |
| These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | |

City of Redding
Net Position by Component
Last Ten Fiscal Years Ended June 30, 2017
(accrual basis of accounting)

| | Fiscal Year | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| Governmental activities | | | | | |
| Net investment in capital assets | \$ 213,545,402 | \$ 215,773,740 | \$ 288,328,860 | \$ 303,837,954 | \$ 303,499,470 |
| Restricted | 47,999,512 | 46,969,131 | 49,612,778 | 53,687,464 | 43,830,207 |
| Unrestricted | 35,204,839 | 73,406,378 | 5,025,229 | 1,588,034 | 17,269,063 |
| Total governmental activities net position | \$ 296,749,753 | \$ 336,149,249 | \$ 342,966,867 | \$ 359,113,452 | \$ 364,598,740 |
| Business-type activities | | | | | |
| Net investment in capital assets | \$ 257,415,432 | \$ 271,838,921 | \$ 267,709,679 | \$ 266,569,610 | \$ 263,727,224 |
| Restricted | 14,417,207 | 13,641,495 | 11,981,816 | 17,362,637 | 18,929,291 |
| Unrestricted | 92,480,560 | 75,311,930 | 78,797,442 | 81,074,227 | 95,705,374 |
| Total business-type activities net position | \$ 364,313,199 | \$ 360,792,346 | \$ 358,488,937 | \$ 365,006,474 | \$ 378,361,889 |
| Primary government | | | | | |
| Net investment in capital assets | \$ 470,960,834 | \$ 487,612,661 | \$ 556,038,539 | \$ 570,407,564 | \$ 567,226,694 |
| Restricted | 62,416,719 | 60,610,626 | 61,594,594 | 71,050,101 | 62,759,498 |
| Unrestricted | 127,685,399 | 148,718,308 | 83,822,671 | 82,662,261 | 112,974,437 |
| Total primary government net position | \$ 661,062,952 | \$ 696,941,595 | \$ 701,455,804 | \$ 724,119,926 | \$ 742,960,629 |

Source: City of Redding Comprehensive Annual Financial Report

City of Redding
Net Position by Component (Continued)
Last Ten Fiscal Years Ended June 30, 2017
(accrual basis of accounting)

| | Fiscal Year | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Governmental activities | | | | | |
| Net investment in capital assets | \$ 301,401,234 | \$ 299,220,582 | \$ 303,789,845 | \$ 304,441,380 | \$ 299,478,797 |
| Restricted | 42,200,822 | 44,242,198 | 44,242,198 | 43,495,762 | 42,760,454 |
| Unrestricted | 18,461,336 | 12,404,054 | (150,344,065) | (146,838,910) | (157,129,728) |
| Total governmental activities net position | \$ 362,063,392 | \$ 355,866,834 | \$ 197,687,978 | \$ 201,098,232 | \$ 185,109,523 |
| Business-type activities | | | | | |
| Net investment in capital assets | \$ 270,149,380 | \$ 276,768,127 | \$ 286,401,920 | \$ 284,346,442 | \$ 293,920,914 |
| Restricted | 16,554,856 | 18,564,126 | 18,326,176 | 15,155,154 | 14,068,393 |
| Unrestricted | 97,572,863 | 103,748,759 | 32,692,674 | 54,363,934 | 66,198,888 |
| Total business-type activities net position | \$ 384,277,099 | \$ 399,081,012 | \$ 337,420,770 | \$ 353,865,530 | \$ 374,188,195 |
| Primary government | | | | | |
| Net investment in capital assets | \$ 571,550,614 | \$ 575,988,709 | \$ 590,191,765 | \$ 588,787,822 | \$ 593,399,711 |
| Restricted | 58,755,678 | 62,806,324 | 62,568,374 | 58,650,916 | 56,828,847 |
| Unrestricted | 116,034,199 | 116,152,813 | (117,651,391) | (92,474,976) | (90,930,840) |
| Total primary government net position | \$ 746,340,491 | \$ 754,947,846 | \$ 535,108,748 | \$ 554,963,762 | \$ 559,297,718 |

Source: City of Redding Comprehensive Annual Financial Report

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

| | Fiscal Year | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| Expenses | | | | | |
| Governmental Activities | | | | | |
| General government | \$ 5,168,803 | \$ 7,726,275 | \$ 6,383,391 | \$ 5,278,782 | \$ 7,217,464 |
| Police | 27,716,907 | 28,282,449 | 27,497,342 | 26,269,521 | 25,838,317 |
| Fire | 17,618,698 | 17,189,677 | 17,076,785 | 16,236,292 | 16,780,046 |
| Public Works | 10,339,597 | 12,753,802 | 10,447,617 | 9,639,403 | 12,731,599 |
| Planning | 5,750,052 | 5,634,317 | 4,434,756 | 3,689,281 | 3,532,884 |
| Recreation and culture | 10,964,863 | 11,598,055 | 11,470,482 | 10,744,101 | 10,986,615 |
| Community development | 15,160,077 | 20,803,513 | 24,737,850 | 18,533,923 | 14,132,539 |
| Interest on long-term debt | 5,367,360 | 5,168,490 | 4,760,944 | 4,899,556 | 3,459,498 |
| Total governmental activities expenses | <u>98,086,357</u> | <u>109,156,578</u> | <u>106,809,167</u> | <u>95,290,859</u> | <u>94,678,962</u> |
| Business-Type Activities | | | | | |
| Electric | 163,293,058 | 173,451,814 | 161,100,955 | 165,227,316 | 159,456,608 |
| Water | 12,570,242 | 12,646,773 | 14,574,967 | 14,575,101 | 15,975,372 |
| Wastewater | 13,378,188 | 13,686,453 | 15,075,253 | 16,889,147 | 17,907,974 |
| Storm drainage | 2,563,858 | 2,498,787 | 2,354,882 | 2,492,302 | 2,255,283 |
| Solid waste | 18,702,626 | 18,228,705 | 18,497,103 | 18,876,936 | 19,953,480 |
| Transportation | 9,838,187 | 10,340,798 | 10,037,079 | 10,450,822 | 9,915,606 |
| Convention center | 2,952,600 | 2,966,577 | 3,131,705 | 2,457,085 | 1,642,316 |
| Total business-type activities expenses | <u>223,298,759</u> | <u>233,819,907</u> | <u>224,771,944</u> | <u>230,968,709</u> | <u>227,106,639</u> |
| Total primary government expenses | <u>\$ 321,385,116</u> | <u>\$ 342,976,485</u> | <u>\$ 331,581,111</u> | <u>\$ 326,259,568</u> | <u>\$ 321,785,601</u> |
| Program Revenues | | | | | |
| Governmental Activities | | | | | |
| Charges for services: | | | | | |
| General government | \$ 5,215,942 | \$ 5,465,585 | \$ 5,211,415 | \$ 5,605,847 | \$ 6,128,583 |
| Public works | 1,279,365 | 492,040 | 939,201 | 811,949 | 717,929 |
| Planning | 2,900,666 | 1,595,092 | 1,415,218 | 1,060,499 | 1,282,262 |
| Other activities | 4,153,936 | 4,044,057 | 3,772,070 | 3,499,360 | 3,539,227 |
| Operating grants and contributions | 16,262,587 | 17,411,451 | 17,731,034 | 19,756,822 | 17,033,353 |
| Capital grants and contributions | 22,032,319 | 52,890,580 | 20,954,834 | 19,708,994 | 6,854,366 |
| Total governmental activities program revenues | <u>51,844,815</u> | <u>81,898,805</u> | <u>50,023,772</u> | <u>50,443,471</u> | <u>35,555,720</u> |
| Program Revenues | | | | | |
| Business-type activities | | | | | |
| Charges for services: | | | | | |
| Electric | 152,834,481 | 157,529,886 | 152,499,576 | 168,333,684 | 164,375,161 |
| Water | 14,550,142 | 14,128,755 | 13,968,396 | 14,653,288 | 15,886,937 |
| Wastewater | 17,128,355 | 17,190,847 | 18,287,784 | 19,503,467 | 21,113,321 |
| Solid waste | 17,985,385 | 17,201,828 | 17,614,327 | 18,395,742 | 19,161,513 |
| Transportation | 3,037,429 | 3,151,051 | 3,114,393 | 3,207,076 | 3,530,250 |
| Other activities | 2,202,160 | 2,168,958 | 2,115,383 | 1,844,432 | 1,519,081 |
| Operating grants and contributions | 4,311,285 | 4,799,554 | 5,319,012 | 5,181,927 | 4,450,939 |
| Capital grants and contributions | 13,702,005 | 10,276,508 | 10,685,872 | 9,368,813 | 13,337,075 |
| Total business-type activities program revenues | <u>225,751,242</u> | <u>226,447,387</u> | <u>223,604,743</u> | <u>240,488,429</u> | <u>243,374,277</u> |
| Total primary government program revenues | <u>\$ 277,596,057</u> | <u>\$ 308,346,192</u> | <u>\$ 273,628,515</u> | <u>\$ 290,931,900</u> | <u>\$ 278,929,997</u> |
| Net (Expense) Revenue | | | | | |
| Governmental activities | \$ (46,241,542) | \$ (27,257,773) | \$ (56,785,395) | \$ (44,847,388) | \$ (59,123,242) |
| Business-type activities | 2,452,483 | (7,372,520) | (1,167,201) | 9,519,720 | 16,267,638 |
| Total primary government | <u>\$ (43,789,059)</u> | <u>\$ (34,630,293)</u> | <u>\$ (57,952,596)</u> | <u>\$ (35,327,668)</u> | <u>\$ (42,855,604)</u> |

Source: City of Redding Comprehensive Annual Financial Report

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

| | Fiscal Year | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Expenses | | | | | |
| Governmental Activities | | | | | |
| General government | \$ 7,296,724 | \$ 6,917,771 | \$ 7,112,939 | \$ 8,077,255 | \$ 7,576,731 |
| Police | 26,116,291 | 28,893,564 | 34,476,947 | 30,751,887 | 32,114,904 |
| Fire | 17,751,879 | 20,255,472 | 20,558,967 | 20,467,167 | 22,299,466 |
| Public Works | 13,286,742 | 12,421,262 | 7,261,903 | 14,954,615 | 16,211,855 |
| Planning | 3,636,094 | 3,871,712 | 3,933,284 | 4,013,885 | 4,290,932 |
| Recreation and culture | 11,604,233 | 11,558,733 | 9,366,789 | 10,791,830 | 11,219,774 |
| Community development | 10,341,051 | 10,712,285 | 9,503,654 | 9,991,686 | 10,241,866 |
| Interest on long-term debt | 2,036,578 | 2,458,815 | 1,840,755 | 1,720,036 | 1,623,654 |
| Total governmental activities expenses | <u>92,069,592</u> | <u>97,089,614</u> | <u>94,055,238</u> | <u>100,768,361</u> | <u>105,579,182</u> |
| Business-Type Activities | | | | | |
| Electric | 156,080,538 | 150,171,628 | 152,786,522 | 144,525,611 | 144,826,944 |
| Water | 16,207,794 | 17,185,065 | 16,921,142 | 17,023,112 | 17,810,721 |
| Wastewater | 19,405,723 | 20,289,784 | 22,541,672 | 23,872,035 | 23,748,358 |
| Storm drainage | 2,324,951 | 2,102,618 | 1,919,740 | 2,094,900 | 2,037,068 |
| Solid waste | 20,484,434 | 22,870,947 | 20,410,950 | 20,209,534 | 22,430,632 |
| Transportation | 9,679,832 | 9,874,891 | 9,569,808 | 9,948,552 | 10,114,207 |
| Convention center | 1,176,913 | 1,275,954 | 1,229,354 | 1,187,415 | 1,349,400 |
| Total business-type activities expenses | <u>225,360,185</u> | <u>223,770,887</u> | <u>225,379,188</u> | <u>218,861,159</u> | <u>222,317,330</u> |
| Total primary government expenses | <u>\$ 317,429,777</u> | <u>\$ 320,860,501</u> | <u>\$ 319,434,426</u> | <u>\$ 319,629,520</u> | <u>\$ 327,896,512</u> |
| Program Revenues | | | | | |
| Governmental Activities | | | | | |
| Charges for services: | | | | | |
| General government | \$ 5,904,251 | \$ 5,967,284 | \$ 6,516,578 | \$ 6,213,317 | \$ 6,395,898 |
| Public works | 557,062 | 577,312 | 682,515 | 650,616 | 669,769 |
| Planning | 1,337,696 | 1,748,627 | 1,673,717 | 1,286,338 | 1,986,579 |
| Other activities | 3,668,956 | 3,988,580 | 4,167,614 | 4,743,501 | 4,804,529 |
| Operating grants and contributions | 17,484,151 | 22,330,062 | 18,014,648 | 18,663,414 | 16,491,007 |
| Capital grants and contributions | 8,717,779 | 6,942,319 | 5,505,363 | 18,960,524 | 6,040,837 |
| Total governmental activities program revenues | <u>37,669,895</u> | <u>41,554,184</u> | <u>36,560,435</u> | <u>50,517,710</u> | <u>36,388,619</u> |
| Program Revenues | | | | | |
| Business-type activities | | | | | |
| Charges for services: | | | | | |
| Electric | 160,944,663 | 162,920,950 | 163,301,368 | 158,275,732 | 165,157,048 |
| Water | 16,734,627 | 18,667,027 | 17,871,349 | 17,995,434 | 19,591,568 |
| Wastewater | 21,355,779 | 22,731,807 | 24,577,645 | 26,776,762 | 26,939,000 |
| Solid waste | 18,800,831 | 19,681,867 | 20,505,176 | 21,200,419 | 22,167,885 |
| Transportation | 3,603,988 | 3,772,347 | 3,790,418 | 3,717,047 | 3,814,776 |
| Other activities | 1,549,792 | 1,513,033 | 1,622,114 | 1,744,369 | 1,687,107 |
| Operating grants and contributions | 4,170,108 | 4,159,414 | 4,405,158 | 4,300,769 | 4,441,415 |
| Capital grants and contributions | 10,196,914 | 7,476,968 | 6,079,058 | 3,343,536 | 2,624,987 |
| Total business-type activities program revenues | <u>237,356,702</u> | <u>240,923,413</u> | <u>242,152,286</u> | <u>237,354,068</u> | <u>246,423,786</u> |
| Total primary government program revenues | <u>\$ 275,026,597</u> | <u>\$ 282,477,597</u> | <u>\$ 278,712,721</u> | <u>\$ 287,871,778</u> | <u>\$ 282,812,405</u> |
| Net (Expense) Revenue | | | | | |
| Governmental activities | \$ (54,399,697) | \$ (55,535,430) | \$ (57,494,803) | \$ (50,250,651) | \$ (69,190,563) |
| Business-type activities | 11,996,517 | 17,152,526 | 16,773,098 | 18,492,909 | 24,106,456 |
| Total primary government | <u>\$ (42,403,180)</u> | <u>\$ (38,382,904)</u> | <u>\$ (40,721,705)</u> | <u>\$ (31,757,742)</u> | <u>\$ (45,084,107)</u> |

Source: City of Redding Comprehensive Annual Financial Report

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

| | Fiscal Year | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| General Revenue and Other Changes in Net Position | | | | | |
| Governmental Activities | | | | | |
| Taxes | | | | | |
| Sales taxes | \$ 21,647,441 | \$ 19,375,971 | \$ 18,480,866 | \$ 19,157,880 | \$ 19,754,922 |
| Property taxes | 33,238,207 | 34,820,263 | 33,540,288 | 30,583,596 | 22,434,321 |
| In lieu | - | - | - | - | - |
| Transient and occupancy taxes | 3,957,034 | 3,625,101 | 3,497,627 | 3,635,090 | 3,869,713 |
| Motor vehicle in-lieu taxes | 384,059 | 260,061 | 268,465 | 293,986 | 283,588 |
| Franchise taxes | 967,150 | 992,321 | 888,406 | 911,180 | 930,731 |
| Other taxes | 1,150,466 | 996,583 | 931,504 | 935,173 | 895,591 |
| Investment earnings | 6,492,706 | 4,065,026 | 1,284,562 | 1,101,518 | 820,983 |
| Gain on sale of property | - | - | 76,085 | 122,183 | 133,561 |
| Miscellaneous | 100,000 | 100,000 | 100,000 | 100,000 | 911,518 |
| Transfers | 2,612,585 | 2,421,943 | 4,535,210 | 4,153,367 | 4,163,910 |
| Extraordinary gain | - | - | - | - | 10,409,692 |
| Total governmental activities | 70,549,648 | 66,657,269 | 63,603,013 | 60,993,973 | 64,608,530 |
| Business-type activities | | | | | |
| Investment earnings (loss) | 7,738,038 | 6,272,631 | 3,398,687 | 1,150,239 | 1,251,057 |
| Gain on sale of property | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Transfers | (2,612,585) | (2,421,943) | (4,535,210) | (4,153,367) | (4,163,910) |
| Other items | 2,496 | 979 | 315 | 945 | 630 |
| Total business activities | 5,127,949 | 3,851,667 | (1,136,208) | (3,002,183) | (2,912,223) |
| Total primary government | \$ 75,677,597 | \$ 70,508,936 | \$ 62,466,805 | \$ 57,991,790 | \$ 61,696,307 |
| Change in Net Position | | | | | |
| Governmental activities | \$ 24,308,106 | \$ 39,399,496 | \$ 6,817,618 | \$ 16,146,585 | \$ 5,485,288 |
| Adjustments | - | - | - | - | - |
| Total governmental activities | 24,308,106 | 39,399,496 | 6,817,618 | 16,146,585 | 5,485,288 |
| Business-type activities | 7,580,432 | (3,520,853) | (2,303,409) | 6,517,537 | 13,355,415 |
| Adjustments - business activities | - | - | - | - | - |
| Total business activities | 7,580,432 | (3,520,853) | (2,303,409) | 6,517,537 | 13,355,415 |
| Total changes in net position - primary government | \$ 31,888,538 | \$ 35,878,643 | \$ 4,514,209 | \$ 22,664,122 | \$ 18,840,703 |

Source: City of Redding Comprehensive Annual Financial Report

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

| | Fiscal Year | | | | |
|--|----------------------|----------------------|-------------------------|----------------------|----------------------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| General Revenue and Other Changes in Net Position | | | | | |
| Governmental Activities | | | | | |
| Taxes | | | | | |
| Sales taxes | \$ 20,696,311 | \$ 21,662,406 | \$ 22,053,840 | \$ 22,586,087 | \$ 23,199,460 |
| Property taxes | 19,284,310 | 15,847,198 | 16,292,632 | 17,357,917 | 17,924,119 |
| In lieu | - | - | - | - | - |
| Transient and occupancy taxes | 4,099,953 | 4,074,333 | 4,458,110 | 4,616,654 | 4,778,285 |
| Motor vehicle in-lieu taxes | 38,845 | 37,663 | (141) | 36,761 | 40,422 |
| Franchise taxes | 896,297 | 915,623 | 972,438 | 1,005,928 | 1,088,088 |
| Other taxes | 988,154 | 1,068,561 | 1,112,392 | 1,103,021 | 1,189,035 |
| Investment earnings | 1,011 | 878,447 | 582,552 | 780,348 | 374,394 |
| Gain on sale of property | 299,492 | 43,617 | 48,699 | 1,401,277 | 166,278 |
| Miscellaneous | 143,637 | 144,036 | 142,599 | 203,979 | 152,135 |
| Transfers | 5,416,339 | 4,666,988 | 5,020,485 | 4,568,933 | 4,289,638 |
| Extraordinary gain | - | - | - | - | - |
| Total governmental activities | <u>51,864,349</u> | <u>49,338,872</u> | <u>50,683,606</u> | <u>53,660,905</u> | <u>53,201,854</u> |
| Business-type activities | | | | | |
| Investment earnings (loss) | (667,664) | 2,314,998 | 1,833,914 | 2,515,901 | 505,847 |
| Gain on sale of property | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Transfers | (5,416,339) | (4,666,988) | (5,013,200) | (4,568,933) | (4,289,638) |
| Other items | 2,696 | 3,377 | 2,361 | 4,883 | - |
| Total business activities | <u>(6,081,307)</u> | <u>(2,348,613)</u> | <u>(3,176,925)</u> | <u>(2,048,149)</u> | <u>(3,783,791)</u> |
| Total primary government | <u>\$ 45,783,042</u> | <u>\$ 46,990,259</u> | <u>\$ 47,506,681</u> | <u>\$ 51,612,756</u> | <u>\$ 49,418,063</u> |
| Change in Net Position | | | | | |
| Governmental activities | \$ (2,535,348) | \$ (6,196,558) | \$ (6,811,197) | \$ 3,410,254 | \$ (15,988,709) |
| Adjustments | - | - | (151,367,658) | - | - |
| Total governmental activities | <u>(2,535,348)</u> | <u>(6,196,558)</u> | <u>(158,178,855)</u> | <u>3,410,254</u> | <u>(15,988,709)</u> |
| Business-type activities | 5,915,210 | 14,803,913 | 13,596,173 | 16,444,760 | 20,322,665 |
| Adjustments - business activities | - | - | (75,256,413) | - | - |
| Total business activities | <u>5,915,210</u> | <u>14,803,913</u> | <u>(61,660,240)</u> | <u>16,444,760</u> | <u>20,322,665</u> |
| Total changes in net position - primary government | <u>\$ 3,379,862</u> | <u>\$ 8,607,355</u> | <u>\$ (219,839,095)</u> | <u>\$ 19,855,014</u> | <u>\$ 4,333,956</u> |

Source: City of Redding Comprehensive Annual Financial Report

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

| | Fiscal Year | | |
|---|-----------------------|-----------------------|----------------------|
| | 2007-08 | 2008-09 | 2009-10 |
| General Fund | | | |
| Reserved | \$ 6,302,324 | \$ 4,905,691 | \$ 3,795,073 |
| Unreserved | 13,430,337 | 5,139,052 | 7,470,433 |
| Total general fund | <u>19,732,661</u> | <u>10,044,743</u> | <u>11,265,506</u> |
| All Other Governmental Funds | | | |
| Reserved | \$ 57,794,053 | \$ 61,453,924 | \$ 62,317,199 |
| Unreserved, reported in: | | | |
| Special revenue funds | 11,306,543 | 8,933,742 | 7,258,582 |
| Capital projects funds | 40,518,292 | 21,667,051 | 17,628,400 |
| Unreserved, reported in: | | | |
| Special revenue funds | 6,706,906 | 5,324,788 | 6,802,994 |
| Capital projects funds | 8,782,898 | 14,820,724 | 2,361,163 |
| Debt service funds | (1,241,046) | (1,213,848) | (1,196,710) |
| Total all other governmental funds | <u>\$ 123,867,646</u> | <u>\$ 110,986,381</u> | <u>\$ 95,171,628</u> |

| | Fiscal Year | | | | | | |
|---|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| General Fund | | | | | | | |
| Nonspendable | 1,710,364 | 1,743,974 | 1,767,355 | 2,884,768 | 1,726,623 | 1,875,032 | 1,833,006 |
| Restricted | 1,418,289 | 1,410,393 | 1,408,645 | 853,717 | 648,655 | 756,897 | 757,254 |
| Assigned | 1,881,098 | 1,466,454 | 3,232,344 | 2,010,851 | (720,495) | 678,089 | 5,509,567 |
| Unassigned | 4,809,108 | 5,573,062 | 12,566,084 | 15,586,649 | 20,565,578 | 18,534,694 | 12,381,575 |
| Total general fund | <u>\$ 9,818,859</u> | <u>\$ 10,193,883</u> | <u>\$ 18,974,428</u> | <u>\$ 21,335,985</u> | <u>\$ 22,220,361</u> | <u>\$ 21,844,712</u> | <u>\$ 20,481,402</u> |
| All Other Governmental Funds | | | | | | | |
| Nonspendable | 640,713 | 68,104 | 55,317 | 24,306 | 18,045 | 20,521 | 18,429 |
| Restricted | 101,937,583 | 63,902,312 | 57,554,330 | 57,938,036 | 47,850,398 | 53,237,478 | 50,903,778 |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | (1,975,049) | (249,411) | (232,712) | (253,960) | (275,436) | (307,291) | (344,254) |
| Total all other governmental funds | <u>\$ 100,603,247</u> | <u>\$ 63,721,005</u> | <u>\$ 57,376,935</u> | <u>\$ 57,708,382</u> | <u>\$ 47,593,007</u> | <u>\$ 52,950,708</u> | <u>\$ 50,577,953</u> |

Source: City of Redding Comprehensive Annual Financial Report

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

| | Fiscal Year | | | | |
|--|-----------------------|------------------------|------------------------|-----------------------|------------------------|
| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| Revenues: | | | | | |
| Taxes | \$ 60,575,049 | \$ 59,231,951 | \$ 56,847,912 | \$ 55,531,852 | \$ 47,806,603 |
| Licenses and permits | 1,409,549 | 919,484 | 904,249 | 853,202 | 915,422 |
| Intergovernmental revenues | 32,130,286 | 44,205,365 | 30,291,860 | 41,308,531 | 22,835,959 |
| Charges for services | 4,828,400 | 3,693,777 | 3,218,326 | 2,697,345 | 2,765,973 |
| Fines | 1,089,317 | 1,333,019 | 1,395,523 | 1,046,207 | 1,500,026 |
| Use of money and property | 6,318,669 | 6,434,661 | 6,015,841 | 6,311,596 | 6,638,286 |
| Interest revenue | 6,120,195 | 3,624,089 | 1,007,459 | 1,001,286 | 740,063 |
| Special assessments | 1,671,937 | 1,684,815 | 796,878 | 751,326 | 761,787 |
| Miscellaneous | 4,936,950 | 6,115,887 | 3,045,835 | 3,048,462 | 2,587,503 |
| Total revenues | 119,080,352 | 127,243,048 | 103,523,883 | 112,549,807 | 86,551,622 |
| Expenditures: | | | | | |
| General government | 6,926,626 | 6,997,295 | 5,795,422 | 5,202,372 | 5,627,595 |
| Community development | 15,625,733 | 21,607,335 | 25,226,846 | 18,035,641 | 16,360,799 |
| Public safety | 42,538,068 | 44,305,381 | 42,179,779 | 41,483,662 | 40,629,153 |
| Public works | 5,878,230 | 7,861,504 | 5,031,215 | 4,456,262 | 4,089,781 |
| Planning | 5,419,587 | 5,437,393 | 4,172,970 | 3,485,319 | 3,106,140 |
| Recreation and culture | 7,418,515 | 7,439,993 | 6,889,257 | 6,372,869 | 6,273,179 |
| Capital outlay | 35,872,742 | 50,136,882 | 24,231,055 | 24,467,682 | 12,195,037 |
| Debt service: | | | | | |
| Principal retirement | 5,533,870 | 5,710,487 | 6,775,043 | 5,229,044 | 5,706,539 |
| Interest and fiscal charges | 5,473,145 | 5,231,749 | 4,781,807 | 4,698,793 | 3,348,200 |
| Bond issuance costs | 5,650 | - | - | - | - |
| Total expenditures | 130,692,166 | 154,728,019 | 125,083,394 | 113,431,644 | 97,336,423 |
| Excess of revenues over (under) expenditures | (11,611,814) | (27,484,971) | (21,559,511) | (881,837) | (10,784,801) |
| Other Financing Sources (Uses) | | | | | |
| Sale of capital asset | 1,851,372 | 233,399 | 1,804,652 | 169,672 | 187,120 |
| Financing proceeds | 400,000 | - | - | - | - |
| Long-term debt issued | - | - | 662,993 | 343,770 | 1,401,803 |
| Bond discount | - | - | - | - | - |
| Premium on bonds issued | - | - | - | - | - |
| Payment to refunding bond escrow agent | - | - | - | - | - |
| Transfers in | 11,351,753 | 19,768,205 | 17,190,872 | 10,531,521 | 11,087,998 |
| Transfers out | (8,667,508) | (15,085,816) | (12,692,996) | (6,178,154) | (6,804,428) |
| Total other financing sources (uses) | 4,935,617 | 4,915,788 | 6,965,521 | 4,866,809 | 5,872,493 |
| Extraordinary Item | - | - | - | - | (31,594,910) |
| Net change in fund balances | \$ (6,676,197) | \$ (22,569,183) | \$ (14,593,990) | \$ 3,984,972 | \$ (36,507,218) |
| Fund Balances (deficit), beginning of year, as originally stated | \$ 150,276,504 | \$ 143,600,307 | \$ 121,031,125 | \$ 106,437,134 | \$ 110,422,106 |
| Prior period adjustment | - | - | - | - | - |
| Change in accounting principal | - | - | - | - | - |
| Fund Balances (deficit), beginning of year, as restated | 150,276,504 | 143,600,307 | 121,031,125 | 106,437,134 | 110,422,106 |
| Residual equity transfer in | - | - | - | - | - |
| Fund balances (deficit), end of year | \$ 143,600,307 | \$ 121,031,124 | \$ 106,437,135 | \$ 110,422,106 | \$ 73,914,888 |
| Debt service as a percentage of noncapital expenditures | 12% | 10% | 11% | 11% | 11% |

Source: City of Redding Comprehensive Annual Financial Report

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

| | Fiscal Year | | | | |
|--|----------------------|----------------------|-----------------------|----------------------|-----------------------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Revenues: | | | | | |
| Taxes | \$ 46,183,002 | \$ 43,678,499 | \$ 45,125,212 | \$ 47,889,908 | \$ 48,385,407 |
| Licenses and permits | 963,435 | 1,020,396 | 1,142,654 | 1,321,422 | 1,319,041 |
| Intergovernmental revenues | 21,275,544 | 23,367,310 | 21,555,631 | 33,039,876 | 19,301,043 |
| Charges for services | 3,055,935 | 3,423,766 | 3,543,025 | 3,135,897 | 3,763,928 |
| Fines | 923,777 | 1,050,533 | 968,591 | 1,434,429 | 1,598,215 |
| Use of money and property | 6,301,849 | 6,822,715 | 6,979,312 | 7,774,752 | 7,905,927 |
| Interest revenue | 141,842 | 642,330 | 408,382 | 559,933 | 351,277 |
| Special assessments | 614,387 | 562,559 | 480,861 | 311,291 | 480,855 |
| Miscellaneous | 4,167,895 | 2,786,993 | 2,917,802 | 6,151,375 | 3,321,608 |
| Total revenues | 83,627,666 | 83,355,101 | 83,121,470 | 101,618,883 | 86,427,301 |
| Expenditures: | | | | | |
| General government | 5,283,779 | 5,339,521 | 5,335,175 | 5,531,550 | 6,170,131 |
| Community development | 10,094,221 | 10,594,203 | 9,391,315 | 9,833,058 | 9,988,629 |
| Public safety | 41,319,683 | 44,050,576 | 44,658,160 | 47,667,150 | 49,561,988 |
| Public works | 5,075,245 | 5,143,666 | 5,333,076 | 7,736,374 | 8,089,769 |
| Planning | 3,214,827 | 3,593,044 | 3,643,893 | 4,005,836 | 4,054,107 |
| Recreation and culture | 6,843,716 | 7,036,366 | 6,923,444 | 7,090,091 | 7,477,025 |
| Capital outlay | 9,657,100 | 9,792,385 | 16,601,544 | 16,012,801 | 6,902,183 |
| Debt service: | | | | | |
| Principal retirement | 3,558,947 | 3,512,856 | 3,721,171 | 2,785,484 | 2,532,744 |
| Interest and fiscal charges | 2,007,629 | 1,924,737 | 1,812,496 | 1,658,488 | 1,557,407 |
| Bond issuance costs | - | 266,462 | 450 | - | - |
| Total expenditures | 87,055,147 | 91,253,816 | 97,420,724 | 102,320,832 | 96,333,983 |
| Excess of revenues over (under) expenditures | (3,427,481) | (7,898,715) | (14,299,254) | (701,949) | (9,906,682) |
| Other Financing Sources (Uses) | | | | | |
| Sale of capital asset | 299,492 | 41,909 | 55,055 | 1,401,276 | 166,279 |
| Financing proceeds | - | 565,048 | - | - | - |
| Long-term debt issued | - | 11,181,060 | - | - | - |
| Bond discount | - | (80,666) | - | - | - |
| Premium on bonds issued | - | - | - | - | - |
| Payment to refunding bond escrow agent | - | (5,925,272) | - | - | - |
| Transfers in | 14,430,062 | 13,001,893 | 14,082,943 | 12,233,284 | 13,756,026 |
| Transfers out | (8,865,598) | (8,192,253) | (9,069,743) | (7,950,559) | (7,751,688) |
| Total other financing sources (uses) | 5,863,956 | 10,591,719 | 5,068,255 | 5,684,001 | 6,170,617 |
| Extraordinary Item | - | - | - | - | - |
| Net change in fund balances | \$ 2,436,475 | \$ 2,693,004 | \$ (9,230,999) | \$ 4,982,052 | \$ (3,736,065) |
| Fund Balances (deficit), beginning of year, as originally stated | \$ 73,914,888 | \$ 76,351,363 | \$ 79,044,367 | \$ 69,813,368 | \$ 74,795,420 |
| Prior period adjustment | - | - | - | - | - |
| Change in accounting principal | - | - | - | - | - |
| Fund Balances (deficit), beginning of year, as restated | 73,914,888 | 76,351,363 | 79,044,367 | 69,813,368 | 74,795,420 |
| Residual equity transfer in | - | - | - | - | - |
| Fund balances (deficit), end of year | \$ 76,351,363 | \$ 79,044,367 | \$ 69,813,368 | \$ 74,795,420 | \$ 71,059,355 |
| Debt service as a percentage of noncapital expenditures | 7% | 7% | 7% | 5% | 5% |

Source: City of Redding Comprehensive Annual Financial Report

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City of Redding
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(in thousands)

| Fiscal Year | Property Tax | Transient Occupancy Tax | Sales Tax | Other Taxes | Total |
|--------------------|-------------------------|--|----------------------|------------------------|--------------|
| 2007-2008 | 32,884 | 3,957 | 21,616 | 2,118 | 60,575 |
| 2008-2009 | 34,311 | 3,625 | 19,307 | 1,989 | 59,232 |
| 2009-2010 | 33,447 | 3,497 | 18,083 | 1,821 | 56,848 |
| 2010-2011 | 30,571 | 3,635 | 19,479 | 1,847 | 55,532 |
| 2011-2012 | 22,574 | 3,870 | 19,536 | 1,827 | 47,807 |
| 2012-2013 | 19,402 | 4,100 | 20,797 | 1,884 | 46,183 |
| 2013-2014 | 15,942 | 4,074 | 21,678 | 1,984 | 43,678 |
| 2014-2015 | 16,253 | 4,459 | 22,330 | 2,083 | 45,125 |
| 2015-2016 | 17,247 | 4,616 | 23,918 | 2,110 | 47,891 |
| 2016-2017 | 18,131 | 4,779 | 23,199 | 2,276 | 48,385 |

Source: City of Redding Comprehensive Annual Financial Report

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

| <u>Type of Customer</u> | Fiscal Year ended June 30, | | | |
|-------------------------|-----------------------------------|------------------------------------|--------------------------------|------------------------------------|
| | 2008 | | 2009 | |
| | <u>Base rate customers</u> | <u>Electricity Sold (MWHs)</u> | <u>Base rate customers</u> | <u>Electricity Sold (MWHs)</u> |
| Residential | 36,486 | 381,654 | 36,601 | 386,638 |
| Commercial | 5,063 | 345,468 | 5,068 | 344,764 |
| Industrial | 341 | 15,967 | 356 | 14,934 |
| Other | 877 | 48,248 | 882 | 45,936 |
| Total | <u><u>42,767</u></u> | <u><u>791,337</u></u> | <u><u>42,907</u></u> | <u><u>792,272</u></u> |

| <u>Type of Customer</u> | Fiscal Year ended June 30, | | | |
|-------------------------|-----------------------------------|------------------------------------|--------------------------------|------------------------------------|
| | 2013 | | 2014 | |
| | <u>Base rate customers</u> | <u>Electricity Sold (MWHs)</u> | <u>Base rate customers</u> | <u>Electricity Sold (MWHs)</u> |
| Residential | 37,268 | 375,606 | 37,387 | 361,106 |
| Commercial | 5,022 | 338,257 | 5,011 | 336,507 |
| Industrial | 334 | 13,506 | 330 | 12,303 |
| Other | 927 | 46,756 | 934 | 45,923 |
| Total | <u><u>43,551</u></u> | <u><u>774,125</u></u> | <u><u>43,662</u></u> | <u><u>755,839</u></u> |

City of Redding
Revenue Base - Own Source Revenue (Continued)
Metered Customers and MWHs Sold
Last Ten Fiscal Years

| Type of Customer | Fiscal Year ended June 30, | | | | | |
|------------------|----------------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
| | 2010 | | 2011 | | 2012 | |
| | Base rate customers | Electricity Sold (MWHs) | Base rate customers | Electricity Sold (MWHs) | Base rate customers | Electricity Sold (MWHs) |
| Residential | 36,676 | 381,904 | 36,824 | 377,161 | 37,032 | 375,136 |
| Commercial | 5,044 | 330,097 | 5,032 | 332,375 | 5,002 | 333,200 |
| Industrial | 359 | 14,127 | 355 | 13,586 | 335 | 13,227 |
| Other | 880 | 43,872 | 902 | 44,610 | 912 | 44,379 |
| Total | 42,959 | 770,000 | 43,113 | 767,732 | 43,281 | 765,942 |

| Type of Customer | Fiscal Year ended June 30, | | | | | |
|------------------|----------------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
| | 2015 | | 2016 | | 2017 | |
| | Base rate customers | Electricity Sold (MWHs) | Base rate customers | Electricity Sold (MWHs) | Base rate customers | Electricity Sold (MWHs) |
| Residential | 37,561 | 356,071 | 37,751 | 361,427 | 38,015 | 366,354 |
| Commercial | 5,034 | 338,292 | 5,025 | 332,232 | 4,949 | 324,202 |
| Industrial | 322 | 12,366 | 335 | 13,394 | 336 | 12,226 |
| Other | 915 | 43,087 | 928 | 42,358 | 933 | 41,825 |
| Total | 43,832 | 749,816 | 44,039 | 749,411 | 44,233 | 744,607 |

**City of Redding
Electric Utility Rates
Last Ten Fiscal Years**

| Fiscal Year | Residential | | Commercial | | | |
|-------------|-------------------|-----------------------|---------------------------------|---------------------------------|---------------|-----------------------------|
| | Monthly Base Rate | Energy charge per kwh | Monthly Base Rate | | Energy charge | |
| | | | Small Commercial (< 15,000 kwh) | Large Commercial (> 15,000 kwh) | All kwh | Per kwh in excess of 15,000 |
| 2008 | 6.36 | 0.9890 | 6.31 | 14.54 | 0.1107 | 0.0514 |
| 2009 | 6.86 | 0.1067 | 6.86 | 15.70 | 0.1288 | 0.0598 |
| 2010 | 7.40 | 0.1151 | 7.40 | 16.90 | 0.1288 | 0.0598 |
| 2011 | 8.50 | 0.1239 | 11.00 | 21.00 | 0.137 | 0.0645 |
| 2012 | 9.80 | 0.1330 | 16.50 | 25.00 | 0.1448 | 0.0696 |
| 2013 | 11.30 | 0.1426 | 18.00 | 29.00 | 0.1560 | 0.0750 |
| 2014 | 13.00 | 0.1528 | 20.00 | 33.00 | 0.1679 | 0.0809 |
| 2015 | 13.00 | 0.1528 | 20.00 | 33.00 | 0.1679 | 0.0809 |
| 2016 | 15.00 | 0.1528 | 25.00 | 140.00 | 0.1679 | 0.0809 |
| 2017 | 15.00 | 0.1528 | 25.00 | 140.00 | 0.1679 | 0.0809 |

Source: City of Redding Utility Rate Schedules

City of Redding
Electric Utility Rates (Continued)
Last Ten Fiscal Years

| Industrial | | | | | |
|-------------------|----------------------|-----------------------|-----------------------------------|---|--------|
| Fiscal Year | Monthly Base Rate | On Peak Energy Charge | | Off Peak Energy Charge | |
| | | All kwh | Per kWh in excess of 15,000 | If off-peak demand is less than on-peak demand | |
| 2008 | 30.29 | 0.1124 | 0.0521 | 0.0440 | 0.0521 |
| 2009 | 32.65 | 0.1212 | 0.0562 | 0.0475 | 0.0562 |
| 2010 | 35.20 | 0.1307 | 0.0606 | 0.0606 | 0.0562 |
| 2011 | 42.00 | 0.1409 | 0.0654 | 0.0552 | 0.0654 |
| 2012 | 50.00 | 0.1519 | 0.0705 | 0.0595 | 0.0705 |
| 2013 | 66.00 | 0.1766 | 0.0820 | 0.0692 | 0.0820 |
| 2014 | 66.00 | 0.1766 | 0.0820 | 0.0692 | 0.0820 |
| 2015 | 66.00 | 0.1766 | 0.0820 | 0.0692 | 0.0820 |
| 2016 | 230.00 | 0.1766 | 0.0820 | 0.0692 | 0.0820 |
| 2016 | 230.00 | 0.1766 | 0.0820 | 0.0692 | 0.0820 |

Source: City of Redding Utility Rate Schedules

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City of Redding
Principal Electric Utility Payers
Fiscal Years 2016-17 and 2007-08

| Utility Payer | June 30, 2017 Fiscal Year | | | June 30, 2008 Fiscal Year | | |
|---------------|---------------------------|------|---|---------------------------|------|---|
| | Utilities Paid | Rank | Percentage of City Total Utilities Paid | Utilities Paid | Rank | Percentage of City Total Utilities Paid |
| Customer #1 | \$5,421,022 | 1 | 4.20% | \$3,984,746 | 1 | 4.86% |
| Customer #2 | 1,814,433 | 2 | 1.40% | 1,067,608 | 3 | 1.30% |
| Customer #3 | 1,993,153 | 3 | 1.54% | | | |
| Customer #4 | 1,905,551 | 4 | 1.47% | 1,510,793 | 2 | 1.84% |
| Customer #5 | 1,478,559 | 5 | 1.14% | 906,020 | 4 | 1.10% |
| Customer #6 | 1,178,934 | 6 | 0.91% | | | |
| Customer #7 | 946,239 | 7 | 0.73% | 525,682 | 7 | 0.64% |
| Customer #8 | 742,729 | 8 | 0.57% | 456,875 | 9 | 0.56% |
| Customer #9 | 700,324 | 9 | 0.54% | 530,420 | 6 | 0.65% |
| Customer #10 | 649,101 | 10 | 0.50% | | | |
| Customer #11 | | | | 621,431 | 5 | 0.76% |
| Customer #12 | | | | 493,814 | 8 | 0.60% |
| Customer #13 | | | | 451,070 | 10 | 0.55% |
| Total | \$16,830,045 | | 13.00% | \$10,548,459 | | 12.19% |

Source: City of Redding Electric Utility

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

| Governmental Activities | | | | | | |
|-------------------------|---------------|--|-------|--------------------------------|----------------|--|
| Fiscal Year Ending | Revenue Bonds | Tax Allocation Bonds ⁽¹⁾ | Loans | Special Assessment Bonds | Capital Leases | |
| 2008 | 49,680 | 51,324 | 34 | 4,393 | 868 | |
| 2009 | 47,262 | 49,387 | 16 | 3,452 | 559 | |
| 2010 | 44,755 | 47,380 | 401 | 1,661 | 377 | |
| 2011 | 42,151 | 45,288 | 316 | 1,379 | 567 | |
| 2012 | 39,764 | - | 1,360 | 1,097 | 388 | |
| 2013 | 36,938 | - | 1,042 | 825 | 221 | |
| 2014 | 39,772 | - | 616 | 510 | 692 | |
| 2015 | 36,632 | - | 320 | 123 | 574 | |
| 2016 | 34,318 | - | - | 92 | 405 | |
| 2017 | 31,915 | - | - | 63 | 292 | |

⁽¹⁾ Tax Allocation Bonds were associated with the Redevelopment Agency (RDA). The RDA's debt was removed from the City of Redding's totals as the RDA was dissolved by the State of California in 2012.

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

| Business-Type Activities | | | | | | | | | |
|---------------------------------|--------------------------------|------------------|-------------------------------------|--------|--------------------------------|-------------------|-----------------------------|--|------------------------------|
| Fiscal Year Ending | General Obligation Bonds | Revenue Bonds | Certificates of Participation | Loans | Special Assessment Bonds | Capital Leases | Total Primary Government | Percentage of Personal Income ⁽¹⁾ | Per Capita ⁽¹⁾ |
| 2008 | - | 31,281 | 182,140 | 22,562 | 74 | 317 | 342,673 | 11.29% | 3,960 |
| 2009 | - | 28,773 | 177,997 | 35,940 | - | 256 | 343,641 | 11.25% | 3,930 |
| 2010 | - | 26,163 | 173,514 | 39,709 | - | 199 | 334,161 | 11.18% | 3,861 |
| 2011 | - | 23,461 | 168,896 | 44,289 | - | 3,238 | 329,586 | 11.33% | 3,794 |
| 2012 | - | 20,833 | 164,028 | 65,362 | - | 2,930 | 295,762 | 9.76% | 3,394 |
| 2013 | - | 18,092 | 159,001 | 74,571 | - | 2,559 | 293,249 | 9.03% | 3,228 |
| 2014 | - | 14,446 | 166,777 | 84,258 | - | 2,156 | 309,226 | 9.35% | 3,400 |
| 2015 | - | 12,081 | 160,556 | 84,429 | - | 1,774 | 295,914 | 8.57% | 3,248 |
| 2016 | - | 46,761 | 126,082 | 84,164 | - | 1,356 | 293,178 | 7.83% | 3,201 |
| 2017 | - | 98,629 | 65,905 | 80,784 | - | - | 277,589 | 7.13% | 3,024 |

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

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City of Redding
Computation of Direct and Overlapping Debt
As of June 30, 2017

| <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 | \$ 63,150 | 100.000% | \$ 63,150 |
| Revenue bonds | 31,915,089 | 100.000% | 31,915,089 |
| Loans | 0 | 100.000% | 0 |
| Capital leases | 292,198 | 100.000% | 292,198 |
| Total direct debt | <u>32,270,437</u> | | <u>32,270,437</u> |
| Overlapping: | | | |
| County of Shasta: (2) | | | |
| Bonds | 31,318,793 | 50.091% | 15,687,897 |
| Notes | 345,451 | 50.091% | 173,040 |
| Shasta County Schools: (2) | | | |
| Enterprise School District | 21,083,231 | 98.879% | 20,846,888 |
| Shasta Union High | 30,413,437 | 68.325% | 20,779,981 |
| Gateway School | 33,934,007 | 39.998% | 13,572,924 |
| Redding School District | 4,245,000 | 99.168% | 4,209,682 |
| Columbia School District | 6,575,000 | 75.275% | 4,949,331 |
| Shasta College | 23,365,000 | 50.258% | 11,742,782 |
| Cascade School | 9,381,876 | 2.040% | 191,390 |
| Pacheco School | 3,634,865 | 56.301% | 2,046,465 |
| Grant School | 1,755,000 | 4.298% | 75,430 |
| Centerville (3) | <u>12,509</u> | 27.811% | <u>3,479</u> |
| Total overlapping debt | <u>166,064,169</u> | | <u>94,279,288</u> |
| Total direct and overlapping debt | <u>\$198,334,606</u> | | <u>\$126,549,725</u> |

Source: (1) *City of Redding*
(2) *Shasta County Auditor-Controller's Office*
(3) *Centerville District Office*
(4) *Percentages for Computation of Direct and Overlapping Debt are calculated by using the Shasta County valuations by taxing district for fiscal year 2015-16.*

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

| | Fiscal Year | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| Debt Limit | \$ 286,996 | \$ 300,235 | \$ 292,840 | \$ 279,873 | \$ 260,142 |
| Total net debt applicable to limit | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,097</u> |
| Legal debt margin | <u>\$ 286,996</u> | <u>\$ 300,235</u> | <u>\$ 292,840</u> | <u>\$ 279,873</u> | <u>\$ 259,045</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 0.00% | 0.00% | 0.00% | 0.00% | 0.42% |

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

| | Fiscal Year | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Debt Limit | \$ 254,417 | \$267,472 | \$275,782 | \$289,290 | \$301,892 |
| Total net debt applicable to limit | <u>825</u> | <u>510</u> | <u>123</u> | <u>92</u> | <u>63</u> |
| Legal debt margin | <u>\$ 253,592</u> | <u>\$ 266,962</u> | <u>\$ 275,659</u> | <u>\$ 289,198</u> | <u>\$ 301,829</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 0.32% | 0.19% | 0.04% | 0.03% | 0.02% |

Legal Debt Margin Calculation for Fiscal Year 2014-15

| | |
|--|---------------------|
| Assessed Value (1) | <u>\$ 8,050,447</u> |
| Debt Limit - 3.75% of Total Assessed Value | \$ 301,892 |
| Amount of Debt Applicable to the Limit | <u>63</u> |
| Legal Debt Margin | <u>\$ 301,829</u> |

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 Ending | | | | |
|------------------------------------|---------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| Operating Revenue | \$ 17,108,790 | \$ 17,165,662 | \$ 18,280,681 | \$ 19,492,643 | \$ 21,099,386 |
| Other Revenue** | 19,663 | 25,186 | 2,152 | 10,824 | 13,935 |
| Interest Revenue | 1,605,727 | 1,266,665 | 649,481 | 215,469 | 350,722 |
| Adjusted Revenue | <u>18,734,180</u> | <u>18,457,513</u> | <u>18,932,314</u> | <u>19,718,936</u> | <u>21,464,043</u> |
| 25% of Adjusted Revenue | 4,683,545 | 4,614,378 | 4,733,079 | 4,929,734 | 5,366,011 |
| Actual Connection Fees | <u>2,933,424</u> | <u>1,680,074</u> | <u>1,717,427</u> | <u>1,335,741</u> | <u>664,223</u> |
| Allowable Connection Fees | <u>2,933,424</u> | <u>1,680,074</u> | <u>1,717,427</u> | <u>1,335,741</u> | <u>664,223</u> |
| Total Revenue | <u>\$ 21,667,604</u> | <u>\$ 20,137,587</u> | <u>\$ 20,649,741</u> | <u>\$ 21,054,677</u> | <u>\$ 22,128,266</u> |
| Operating Expense | (12,424,166) | (12,894,743) | (14,214,867) | (15,275,899) | (16,093,343) |
| Add back In-Lieu | - | - | - | - | - |
| Add back Depreciation/Amortization | <u>3,817,656</u> | <u>4,021,167</u> | <u>4,361,325</u> | <u>4,896,408</u> | <u>5,141,880</u> |
| Net Operating Expense | <u>(8,606,510)</u> | <u>(8,873,576)</u> | <u>(9,853,542)</u> | <u>(10,379,491)</u> | <u>(10,951,463)</u> |
| Net Wastewater Revenues* | <u>13,061,094</u> | <u>11,264,011</u> | <u>10,796,199</u> | <u>10,675,186</u> | <u>11,176,803</u> |
| Total Debt Service | <u>\$ 3,040,868</u> | <u>\$ 3,309,313</u> | <u>\$ 3,621,312</u> | <u>\$ 4,838,627</u> | <u>\$ 5,591,172</u> |
| Debt Coverage Ratio | <u>4.30</u> | <u>3.40</u> | <u>2.98</u> | <u>2.21</u> | <u>2.00</u> |

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

** Excludes capital grants.

City of Redding
Wastewater Revenue Bond Coverage (Continued)
Last Ten Fiscal Years

| | Fiscal Year Ending | | | | |
|------------------------------------|-----------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Operating Revenue | \$ 21,342,485 | \$ 22,720,092 | \$ 24,563,888 | \$ 25,451,684 | \$ 25,815,214 |
| Other Revenue** | 13,295 | (86,499) | 13,756 | 15,453 | 16,261 |
| Interest Revenue | (241,696) | 582,376 | 468,529 | 609,119 | 80,155 |
| Adjusted Revenue | <u>21,114,084</u> | <u>23,215,969</u> | <u>25,046,173</u> | <u>26,076,256</u> | <u>25,911,630</u> |
| 25% of Adjusted Revenue | 5,278,521 | 5,803,992 | 6,261,543 | 6,519,064 | 6,477,908 |
| Actual Connection Fees | <u>1,214,938</u> | <u>956,137</u> | <u>842,721</u> | <u>1,309,625</u> | <u>1,162,532</u> |
| Allowable Connection Fees | <u>1,214,938</u> | <u>956,137</u> | <u>842,721</u> | <u>1,309,625</u> | <u>1,162,532</u> |
| Total Revenue | <u><u>\$ 22,329,022</u></u> | <u><u>\$ 24,172,106</u></u> | <u><u>\$ 25,888,894</u></u> | <u><u>\$ 27,385,881</u></u> | <u><u>\$ 27,074,162</u></u> |
| Operating Expense | (17,188,977) | (18,451,474) | (20,045,882) | (21,561,048) | (21,645,196) |
| Add back In-Lieu | - | - | - | - | - |
| Add back Depreciation/Amortization | <u>5,572,955</u> | <u>5,924,400</u> | <u>6,886,048</u> | <u>7,026,394</u> | <u>7,018,740</u> |
| Net Operating Expense | <u>(11,616,022)</u> | <u>(12,527,074)</u> | <u>(13,159,834)</u> | <u>(14,534,654)</u> | <u>(14,626,456)</u> |
| Net Wastewater Revenues* | <u><u>10,713,000</u></u> | <u><u>11,645,032</u></u> | <u><u>12,729,060</u></u> | <u><u>12,851,227</u></u> | <u><u>12,447,706</u></u> |
| Total Debt Service | <u><u>\$ 6,122,885</u></u> | <u><u>\$ 8,117,463</u></u> ** | <u><u>\$ 8,131,564</u></u> | <u><u>\$ 8,129,964</u></u> | <u><u>\$ 8,569,619</u></u> |
| Debt Coverage Ratio | <u><u>1.75</u></u> | <u><u>1.43</u></u> | <u><u>1.57</u></u> | <u><u>1.58</u></u> | <u><u>1.45</u></u> |

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

** Excludes capital grants.

*** Excludes 2014 defeased debt of \$9,126,250

City of Redding
Water Revenue Bond Coverage
Last Ten Fiscal Years

| | Fiscal Year Ending | | | | |
|------------------------------------|---------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| Operating Revenue | \$ 14,341,120 | \$ 13,914,397 | \$ 13,748,499 | \$ 14,427,814 | \$ 15,655,601 |
| Other Revenue** | 209,022 | 194,358 | 219,897 | 225,474 | 231,336 |
| Interest Revenue | 907,870 | 734,418 | 479,524 | 199,863 | 205,711 |
| Adjusted Revenue | <u>15,458,012</u> | <u>14,843,173</u> | <u>14,447,920</u> | <u>14,853,151</u> | <u>16,092,648</u> |
| 25% of Adjusted Revenue | 3,864,503 | 3,710,793 | 3,611,980 | 3,713,288 | 4,023,162 |
| Actual Connection Fees | <u>2,049,142</u> | <u>1,437,290</u> | <u>1,294,343</u> | <u>1,018,718</u> | <u>602,128</u> |
| Allowable Connection Fees | <u>2,049,142</u> | <u>1,437,290</u> | <u>1,294,343</u> | <u>1,018,718</u> | <u>602,128</u> |
| Total Revenue | <u>17,507,154</u> | <u>16,280,463</u> | <u>15,742,263</u> | <u>15,871,869</u> | <u>16,694,776</u> |
| Operating Expense | (12,280,801) | (12,456,147) | (14,044,979) | (14,179,843) | (15,300,320) |
| Add back In-Lieu | - | - | - | - | - |
| Add back Depreciation/Amortization | <u>2,705,995</u> | <u>3,020,054</u> | <u>3,300,595</u> | <u>3,322,769</u> | <u>3,482,093</u> |
| Net Operating Expense | <u>(9,574,806)</u> | <u>(9,436,093)</u> | <u>(10,744,384)</u> | <u>(10,857,074)</u> | <u>(11,818,227)</u> |
| Net Water Revenues* | <u>7,932,348</u> | <u>6,844,370</u> | <u>4,997,879</u> | <u>5,014,795</u> | <u>4,876,549</u> |
| Total Debt Service | <u>\$ 1,228,088</u> | <u>\$ 1,224,838</u> | <u>\$ 1,222,488</u> | <u>\$ 1,217,626</u> | <u>\$ 1,025,150</u> |
| Debt Coverage Ratio | <u>6.46</u> | <u>5.59</u> | <u>4.09</u> | <u>4.12</u> | <u>4.76</u> |

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

** Excludes capital grants.

City of Redding
Water Revenue Bond Coverage (Continued)
Last Ten Fiscal Years

| | Fiscal Year Ending | | | | |
|------------------------------------|---------------------------|------------------------|---------------------|---------------------|---------------------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| Operating Revenue | \$ 16,497,288 | \$ 18,423,339 | \$ 17,646,476 | \$ 16,860,160 | \$ 18,549,702 |
| Other Revenue** | 237,340 | 172,996 | 224,874 | 149,471 | 137,769 |
| Interest Revenue | (172,089) | 411,799 | 330,137 | 439,975 | 77,297 |
| Adjusted Revenue | <u>16,562,539</u> | <u>19,008,134</u> | <u>18,201,487</u> | <u>17,449,606</u> | <u>18,764,768</u> |
| 25% of Adjusted Revenue | 4,140,635 | 4,752,034 | 4,550,372 | 4,362,402 | 4,691,192 |
| Actual Connection Fees | <u>1,389,868</u> | <u>753,633</u> | <u>662,463</u> | <u>985,803</u> | <u>961,572</u> |
| Allowable Connection Fees | <u>1,389,868</u> | <u>753,633</u> | <u>662,463</u> | <u>985,803</u> | <u>961,572</u> |
| Total Revenue | <u>17,952,407</u> | <u>19,761,767</u> | <u>18,863,950</u> | <u>18,435,409</u> | <u>19,726,340</u> |
| Operating Expense | (15,532,856) | (16,703,721) | (16,588,595) | (16,224,118) | (17,486,280) |
| Add back In-Lieu | - | - | - | - | - |
| Add back Depreciation/Amortization | <u>3,623,164</u> | <u>3,457,758</u> | <u>3,342,717</u> | <u>3,425,653</u> | <u>3,421,610</u> |
| Net Operating Expense | <u>(11,909,692)</u> | <u>(13,245,963)</u> | <u>(13,245,878)</u> | <u>(12,798,465)</u> | <u>(14,064,670)</u> |
| Net Water Revenues* | <u>6,042,715</u> | <u>6,515,804</u> | <u>5,618,072</u> | <u>5,636,944</u> | <u>5,661,670</u> |
| Total Debt Service | <u>\$ 1,027,210</u> | <u>\$ 1,091,335</u> ** | <u>\$ 764,100</u> | <u>\$ 768,100</u> | <u>\$ 770,500</u> |
| Debt Coverage Ratio | <u>5.88</u> | <u>5.97</u> | <u>7.35</u> | <u>7.34</u> | <u>7.35</u> |

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

** Excludes capital grants.

*** Excludes 2014 defeased debt of \$7,547,500

City of Redding
Electric Revenue Bond Coverage
Last Ten Fiscal Years

| Fiscal Year | Revenue | Expense | Available Reserves | Funds Available for Debt Service | Debt Service | Debt Service Coverage |
|-------------|-------------|-------------|--------------------|----------------------------------|--------------|-----------------------|
| 2007-2008 | 156,839,571 | 142,101,108 | 38,929,919 | 53,668,382 | 9,083,139 | 5.91 |
| 2008-2009 | 157,477,449 | 152,534,009 | 37,000,967 | 41,944,407 | 5,067,968 | 8.28 |
| 2009-2010 | 153,119,347 | 141,852,601 | 33,562,914 | 44,829,660 | 10,110,131 | 4.43 |
| 2010-2011 | 168,305,285 | 146,270,267 | 31,793,172 | 53,828,190 | 13,754,317 | 3.91 |
| 2011-2012 | 164,353,261 | 135,263,876 | 34,352,264 | 63,441,649 | 13,829,150 | 4.59 |
| 2012-2013 | 160,924,425 | 130,644,921 | 41,918,740 | 72,198,244 | 13,834,475 | 5.22 |
| 2013-2014 | 162,898,133 | 125,129,935 | 45,760,302 | 83,528,500 | 13,858,275 | 6.03 |
| 2014-2015 | 163,267,269 | 129,689,792 | 47,747,852 | 81,325,329 | 13,857,050 | 6.07 |
| 2015-2016 | 158,250,632 | 122,455,892 | 63,410,359 | 99,205,099 | 14,941,042 | 6.85 |
| 2016-2017 | 165,123,848 | 120,122,216 | 81,313,278 | 126,314,910 | 14,852,439 | 8.50 |

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> |
|--------------------|-------------------------|-----------------------|---|---|-----------------------------------|
| 2007-2008 | 59.82 | 90,192 | 3,162,763 | 35,067 | 9.30 |
| 2008-2009 | 59.82 | 90,931 | 3,177,675 | 34,946 | 14.10 |
| 2009-2010 | 59.82 | 89,878 | 3,105,015 | 34,547 | 16.20 |
| 2010-2011 | 59.82 | 90,050 | 3,016,405 | 33,497 | 15.90 |
| 2011-2012 | 59.82 | 90,342 | 3,141,553 | 34,774 | 14.20 |
| 2012-2013 | 60.68 | 90,848 | 3,248,543 | 35,758 | 11.80 |
| 2013-2014 | 60.68 | 90,950 | 3,307,306 | 36,364 | 9.30 |
| 2014-2015 | 60.68 | 91,110 | 3,453,525 | 37,905 | 7.50 |
| 2015-2016 | 60.68 | 91,582 | 3,744,055 | 40,882 | 6.80 |
| 2016-2017 | 60.68 | 91,808 | 3,893,669 | 42,411 | 5.80 |

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

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

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

| <u>Employer</u> | <u>2017</u> | | | <u>2008</u> | | | |
|-----------------------------------|------------------|--------------|--|------------------|--------------|--|-------|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total Area Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total Area Employment</u> | |
| Shasta County | * | 2,008 | 1 | 2.82% | 1,923 | 1 | 2.42% |
| Mercy Medical Center | | 1,566 | 2 | 2.20% | 1,600 | 2 | 2.02% |
| Shasta Regional Medical Center | | 788 | 3 | 1.11% | 700 | 4 | 0.88% |
| City of Redding | ** | 773 | 4 | 1.08% | 873 | 3 | 1.10% |
| CA Transportation Department | | 686 | 5 | 0.96% | - | | |
| Redding Rancheria | | 570 | 6 | 0.80% | 370 | 8 | 0.47% |
| Shasta Union High School District | | 396 | 7 | 0.56% | | | |
| Shasta Community College | | 369 | 8 | 0.52% | 700 | 5 | 0.88% |
| Shasta Community Health | | 350 | 9 | 0.49% | | | |
| Blue Shield of California | | 330 | 10 | 0.46% | 430 | 6 | 0.54% |
| Wal Mart | | - | | | 375 | 7 | 0.47% |
| United States Post Office | | - | | | 300 | 9 | 0.00% |
| Shasta Head Start | | | | | 257 | 10 | 0.32% |
| Total | | <u>7,836</u> | | | <u>7,528</u> | | |

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

** Full-time budgeted positions.

In 2016-17 there were 735 full-time and 399 part-time/temporary positions filled.

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

Information for 2005-06 represents principal non-governmental employers.

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

City of Redding
Full -Time City Budgeted Employees by Function/Program
Last Ten Fiscal Years

| <u>Function/Program</u> | Budgeted Full-time Employees at June 30, | | | | | | | | | |
|-------------------------|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| General Government | 106 | 104 | 90 | 89 | 86 | 85 | 88 | 88 | 91 | 92 |
| Police | 173 | 167 | 150 | 141 | 141 | 130 | 131 | 131 | 135 | 135 |
| Fire | 84 | 81 | 80 | 70 | 70 | 75 | 85 | 85 | 85 | 85 |
| Public Works | 69 | 69 | 67 | 66 | 65 | 65 | 66 | 66 | 66 | 66 |
| Planning | 52 | 45 | 39 | 32 | 29 | 29 | 29 | 29 | 29 | 29 |
| Recreation and Culture | 29 | 27 | 25 | 23 | 20 | 21 | 21 | 21 | 21 | 21 |
| Community Development | 22 | 23 | 22 | 20 | 15 | 20 | 12 | 8 | 10 | 10 |
| Electric | 174 | 180 | 183 | 183 | 185 | 185 | 179 | 180 | 180 | 180 |
| Water | 27 | 27 | 28 | 28 | 28 | 28 | 27 | 27 | 28 | 28 |
| Wastewater | 31 | 31 | 32 | 32 | 33 | 33 | 34 | 34 | 36 | 36 |
| Storm Drainage | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Solid Waste | 80 | 81 | 81 | 81 | 79 | 79 | 79 | 79 | 79 | 79 |
| Transportation | 7 | 7 | 7 | 7 | 7 | 7 | 6 | 7 | 7 | 7 |
| Convention Center | 13 | 12 | 13 | 13 | 10 | - | - | - | - | - |
| | <u>873</u> | <u>860</u> | <u>822</u> | <u>790</u> | <u>773</u> | <u>762</u> | <u>762</u> | <u>760</u> | <u>772</u> | <u>773</u> |

Source: City of Redding Personnel Division

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City of Redding
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

| <u>Function/Program</u> | Fiscal Year Ended June 30, | | | | | | | | | |
|--|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| <i>Police</i> | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 40 | 40 | 38 | 39 | 38 | 39 | 38 | 41 | 45 | 45 |
| <i>Fire stations</i> | 8 | 8 | 8 | 7 | 7 | 8 | 8 | 8 | 8 | 8 |
| <i>Public works</i> | | | | | | | | | | |
| Streets (miles) | 462.5 | 464.0 | 464.0 | 464.0 | 464.0 | 465.0 | 465.0 | 468.0 | 468.7 | 469.1 |
| Streetlights | 7,450 | 7,517 | 7,568 | 7,575 | 7,581 | 8,013 | 8,025 | 8,051 | 8,086 | 8,204 |
| <i>Recreation and culture</i> | | | | | | | | | | |
| Maintained trails (miles) | 62 | 62 | 62 | 62 | 63 | 66 | 66 | 67 | 68 | 39 |
| Parks acreage (improved) | 590 | 593 | 593 | 593 | 620 | 635 | 635 | 636 | 636 | 620 |
| Parks acreage (unimproved) | 428 | 425 | 487 | 487 | 487 | 487 | 487 | 487 | 487 | 460 |
| <i>Electric</i> | | | | | | | | | | |
| Transmission & Distribution system (miles) | 704 | 704 | 705 | 710 | 710 | 793 | 798 | 798 | 812 | 812 |
| <i>Water</i> | | | | | | | | | | |
| Length of water mains | 550 | 556 | 558 | 558.7 | 556 | 556 | 556 | 557 | 558 | 559 |
| <i>Wastewater</i> | | | | | | | | | | |
| Sewer lines (miles) | 423 | 426 | 430 | 430.1 | 431.1 | 430.3 | 431.4 | 431.5 | 433.2 | 433.5 |
| <i>Solid Waste</i> | | | | | | | | | | |
| Collection trucks | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 36 | 38 | 37 |
| <i>Storm Drainage</i> | | | | | | | | | | |
| Length of system (miles) * | 429 | 433 | 440.5 | 441 | 442 | 442 | 399 | 397 | 397 | 397 * |
| Catch basins* | 9,328 | 10,041 | 10,253 | 10,553 | 10,593 | 10,711 | 7,068 | 6,594 | 6,590 | 6,594 * |
| <i>Transportation</i> | | | | | | | | | | |
| Buses | 16 | 17 | 17 | 16 | 16 | 16 | 18 | 18 | 20 | 20 |

* Prior to 2014 the storm drain data included both public and private segments and facilities (the data for only the public portion for years prior to 2014 is not available). Starting in 2014 the storm drain data only includes public segments and facilities.

Source: City of Redding

City of Redding
Operating Indicators by Function/Program
Last Ten Fiscal Years

| <u>Function/Program</u> | Fiscal Year Ended June 30, | | | | |
|---|-----------------------------------|-------------|-------------|-------------|-------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| <i>Police</i> | | | | | |
| Calls for service | 86,099 | 85,885 | 84,236 | 85,336 | 87,069 |
| Felony arrests | 2,368 | 2,321 | 2,522 | 2,280 | 2,603 |
| Misdemeanor arrests | 6,397 | 6,779 | 5,551 | 4,838 | 4,462 |
| Total arrests | 8,765 | 9,100 | 8,073 | 7,118 | 7,065 |
| <i>Fire</i> | | | | | |
| Fire, explosion | 477 | 454 | 402 | 381 | 387 |
| Rescue, emergency medical call | 9,166 | 9,308 | 9,032 | 9,212 | 8,467 |
| Fire safety inspections | 2,965 | 3,745 | 4,590 | 3,762 | 2,195 |
| <i>Public Works</i> | | | | | |
| Miles of roadway resurfaced | 0.5 | 8.0 | 2.4 | 7.8 | 1.5 |
| Miles of roadway slurry sealed | 0 | 26 | 0 | 0 | 0 |
| <i>Planning</i> | | | | | |
| Number of building permits issued | 3,380 | 2,819 | 2,634 | 2,744 | 2,552 |
| <i>Recreation and Culture</i> | | | | | |
| Recreation Division programs | 2,803 | 2,807 | 2,800 | 2,800 | 2,800 |
| Program participants | 13,547 | 13,682 | 13,597 | 13,613 | 13,439 |
| <i>Community Development</i> | | | | | |
| Number of households assisted (Rental Assistance) | 1,394 | 1,546 | 1,470 | 1,471 | 1,599 |
| Owner occupied loans made for rehabilitation/purchase | 32 | 55 | 22 | 17 | 10 |
| Rental loans/grants for rehabilitation/purchase | 6 | - | 29 | 9 | 5 |
| <i>Electric</i> | | | | | |
| Electric customers billed monthly | 42,810 | 42,910 | 43,035 | 43,144 | 43,281 |
| Average sustained outages per customer per year | 0.18 | 0.28 | 0.43 | 0.31 | 0.29 |
| System average retail rates | 10.3 | 10.9 | 11.8 | 12.7 | 13.8 |
| <i>Water</i> | | | | | |
| Water produced (acre ft.) | 29,486 | 27,446 | 25,818 | 23,201 | 23,186 |
| <i>Wastewater</i> | | | | | |
| Totals household equivalents served | 41,207 | 42,079 | 41,523 | 41,431 | 41,710 |
| Clear Creek dry flow | 7.3 | 7.5 | 7.2 | 7.8 | 7.1 |
| Stillwater dry flow | 2.5 | 2.6 | 2.6 | 3.1 | 2.7 |
| <i>Storm Drains</i> | | | | | |
| Percentage of inlets cleaned/maintained (annually) | 1.3% | 1.4% | 1.4% | 4.5% | 4.3% |
| <i>Solid Waste</i> | | | | | |
| Total waste collected (tons) | 85,305 | 77,944 | 78,868 | 77,793 | 75,875 |
| Recyclables sales (tons) | 8,581 | 8,486 | 8,447 | 8,180 | 8,026 |
| <i>Transportation</i> | | | | | |
| Airport passenger movements/enplanements | 63,394 | 63,205 | 57,105 | 51,088 | 33,638 |
| RABA bus passengers | 735,568 | 743,455 | 723,452 | 727,094 | 812,347 |

Source: City of Redding

City of Redding
Operating Indicators by Function/Program (Continued)
Last Ten Fiscal Years

| <u>Function/Program</u> | Fiscal Year Ended June 30, | | | | |
|---|-----------------------------------|-------------|-------------|-------------|-------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| <i>Police</i> | | | | | |
| Calls for service | 91,501 | 91,917 | 95,237 | 96,436 | 95,233 |
| Felony arrests | 2,905 | 2,658 | 2,237 | 2,259 | 2,245 |
| Misdemeanor arrests | 7,596 | 4,010 | 5,668 | 6,039 | 7,860 |
| Total arrests | 10,501 | 6,668 | 7,905 | 8,298 | 10,105 |
| <i>Fire</i> | | | | | |
| Fire, explosion | 436 | 527 | 466 | 476 | 418 |
| Rescue, emergency medical call | 7,913 | 8,277 | 8,334 | 8,131 | 8,502 |
| Fire safety inspections | 2,972 | 3,452 | 3,511 | 3,661 | 3,500 |
| <i>Public Works</i> | | | | | |
| Miles of roadway resurfaced | 2.7 | 1.8 | 1.4 | 7.0 | 4.0 |
| Miles of roadway slurry sealed | 11.5 | 0.7 | 26.1 | 18 | 0 |
| <i>Planning</i> | | | | | |
| Number of building permits issued | 3,043 | 3,167 | 3,575 | 3,813 | 4,107 |
| <i>Recreation and Culture</i> | | | | | |
| Recreation Division programs | 2,800 | 2,800 | 2,800 | 2,650 | 1,586 |
| Program participants | 13,605 | 13,717 | 13,854 | 13,793 | 10,317 |
| <i>Community Development</i> | | | | | |
| Number of households assisted (Rental Assistance) | 1,450 | 1,485 | 1,447 | 1,556 | 1,542 |
| Owner occupied loans made for rehabilitation/purchase | 21 | 16 | 20 | 17 | 17 |
| Rental loans/grants for rehabilitation/purchase | 3 | 3 | 3 | 1 | 1 |
| <i>Electric</i> | | | | | |
| Electric customers billed monthly | 43,551 | 43,662 | 43,832 | 44,039 | 44,233 |
| Average sustained outages per customer per year | 0.62 | 0.26 | 0.49 | 0.38 | 0.53 |
| System average retail rates | 14.6 | 15.7 | 16.6 | 16.7 | 16.8 |
| <i>Water</i> | | | | | |
| Water produced (acre ft.) | 27,994 | 29,307 | 21,514 | 20,411 | 21,674 |
| <i>Wastewater</i> | | | | | |
| Totals household equivalents served | 40,598 | 41,988 | 42,641 | 42,209 | 46,079 |
| Clear Creek dry flow | 7.3 | 7.6 | 5.7 | 5.7 | 5.9 |
| Stillwater dry flow | 2.4 | 2.0 | 1.9 | 1.9 | 2.1 |
| <i>Storm Drains</i> | | | | | |
| Percentage of inlets cleaned/maintained (annually) | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| <i>Solid Waste</i> | | | | | |
| Total waste collected (tons) | 75,126 | 75,527 | 75,929 | 82,985 | 86,826 |
| Recyclables sales (tons) | 7,705 | 7,385 | 6,846 | 7,860 | 8,897 |
| <i>Transportation</i> | | | | | |
| Airport passenger movements/enplanements | 26,785 | 24,951 | 27,148 | 35,844 | 48,048 |
| RABA bus passengers | 814,123 | 827,924 | 742,712 | 664,367 | 679,527 |

Source: City of Redding

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SUPPLEMENTAL HISTORICAL INFORMATION

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CITY OF REDDING

AIRPORTS

Redding Municipal Airport serves the regional area of Northern California consisting of approximately 25,000 square miles covering some eight California counties. The population served is over 282,000 in the primary market (50 mile radius). Commercial, freight, and passenger services are provided by United Express / SkyWest Airlines, Peninsula Airways (PenAir), Federal Express, UPS, and Ameriflight. Fixed-based operators (FBOs) provide a wide range of services including general aircraft frame and engine maintenance, as well as avionics, charter services, sales of aircraft, flight instruction, and sales of fuels, lubricants, and accessories. Medical helicopter services and helicopter charters, repairs, and sales, are also available. Currently, four car rental agencies are available to serve the traveling public, three are on-site in the passenger terminal building. The two airlines, United Express & PenAir provide non-stop service from Redding to San Francisco, CA and Portland, OR, respectively.

There are 36 permanently assigned tie-downs, Eighty (80) more aircraft and eight (8) helicopter tie-downs for transients, 113 T-hangars, and 15 large commercial / corporate hangars that are maintained and leased out by the City of Redding – Airports Division. The T-hangars are approximately 92% occupied, with few vacancies. Last fiscal year (FY 2016-2017), a total of approximately 80,000 aircraft operations were recorded during the FAA Contract Air Traffic Control Tower operating hours from 6:30 a.m. to 9:30 p.m.

The Airport features a 32,000 square foot terminal to serve the traveling public that was expanded and remodeled in 2014. 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 77 spaces for rental cars, adjacent to the terminal building. The passenger terminal aircraft parking ramp is capable of receiving six medium-size jet aircraft at one time. During the 2016 calendar year, over 90,000 passengers traveled through the terminal building. The airport property includes a total of 1,511 acres.

The primary runway (16/34) is 7,003 feet in length and 150 feet wide with lighted distance-remaining markers. It also has a medium-intensity approach lighting system with runway alignment indicator lights (MALSR), a Category I instrument landing system (ILS) on Runway 34, runway-end identifier lights, precision approach path indicator light (PAPIs) on all runways, except Runway 12, a back course instrument landing system on Runway 16, a global position system (GPS/RNAV) approach, and a VHF omni-directional range (VOR) with distance-measuring equipment (DME). The crosswind runway (12/30) is 5,067 feet long and 150 feet wide.

Benton Airpark (O85)

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, 75 feet in width, and is lighted for night operations. There is a fixed-base operator (FBO) which provides a full range of aircraft services, as well as a café. The California Highway Patrol bases two helicopters and two fixed-wing aircraft at Benton. Also, there are 60 T-Hangars, 30 sun /shade covered aircraft parking spaces and 64 open tie-downs. Additionally, Benton has two designated helicopter pads and two privately built T-Hangars buildings with approximately ten T-Hangars in each. Benton experiences an estimated 37,000 annual aircraft operations. Collectively, there are over 100 aircraft based on the airfield. Benton Airpark has over 301 acres of land, a new Aircraft Wash Rack in 2015, and a new Automated Weather Observation System (AWOS) in 2017.

CITY OF REDDING ELECTRIC UTILITY SYSTEM

History

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

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

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

Distribution Service

The City's Electric Utility currently provides service to its customers in an area approximately 61 square miles in size, with 72 miles of 115-kV lines and 740 miles of overhead and underground 12-kV distribution lines. The City is proud of its record over the past five years of 99.997 percent electric service availability to its customers.

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

Design and right-of-way acquisition for distribution service to the Stillwater Business Park was completed in FY08. The Stillwater 115-kV line termination work was completed on August 15, 2008. The Stillwater 115-kV transmission project began construction in April 2012, and was completed on April 20, 2017. The City's current distribution system consists of eleven 115/12-kV distribution substations where power is transformed from 115-kV to 12-kV distribution voltage and connected to the service distribution transformers via the 12-kV distribution lines. The 12-kV distribution system is a very reliable radial-type system designed such that all customers can be served from another feeder if the normal source is experiencing a problem.

Power Supply

The City's retail power supply comes from a diverse portfolio. Redding typically receives about 35% of its power supply from Western in an average hydro year. FY 2016-17 was a higher than normal hydro year and as a result Western provided 43% of the City's system load. Western's power is generated at Shasta Dam and 11 other facilities, which are a part of the Central Valley Project (CVP). Redding also relies on the City's existing generation resources and other power-purchase and exchange contracts, as well as short-term firm purchases to provide low-cost service to all of the City's customers.

In order to accommodate anticipated growth, the City has developed several projects to generate power. The City's Whiskeytown Hydroelectric Project became operational on September 3, 1986. In August 1991, the City purchased a 28-MW steam turbine generation project located within the City's limits at Redding Power Plant. Three combustion turbine generators totaling 70-MW were added in 1996. In June 2002, the City commissioned Unit 5, a 43-MW highly efficient combined-cycle gas turbine with a heat recovery steam generator to be operated with the 28-MW steam turbine, bringing total on site generation to 141-MW. Construction began in September 2008 on Unit 6, which is a 47-MW combined cycle gas turbine nearly identical to the existing Unit 5. Unit 6 went into service in August 2011. In addition to its own generation, the City has acquired several other sources of electric power through long-term, purchase-power contracts and through its membership in a joint powers agency consisting of Modesto Irrigation District, City of Santa Clara, and City of Redding (M-S-R). Through the M-S-R joint powers agency, the City entered into a long-term power purchase agreement for 70-MW of wind generated energy, with deliveries that began October 1, 2006. 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: Balancing Authority of Northern California, 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. Currently, the City and M-S-R is in the process of divesting itself of its ownership of the San Juan generating station. The Southwest Transmission Project, which wheeled the San Juan power to Redding was sold May 2016 and the exit of the San Juan generating station will take place on December 31, 2017.

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

Customer Base

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

| | Number of Customer Accounts | | |
|---------------------------------------|------------------------------------|------------------------|--------------|
| Fiscal Year Ending June 30 | Residential | Non-Residential | Total |
| 2013 | 37,268 | 6,283 | 43,551 |
| 2014 | 37,387 | 6,275 | 43,662 |
| 2015 | 37,561 | 6,271 | 43,832 |
| 2016 | 37,751 | 6,288 | 44,039 |
| 2017 | 38,015 | 6,218 | 44,233 |

Source: Utility Billing System Marketing Report of Quarterly NAICS Usage.

The total number of electric system customer accounts increased 1.5 percent during the last five years, primarily due to residential account growth as non-residential accounts decreased slightly.

CITY OF REDDING
STORM DRAINAGE UTILITY SYSTEM

History

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

Service Area and Customers

The service area encompasses storm drainage facilities within the City limits. The overall conveyance system is comprised of both public and private segments. The Storm Drain Utility responds to the needs of the public component of the overall conveyance system. The following table provides an overview of the storm drainage system as of June 30, 2017:

| Workload and Performance Measures | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|--|----------------|----------------|----------------|----------------|
| Miles of Storm Drain Pipe | 199* | 197* | 197* | 197* |
| Miles of Channels/Ditches | 200** | 200 | 200 | 200 |
| Miles of Maintained Channels/Ditches | 23* | 24* | 17* | 17* |
| Number of Inlets | 7,068* | 6,594* | 6,590* | 6,613* |
| Number of Outfalls | 1,258* | 1,256* | 1,389* | 1,379* |

*Reconciled to reflect public facilities only. Private facilities not included.

**Clover Creek Preserve and Stillwater Business Park channels added.

The Storm Drainage Utility charges are based on impervious area. An impervious area is one that prohibits the natural drainage of rainwater into the ground (i.e., building, parking lot, etc.). Effective February 4, 2014, the City directed the Shasta County Auditor-Controller to collect the Storm Drain service charges. Storm Drain service fees have been frozen since 1993. The annual fees are as follows:

| | |
|--------------------------|----------------------------------|
| Commercial | \$19.07 per impervious acre x 12 |
| Multi-family/Mobile Home | \$9.96 per unit |
| Residential | \$15.84 per household |

Condition of System

The City of Redding maintains a well-trained and well-equipped work force with very limited funding. The Storm Drain Utility’s primary function is to operate the Storm Drainage system to prevent flooding, 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, which included a survey of the storm drain system. In 2015, City Council gave direction to proceed with an update to the Citywide Master Storm Drain Study.

In 2003, the City applied for a National Pollution Discharge Elimination System (NPDES Phase II) permit that was to be implemented over the five years of the permit life. The State of California Water Quality Control Board approved the permit and its proposed work plan in 2005. The individual City permit was superseded by the Statewide NPDES Phase II Small MS4 (municipal separate storm sewer system) permit effective July 1, 2013, with a five year implementation schedule of increased activities.

Additionally, a trash provision amendment to the Statewide permit was approved in April 2015. While the prevention of trash entering the waterways has multiple benefits, the realities of capturing all trash as small as 5mm in high priority areas (high density residential, industrial, commercial, mixed urban and public transportation stations) will prove to be challenging. The State is preparing guidance documents for compliance with a Track 1 (full capture systems) or Track 2 (plan with combination of full capture systems, multi benefit projects, institutional controls, and other treatment controls) approach within 10 years of implementing the amendment and no later than 15 years of the effective date of the Trash Amendments.

CITY OF REDDING

WASTEWATER UTILITY SYSTEM

History

The City began construction of the Wastewater System soon after its incorporation in 1887. The Wastewater System developed slowly until the early 1950s, at which time approximately 20 percent of the City's approximate 5,200 acres were served. Recognizing the need for a systematic expansion of the Wastewater System, in 1956, the City commissioned the development of a master plan for the City to follow in making necessary improvements. As a result of this plan, which was updated in 1964, the City added approximately 27 miles of sewer lines, primarily as a result of a series of sewer assessment districts, and in 1966 relocated its wastewater treatment plant from a location near the Cypress Avenue Bridge, 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. Throughout the years, the plant has undergone process upgrades and expansions with the most recent starting in 2006.

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 430 miles of interceptor and trunk sewers, 17 sewage lift stations, and two tertiary treatment plants.

Clear Creek Wastewater Treatment Plant

The Clear Creek Wastewater Treatment Plant is located at the confluence of Clear Creek and the Sacramento River. The plant has a dry weather daily flow capacity of 9.4 million gallons per day (MGD) and a peak day flow capacity of 40 MGD. The unit processes utilized at the plant include, among other things, the Clear Creek Lift Station, with an estimated effective pump capacity of 40 MGD, primary and secondary clarification, gravity filtration, chlorination for disinfection and sulfonation for dechlorination prior to discharge into the Sacramento River outfall via a new diffuser system. In addition, a series of eight flow equalization ponds provide raw sewage and/or primary effluent temporary flow storage should the influent flow exceed the capacity of the secondary treatment and filtration processes. Solids handling process include primary and secondary waste sludge streams being mixed, thickened and anaerobically digested. Additional solids treatment can take place in facultative sludge lagoons. A new Biosolids Handling Facility recently completed construction and is now in operation. This facility was designed for future centralization of biosolids for both Wastewater Treatment Plants. In 2005, the City Council had authorized modifications to the Clear Creek Plant at an estimated cost exceeding \$80 million. The upgrades were constructed in the following seven Bid Packages:

- Bid Package I began construction in the fall of 2006
- Bid Package II began construction in the fall of 2007
- Bid Package III began construction in the spring of 2008
- Bid Package IV began construction in the fall of 2008
- Bid Package V began construction in the summer of 2011
- Bid Package VI began construction in the winter of 2010
- Bid Package VII began construction in the fall of 2012 and was completed in the spring of 2014

The plant expansion and upgrades were funded by a loan from the State of California Revolving Loan Fund, ARRA Stimulus funds, with repayment through a combination of new connection fee revenue and monthly service charges.

Stillwater Regional Wastewater Treatment Plant

The Stillwater Regional Wastewater Treatment Plant is located on an approximately 300-acre site along Airport Road at the Sacramento River. The plant is designed for an average dry weather flow of 3.4 MGD and a peak wet weather flow of 14.4 MGD.

A facilities plan was prepared in 2008 for expansion of the plant in stages to treat an average dry weather flow capacity to 8 MGD and a peak wet weather flow capacity to 24 MGD. The first plant expansion project (Phase 1 A/B) began construction in the spring of 2012, and was completed in the spring of 2014. This plant expansion was funded by Wastewater Utility funds, and a loan from the State of California Revolving Loan Fund, with repayment through a combination of new connection fee revenue and monthly service charges.

Environmental Compliance

The discharge requirements for the wastewater system are established by the State of California Water Resources 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 (NPDES) by the United States Environmental Protection Agency (the “EPA”). The Clear Creek Wastewater System’s present discharge permit was adopted in 2017. The Stillwater Wastewater system permit was adopted in 2013 and will expire in 2018.

The City is responsible for satisfying these Federal 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 that includes local limits for priority pollutants and inspection and permitting of industrial discharges.

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 service area of the wastewater system is primarily the City, but includes small-unincorporated areas in the county. The 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, 2017. One household equivalent (HE) is the quantity of wastewater produced in the City of Redding by an average single-family residential household, which is 240 gallons per day (GPD). 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

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|----------------------------------|---------|---------|---------|---------|---------|
| Residential HEs | 31,172 | 31,365 | 31,970 | 31,763 | 32,068 |
| Commercial/Industrial HEs | 9,426 | 10,239 | 10,668 | 10,446 | 14,011 |
| Total System HEs | 40,598 | 41,604 | 42,638 | 42,209 | 46,079 |
| Annual System Growth | (3%) | 3% | 2% | (1%) | 9% |

The wastewater system currently has an average dry weather daily design flow capacity of 12.8 MGD. The actual average dry weather daily flow (months of July, August, and September) of the wastewater system for the five fiscal years ending June 30, 2017, is shown below.

Average Dry Weather Daily Flows Fiscal Years Ended June 30, 2017

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|--------------------------------|---------|---------|---------|---------|---------|
| Clear Creek Plant | 7.1 | 7.6 | 6.6 | 5.7 | 5.9 |
| Stillwater Plant | 2.4 | 2.0 | 2.0 | 1.9 | 2.1 |
| Total Wastewater System | 9.5 | 9.6 | 8.6 | 7.5 | 8.0 |

CITY OF REDDING 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 the 1941 acquisition of the local facilities of the California Water Service Company, together with its water rights, which date from 1886 and from a license to appropriate 5 cfs, issued in 1944.

Since 1939 when the City of Redding assumed control and operation of the water system, the City's population has grown from approximately 7,500 to 90,600. This growth includes 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). Additionally, in 1967, the City assumed operation of the Buckeye County Water District serving about 1,500 residents outside the City limits.

A 1966 contract with the United States Bureau of Reclamation (USBR or Bureau) was renegotiated in June 2005, with the USBR extending the contract for an additional 40 years through March 31, 2045. It details Redding's principal rights to the Sacramento River. The "Sacramento River" contract permits renegotiation at any time for more or less water subject to need and availability of water in the river. Water to be diverted consists of "base" and "project water" supplies. The Base Supply is 85 percent of the total, with Project Water being the remaining 15 percent of the total river water supply. The total entitlement is 21,000 acre-feet. Due to Pre-1914 water rights, our Base Water has no charge. Water charges in 2016/17 per acre-foot for Project Water under this contract total \$55.77 (\$28.45 average water cost, \$20.45 restoration charge and \$0.30 Trinity PUD fee).

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 reduction in "Critical Water Years." In 1992, 2007, 2014, and 2015 the Bureau decreased Redding's Project Supply entitlement by 25 percent.

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. In November 1994, the City amended this contract with the Bureau to add the Spring Creek Conduit as a point of diversion for the new Buckeye Water Treatment Plant. The Buckeye Contract's annual entitlement is also subject to reduction in "Critical Water Years." In 1992, 2008, 2009, and 2012 the Bureau decreased the Buckeye Contract Supply entitlement by 25 percent and in 2014, the contract entitlement was decreased by 50 percent. In 2015, the contract entitlement was decreased by 75 percent. 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 2016/17 delivery from that contract was 6,140 acre-feet. Water charges under this contract total approximately \$69.02 per acre-foot (\$28.64 average water cost, \$20.44 average restoration, \$0.30 Trinity PUD fee and a variable \$19.64 to \$20.82 foregone power charge per acre-foot).

Despite the cutbacks in previous years, the City's water supply was sufficient to meet its needs.

The Foothill Water Treatment Plant was constructed in 1981. The plant has a rated capacity of 28 million gallons per day (MGD). Facilities provide for online 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 Public Health 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 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|--|---------|---------|---------|---------|---------|
| Number of customers/services | 28,388 | 28,527 | 28,573 | 29,114 | 29,314 |
| Number of new meter sets | 185 | 89 | 197 | 163 | 159 |
| Quantity of water produced (acre feet) | 27,994 | 27,722 | 22,385 | 24,511 | 21,674 |
| Percentage of days water quality met standards | 100% | 100% | 100% | 100% | 100% |
| Number of service calls (Includes water quality) | 2,446 | 3,579 | 4,025 | 2,239 | 3,747 |
| Miles of water mains | 556 | 556 | 557 | 559 | 559 |
| Number of main and water service failures/disruptions per year | 424 | 486 | 942 | 115 | 89 |
| Miles of substandard mains | 42 | 42 | 42 | 42 | 42 |
| Customers/service connections per employee | 1,135 | 1,141 | 1,143 | 1,040 | 1,047 |

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 off Lake Boulevard, outside the City limits, near Walker Mine Road. Two steel reservoirs exist at this site--one 200,000-gallon tank and one 2 MG tank with an overflow elevation of 955 feet above mean sea level (msl). In 2002, an additional 4 MG reservoir was constructed ¼ mile east of the Buckeye Water Treatment Plant with an overflow elevation of 1,034 feet msl.

The Buckeye Water Treatment Plant (BWTP), completed in January 1995, serves the Buckeye Zone. The BWTP is located in unincorporated Shasta County, off Benson Drive, north of Rock Creek Road. The water plant has an interconnection to the USBR Spring Creek Conduit. Treated water is conveyed from the treatment plant through five miles of transmission main to the Buckeye area. The initial treatment capacity was 7 MGD with the ability to expand to 28 MGD capacity. In 2007, construction was completed on an expansion of the treatment plant to 14 MGD capacity. Along with the treatment plant expansion, 8,000 feet of 30-inch water transmission main was installed to provide treated water to the Buckeye Pressure Zone. This treatment plant meets all the existing United States Environmental Protection Agency (USEPA) regulations, including the 1986 & 1996 Safe Water Drinking Act amendments. The treatment plant also meets all the requirements of the California State Water Resources Control Board, Division of Drinking Water and Environmental Management. (State regulatory authority was transferred from the California Department of Public Health to the California State Water Resources Control Board during the summer 2014.)

Foothill and Hill 900 Zones

Construction of Redding's Foothill Water Treatment Plant (FWTP) was completed in September 1981. The treatment plant consists of pre-chlorination and chemical treatment followed by filtration and post-chlorination. River water from Pump House No. 1, located on the south side of the Sacramento River, west of the Diestlehorst Bridge, enters the treatment plant through a 36-inch main. In 2006, Pump Station No. 1 Fish Screen Retrofit Project was completed to meet the requirements of the CAL-FED Anadromous Fish Screen Program. In 2010, an additional 30-inch main from Pump House No. 1 was installed to the FWTP.

At the FWTP, chlorine is added for disinfection and odor control. Water then flows through dual media filtration and is post-chlorinated prior to entering a 6 MG covered storage reservoir.

Finished water storage for water produced at FWTP is provided as follows:

1. One 6 MG covered storage reservoir at the treatment plant, and one 4 MG steel reservoir at Foothill Blvd, each with an overflow elevation of 743 feet msl.
2. One 2.0 MG pre-stressed concrete reservoir and one 2 MG steel reservoir having an overflow elevation of 925 feet msl near the FWTP 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 House 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 in 1995. This supply is an additional 1.4 MGD to the southern end of the Hill 900 Zone from the Cascade Zone, if necessary.

Enterprise Zone

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

The system was served originally by five wells located over the Enterprise Sub-basin of the Redding Groundwater Basin. 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 FWTP. In 1985, approximately five miles of 12, 16, and 24-inch transmission mains were constructed from the Enterprise well fields on Goodwater Avenue to serve the U.S. Forest Service and Municipal Airport off Airport Road. In 1986, three 2 MGD capacity wells were added to the Enterprise Zone. In 1988, a 24-inch transmission main was constructed from Goodwater Avenue along Rancho Road westerly via South Bonnyview Road to the Cascade Zone. In 2002, 2.5 miles of 24-inch transmission main was constructed from Rancho Road north along Airport Road in the Enterprise Zone to maximize the production of the groundwater wells. In 1991, another 2 MGD capacity well was added to the Enterprise Zone. Two additional 2 MGD capacity wells were added during 2003. In 2007, another 2 MGD capacity well was added to the Enterprise Zone and in 2008, an additional 2 MGD capacity well was added.

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

The main storage reservoirs are located above the Quail Ridge Subdivision off Canby Road. Two steel storage tanks are located at the same site, with a capacity of 3.5 and 6.0 MG and an overflow elevation of 706 feet msl. During periods of peak demand, these tanks and the well field, at the southwestern boundary of the zone, and treated water from the FWTP 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 from the Enterprise Zone by Pump Station No. 5, and the Buckeye Zone by gravity.

Cascade Zone

The supply source for this zone comprises five wells, located over the Anderson Sub-basin, 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 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 FWTP 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 have an overflow elevation of 696 feet msl.

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. 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 Water Master Plan; revisions to the system are programmed, designed, and installed in accordance with this plan. The system is well-maintained in all regards, including raw water supply, pumping structures, equipment, transmission lines, and water treatment facilities. However, continual renewed investment in capital facilities such as distribution pipelines, reservoirs, and wells will be necessary to maintain the current level of service, due to the demands of population growth and aging infrastructure.

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