

COMPREHENSIVE
ANNUAL FINANCIAL
REPORT
for the
CITY OF REDDING



Redding, California

FISCAL YEAR ENDED JUNE 30, 2004

ISSUED BY THE FINANCE DIVISION

STEPHEN W. STRONG
FINANCE OFFICER

CITY OF REDDING
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Year Ended June 30, 2004

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INTRODUCTORY SECTION

CITY OF REDDING



ADMINISTRATIVE SERVICES DEPARTMENT

FINANCE DIVISION

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December 22, 2004

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, 2004. 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 City's financial statements have been audited by Hathaway and Ksenzulak, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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.

GENERAL INFORMATION

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 staggered 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 87,280 and encompasses approximately 60 square miles within the corporate limits. Extracting timber and the processing of wood byproducts along with agriculture, tourism and government have historically been the pillars of the local economy. Over the past few decades, there has been a general shift toward a service-based economy.

REPORTING ENTITY AND ITS SERVICES

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

City Council members in separate sessions serve as the governing board of the Redding Joint Powers Financing Authority and Redding Redevelopment Agency. All five members of the City Council sit on the eight-member governing board of the Redding Area Bus Authority and the six member Housing Authority's board. City staff provides accounting and administrative services to all 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, airports, convention and auditorium facility, utilities (electric, water, wastewater, storm drainage, and solid waste collection and disposal), and general administrative services.

LOCAL ECONOMY

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

Population Characteristics - The City was one of the fastest growing cities in California between 1970 and 1990, growing to 66,462 residents in 1990 from 16,659 in 1970. Since 1990 the City's population growth has been approximately 2% per year. The City's population of 87,280 has increased 7.1% over the 2000 U.S. Census tabulation. The City's population represents

approximately 50% of Shasta County’s population. The following table indicates population growth for the City and Shasta County from 1970 to 2004:

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

Source: 1970-2000 data from U.S. Census; 2001 – 04 data from the California State Department of Finance as of January 1.

The following table sets forth a projection of the City’s population growth over the next 10 years, a projected growth for the community of approximately 15,000 representing an increase of approximately 17.1%:

| Year | Population (Rounded) |
|------|----------------------|
| 2004 | 87,500 |
| 2009 | 96,400 |
| 2014 | 102,500 |

Source: Economic Sciences Corp.

The Redding area is expected to maintain approximately 50% of the total Shasta County population because of a variety of factors that will support urban development, including utilities (wastewater, storm drainage, water, electric, and solid waste), employment, regional shopping, transportation services, and reduced commuting.

Housing Costs - Housing in the City is less costly than in many other urban areas in the State of California and on the West Coast. The following table sets forth the median price of housing in other urban areas of California as compared to Redding as of June 2004:

| Region | Single Family Homes |
|--------------------|---------------------|
| Redding | \$239,000 |
| Sacramento | \$321,010 |
| Los Angeles County | \$445,140 |
| Orange County | \$657,930 |
| San Francisco | \$655,990 |

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

Industrial Development Cost and Lease Rates - Industrial land costs vary with the degree of available infrastructure and proximity to other related and supportive industries. A prime site is one that has readily available utilities (gas, water, wastewater, and electric) and has access to transportation systems, including a major freeway system, trucking, railway, and an airport. Following are comparative amounts for the 2004 cost per square foot for a fully improved five-acre parcel of industrial land, including all bonds and assessments:

| <u>Region</u> | <u>Average Prime</u> |
|---------------|----------------------|
| Redding | \$2.50 - 3.50 |
| Chico | 3.25 |
| Sacramento | 4.50 - 6.00 |
| San Jose | 15.00 - 20.00 |

Source: Coldwell Banker Commercial Properties

The monthly lease rate for industrial buildings varies with location, infrastructure, type, and square footage of the building. The following table compares monthly 2004 lease rates from several areas for a metal fabricated building of 10,000 square feet containing a small office and facilities, roll-up doors, and paved parking:

| <u>Region</u> | <u>Gross Basis</u> |
|---------------|--------------------|
| Sacramento | \$0.38 - \$0.50 |
| Redding | \$0.45 |
| Chico | \$0.40 - \$0.45 |
| San Jose | \$0.90 |

Source: Coldwell Banker Commercial Properties

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

The major non-local government employers in the City and the County include those in medical services, heavy forest products, and retail services. Major private employers in the Redding area, their products or services, and the approximate number of their respective full time employees as of June 2004 are listed in the following table:

| <u>Company</u> | <u>Product/Services</u> | <u>Employees</u> |
|---------------------------|-----------------------------|------------------|
| Mercy Medical Center | Medical Facilities/Services | 1,562 |
| Holiday Markets | Grocery | 1,050 |
| Shasta Reg. Medical Cntr. | Medical Facilities/Services | 850 |
| Sierra Pacific Industries | Manufacturing | 690 |
| Redding Rancheria | Casino/Health Clinic | 612 |
| Blue Shield of California | Health Care Insurance | 600 |
| J & A Food Service | Food Services/Restaurants | 600 |
| Shasta Nursery | Plants | 600 |
| Wal Mart | Retail | 456 |
| PG&E | Utilities | 275 |

Source: Greater Redding Chamber of Commerce

According to the State Employment Development Department, the unemployment rate of the City's metropolitan area was 7.9% on June 30, 2004. The following table sets forth the number and rate (expressed as a percentage) of unemployed persons living within the City's metropolitan area for the month of June 1997 through June 2004:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Labor Force</u> | <u>Unemployment</u> <u>Number</u> | <u>Rate</u> |
|---|--------------------|--------------------------------------|-------------|
| 1997 | 74,100 | 6,500 | 8.8% |
| 1998 | 72,900 | 6,600 | 9.1% |
| 1999 | 73,500 | 5,100 | 6.9% |
| 2000 | 76,200 | 5,100 | 6.7% |
| 2001 | 75,500 | 4,600 | 6.7% |
| 2002 | 77,500 | 5,400 | 7.0% |
| 2003 | 81,800 | 6,200 | 7.6% |
| 2004 | 84,200 | 6,700 | 7.9% |

Source: State Department of Employment

Construction Activity - For the past ten calendar years ending December 2003, the City issued building permits valued at a total of \$1,165,787,187. New construction over the ten-year period represents 75% of the total construction activity. For the 2003 calendar year 4,242 building permits were issued, with a total permit valuation of \$183,513,594. The City of Redding is experiencing moderate growth at this time. Current trends indicate that the City of Redding will continue to grow at a moderate growth rate in the years to come.

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

| | 2001 | 2002 | 2003 |
|-------------------------|---------------|---------------|---------------|
| Value Single Family* | \$79,087,448 | \$96,289,276 | \$85,405,901 |
| Number of Permits | 506 | 587 | 471 |
| Value Multi-dwellings | \$ 415,756 | \$6,451,892 | \$7,852,015 |
| Number of Permits | 2 | 24 | 7 |
| Number of Units | 6 | 97 | 129 |
| Value Business | \$31,697,413 | \$34,446,221 | \$25,138,672 |
| Number of Permits | 74 | 45 | 74 |
| Value Total all Permits | \$136,689,172 | \$178,620,374 | \$183,513,594 |
| Total permits ** | 3349 | 3840 | 4242 |

* Value of new Construction only

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

Source: COR Development Services Dept.

Commerce - The City is a regional center of commerce for several Northern California counties. This is evidenced by its many shopping centers and malls. Support for retail sales is derived from a retail trade area population of approximately 176,000 in the primary trade area and approximately 246,000 in the secondary trade area. The primary trade area consists of the metropolitan urban area, including the cities of Redding, Shasta Lake, and Anderson. The secondary trade area consists of Shasta, Trinity, and Tehama counties. Taxable transactions in the City reached \$1,748,793,000 in calendar year 2003, a 5.9% increase over the same period for 2002. The number of outlets reporting taxable sales to the California State Board of Equalization remained fairly constant, from 2,900 in 1997 to 3,061 in 2003 as follows:

| Year | Number of Outlets | Taxable Transactions (In Thousands) | Taxable Transactions Percentage (In Thousands) Increase (Decrease) |
|------|-------------------|-------------------------------------|--|
| 1997 | 2,900 | 1,165,153 | 4.2 |
| 1998 | 2,884 | 1,198,000 | 2.8 |
| 1999 | 2,836 | 1,327,370 | 10.8 |
| 2000 | 2,863 | 1,453,052 | 9.5 |
| 2001 | 2,906 | 1,561,842 | 7.5 |
| 2002 | 2,984 | 1,652,064 | 5.8 |
| 2003 | 3,061 | 1,748,793 | 5.9 |

Source: California State Board of Equalization

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

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

“THE RIDE” is the City’s multi-bus transportation system and offers thirteen different fixed routes, rural service and demand response (curb-to-curb) services. THE RIDE had an average total monthly ridership of more than 60,000 for fiscal year 2003-04.

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 SBC.

Community Services - Youth in the area attend school at one of 24 elementary schools, 9 middle schools, and 8 high schools. Shasta College, a two-year institution, offers both day and evening courses to approximately 11,000 students. Simpson University, a four-year liberal arts institution, has current enrollment of approximately 1,200 students.

The City's parks system includes 63 developed parks, encompassing 406 acres. Included in this total acreage are 68 acres of natural area parks (improved open space), and 27 miles of trails. In addition, the City has 14 special purpose facilities, including the Redding Convention Center, which hosts cultural/performing arts programs, conferences, and conventions; The Redding Aquatic Center; the Redding Big League Dreams Sports Park; the Senior Citizens Center; 3 boat ramp facilities providing access to the Sacramento River; and various community centers and special event venues such as the Martin Luther King, Jr. Center, the Caldwell Recreation Center, and the Civic Center's Community Room.

The City serves as the primary medical center for Northern California. The City's two general care hospitals serve approximately 360,000 people in Shasta, Tehama, Trinity, Siskiyou, and Lassen counties. The two hospitals have a total of 542 beds and employ approximately 2,400 staff members. In addition, the City also has several specialized hospitals.

Significant Events and Accomplishments Fiscal Year 2003-04

Natural Gas Storage Facilities - To ensure the reliability of REU's generation facilities, Lodi Gas Storage, LLC was contracted to provide 300,000 Decatherms per day of natural gas storage. The use of this storage facility will position REU to dampen the effects of the volatile gas market and thereby help to stabilize gas supply costs to a greater extent. The annual cost for this service is about \$250,000.

Blue Shield - The Redding Redevelopment Agency, as part of its development partnership program, expended \$832,000 for the cost of frontage and off-site improvements associated with the development of a \$9.5 million customer-service and claims-processing center by Blue Shield of California. The center opened with approximately 280 employees.

Browning Street Extension - The Browning Street road widening and extension between Hilltop Drive and Canby Road was completed at a total cost of \$1,056,000, including property acquisition and road construction. Browning Street provides an efficient east-west circulation alternative around the regional commercial area to the south, thereby helping ease demands on Dana Drive and other area streets.

Parkview Neighborhood Revitalization - Twenty-six substandard housing units and one commercial building were demolished during the year as part of a revitalization effort. All qualifying tenants received compensation for being displaced and were found affordable housing to which they were relocated. A Disposition and Development Agreement was executed for the construction of 33 residential units in the core of the neighborhood. Construction has begun on the project.

Streets - During 2003-2004, the City was in a position to allocate over \$2,000,000 for the repair of streets. The main arterials that were resurfaced included Lake Blvd. from Market Street to Tamarack Drive, Clear Creek Road from Market Street to the City Limit. Additionally a portion of Court Street north of Eureka Way and repairs on Churn Creek Road south of College View Road were completed. In addition to paving, the City completed a sealing program in which 209,792 square yards of sealing was placed. The City of Redding maintenance crews placed 3,151 tons of asphalt on 22 street segments within the City over 13,501 lineal feet.

Oasis Road Specific Plan - Work on the Oasis Road Specific Plan (ORSP) during 2004 – 2005 focused on the selection of a preferred land use alternative that will be analyzed in detail in the environmental impact report (EIR). The City Council selected an alternative for further study, and work on the EIR began in September 2004. When adopted, the ORSP will serve as the basis for development policies for the Oasis Road/Interstate 5 interchange area. The purpose of the ORSP is to ensure orderly development of Redding's next major regional scale commercial area.

Housing Element - Development Services staff prepared the required update of the Housing Element (Element) of the City's General Plan. The Element was subsequently approved by the State Department of Housing and Community Development and adopted by the City Council. The work included bringing all statistical data up to date, analyzing housing trends and needs, and developing a program to ensure that all segments of the community can find decent affordable housing. This update will take the City through June 2008, at which time the Element must be updated again.

Shasta View Drive - This project constructed the portion of Shasta View Drive between Galaxy Way and Saturn Skyway. It was completed in August 2004. The project was funded by the City and had a total project cost of \$1,155,700.

Turtle Bay Sundial Bridge - Following the raising of the spire in summer 2003 and deck work in spring 2004, work was completed on the glass-decked Sundial pedestrian bridge designed by world-renowned architect Santiago Calatrava. The bridge was opened July 4, 2004, and is now part of the City of Redding's nationally recognized Sacramento River Trail system, linking all 300 acres of the Turtle Bay Exploration Park.

Redding Sports Complex - Construction has been completed on the \$19 million Redding Sports Complex, and the Grand Opening Ceremony took place on July 31, 2004. The project, being built on a 100-acre site in east Redding just north of Highway 44 at the Viking Way and Old Oregon Trail intersection, features the following amenities:

- Three youth baseball/adult softball fields built to replicate major-league baseball stadiums (Chicago's Wrigley Field, Boston's Fenway Park and New York's Yankee Stadium).
- Two non-replica softball fields. (Pawtucket and Des Moines)
- A 27,000-square-foot indoor multi-sport field house designed to accommodate inline hockey, basketball, soccer, volleyball, and corporate and special events with concession stand.
- Other features, such as nine batting cages, four sand volleyball courts, a tiny-tot playground, concession stands picnic areas.
 - The Stadium Club, a food-and-beverage family-style restaurant, designed and operated to attract and accommodate league, tournament, and corporate users.

Westside Sewer Interceptor - This \$15.5 million construction project was substantially complete and successfully placed in service during 2003-04.

Clear Creek Wastewater Treatment Plant Upgrade and Expansion - The initial planning for the upgrade and expansion of this facility began in 2003-04 with a \$865,000 Facility Plan by Brown and Caldwell Engineers. This study is being completed during FY 2004-05.

Water Utility - In 2002, the Water Utility embarked on a program of installing Encoder Receiver Transmitters (ERTs), mobile reading, on all water meters 3-inches and larger to obtain more accurate renderings. In addition, many residential ERT meters were installed at locations within the City in an effort to address access and safety risk issues encountered by meter reading personnel. The success of this endeavor has prompted staff to replace and install ERTs on all water meters within the Buckeye Water Service Area. The water meters with ERTs will increase meter reading efficiencies and help to reduce cross costs.

Land Acquisition - Redding Municipal Airport - In an effort to ensure runway approach protection and allow for future expansion, over 200 acres have been purchased over the past year.

Projects for Fiscal Year 2004-05 and Beyond

Substation 115/12kV Transformer Addition - In recent years, significant electrical load growth has occurred in the east and southwest Redding areas. To assure continued reliable electric service, during 2005, a second 115/12kV transformer at the Moore Road Substation will be installed. Project cost is currently estimated at \$1.7 million. Prior to the end of 2007, a fourth 115/12kV transformer at Canby Substation will be installed. The cost for this project is currently estimated at \$2.3 million.

Turbine Module Replacement - The Electric Utility is planning to purchase a complete turbine module for its turbine. This will allow the Electric Utility to reduce outage time for normal turbine maintenance by over 50% while providing critical spare parts on-site that normally have lead times of up to one year. In this manner, not only is the availability of the unit increased, but overall maintenance costs are reduced as well. The new module plus installation and the refurbishment of the existing module is anticipated to cost approximately \$8,800,000.

Natural Gas Supply Portfolio Enhancements - The Electric Utility is exploring several options to enhance our existing natural gas supply program. These enhancements include exploring joint purchasing arrangements with other municipal utilities to make larger, more cost-effective purchases, underground storage agreements, and natural gas reserve purchases.

California's Electricity Market Design - Due to the expiration of contracts between Western and PG&E on December 31, 2004, the Electric Utility has aggressively replaced the energy lost from the Western power supply with new purchase agreements, as well as the installation of a new combined cycle generating unit at its power plant. These efforts are intended to protect Redding consumers from the overly complex, high cost and ever changing California electricity markets.

Redding/Shasta Lake Agreements - Redding and Shasta Lake recently completed two significant agreements. Under the first agreement, Shasta Lake will be selling its 25.37MW of the California-Oregon Transmission Project entitlement to Redding for approximately \$7.2

million for the life of the asset. Under the second agreement, for a three-year period beginning on January 1, 2005, Redding will provide Shasta Lake with the necessary power to supplement its allocation of federal power.

Clover Creek Caretaker and Maintenance Facility Cottage - The Electric Utility is funding a home that will be located in the 160-acre Clover Creek Preserve. This home will feature the latest in energy efficiencies, both in products and services, and will demonstrate the practicality of applications for all sizes of homes.

Shasta College - Shasta College, the Redding Redevelopment Agency, and the City of Redding entered into an Agreement to facilitate development of a new 45,000-square-foot Health Sciences Center at the north end of the enclosed Downtown Redding Mall. The new facility will house the College's nursing and dental hygiene programs, with an expected daily attendance of 130 students and staff. Construction of the Health Sciences Center should begin in 2005.

Riverfront Playhouse - Plans are to acquire property as part of the Downtown revitalization effort and enter into an agreement with Riverfront Players for the disposition and renovation of the property and the relocation of the Riverfront Playhouse to Downtown.

Clover Creek Preserve - A total of \$4.3 million was expended through the end of fiscal year 2003-04 on the development of a storm-drainage detention facility in the eastern section of the City. The purpose of the facility is to provide needed flood-control protection and floodplain management throughout the Clover Creek drainage basin. Completion is anticipated by the end of 2004.

Martin Luther King, Jr. (MLK) Neighborhood Revitalization - In February 2003, the City Council and the Agency approved the MLK Neighborhood Revitalization Plan and associated \$7 million budget. The adoption of the plan was the culmination of approximately 18 months of work by staff and a six-member citizens ad hoc committee. The plan's goal is to provide a safe, pleasant, family-oriented, multi-cultural residential neighborhood.

Transitional Housing - The Redding Redevelopment Agency has committed \$1 million toward the development of a transitional facility to provide affordable housing to eligible families that personally commit to overcoming barriers to achieve housing self-sufficiency. A local nonprofit agency will be responsible for the development and operation of the facility. It is anticipated that the project will be completed by the end of 2005.

Downtown 300 - (1) Agency staff is working with LINC Housing to pursue the acquisition and development of one or both of two identified high-potential sites for mixed-use projects in Downtown; (2) Agency staff has also secured a Right-of-Entry from Greyhound to conduct an environmental assessment of the site. This is the first step that could ultimately lead to Greyhound relocating to a future Redding Area Bus Authority multimodal facility. Staff has proposed that the site be selected by the State as a Target Site for a full assessment at no cost to the Agency or Greyhound.

Fire Station 8 - A new Fire Station, in the northeast area of the City will be located at 131 Churn reek Road, (just south of College View Drive and Highway 299). The anticipated completion date is Summer 2005. The 8,000 square foot station will house one fire engine, and be staffed

with two firefighters on duty at all times. This will greatly improve the emergency response times to that area of the City. The new fire engine is on order, with delivery expected in June 2005.

Airport Fire/Rescue - The Federal Aviation Administration is requiring and funding the construction of a new Aircraft Firefighting/Rescue fire station at the airport. Two very large and very specialized aircraft firefighting and rescue response vehicles will be housed in the new station. It is anticipated that construction will be completed by September 2005.

Cypress Avenue Bridge Widening - This is a multi-year project to rehabilitate and widen the Cypress Bridge over the Sacramento River. The construction cost estimates for the bridge widening and intersection improvements at Athens Avenue and Hartnell Avenue range from \$30 million to \$40 million. The environmental process for this project is nearing completion. Once this process is complete, design and right-of-way acquisition can proceed. Construction could take from 36 to 48 months.

Dana Drive On-Ramp/Sacramento River Bridge Widening - This project will construct an additional westbound lane over SR299 from I-5 to Auditorium Drive to add a third travel lane. It will also make the connection for the extension of Dana Drive from Hilltop Drive to the SR299 on-ramp. Caltrans is the lead agency for the project, and funding is provided through the State highway account. Construction is scheduled to start by January 2007.

Redding Soccer Complex - Construction on this \$5.5 million project is planned for 2005. This 20-acre project, being built on adjacent to the Redding Big League Dreams Sports Complex on a 100-acre site in east Redding just north of Highway 44 at the Viking Way and Old Oregon Trail intersection, will feature the following amenities:

- Four lighted all-weather synthetic turf soccer fields;
- Concession, restroom and maintenance buildings;
- Parking, lighting, landscaping and walkways.

This project will more than double the City's current inventory of soccer fields. Additionally, the field lighting will permit extended hours of play and the all-weather surface will accommodate year-round play with minimal maintenance costs, providing the equivalent benefit of seven additional natural grass fields.

Boulder Creek Interceptor - This \$4.65 million project will continue the previous Eastside Interceptor project by expanding wastewater collection capacity in the east and north areas of Redding. The design will be performed during FYs2004-6 with construction during FY2005-06.

Force Main for North Market Lift Station - This \$2.70 million project will replace and expand the existing aging sewer line that is suspended over the Sacramento River with a large pipeline that will be bored under the river, providing more wastewater collection capacity and a more reliable pipeline to ensure environmental protection. Facility design will be performed during FYs2004-06 with construction during FY2005-06.

Mary Street Lift Station Sewers - This \$7.10 million project in west Redding will expand and replace the force main leaving the Mary Street Lift Station, the lift station and the collection

trunk sewer below the Mary Lake subdivision down the Jenny Creek drainage to the lift station. Design is scheduled for FYs 2004-06 with construction in FYs 2005-07.

Clear Creek Wastewater Treatment Plant Upgrade and Expansion - This \$40 to \$60 million project will be designed and constructed in phases to keep it affordable and so it can evolve over time into the ultimate facility that will be needed in the future as documented by the Facility Plan. The preliminary design and environmental permitting is scheduled for FYs2004-06, final design of the first phase in FYs2006-07 and construction of the first phase in FYs2007-09.

Buckeye Water Treatment Plant Expansion - Engineering for the expansion of the Buckeye Water Treatment Plant from 7 million gallons per day (mgd) to 14 mgd will start next year. Design cost, including plans, specifications, engineering and environmental clearance is estimated at \$1,000,000 for fiscal year 2004 - 2005 and \$1,071,000 for fiscal year 2005 -2006. The construction which is budgeted for the 2006 - 2007 fiscal year is estimated at approximately \$8,638,000.

CASH MANAGEMENT

The City follows the practice of pooling temporarily idle cash during the year. Monies not required for immediate expenditure are invested in accordance with the State code and the City's formal investment policy. These monies were invested in time certificates of deposit, commercial paper, demand deposits, U.S. Government securities, medium term Corporate notes, and the State of California Local Agencies Investment Fund.

RISK MANAGEMENT

The City is self-insured for employee health, worker's compensation, and liability insurance coverages. These programs are administered through private contractors. The City is self-insured up to \$300,000 for workers' compensation, up to \$500,000 and over \$25 million for liability insurance, and up to \$25,000 for property damage insurance. The City is co-insured for workers' compensation claims of \$300,001 or more, for liability claims of \$500,001 to \$25 million, and for property damage claims over \$25,000.

Health insurance, workers' compensation, liability and property insurance activities are reported in the risk management internal service fund. The cost of workers' compensation claims as employee benefits is charged to the fund that employs the claimant. Funds determined to be at risk for liability and property insurance are charged a percentage of the estimated total cost of the insurance program. Percentages are based upon loss experience and are reported as quasi-external transactions. The estimated liability for pending and incurred but not reported claims is \$13,376,260 and are included in year-end accruals.

FEDERAL GRANTS SINGLE AUDIT APPROACH

The City of Redding is required to undergo a single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits

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

As a recipient of Federal, State, and County financial assistance, the City of Redding is responsible for implementing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. The results of the City of Redding's single audit for the fiscal year ended June 30, 2004 provided no instances of material weaknesses in the internal control structure or significant violation of applicable laws and regulations.

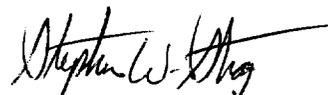
CERTIFICATE OF ACHIEVEMENT

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 for the fiscal year ended June 30, 2003. This was the 20th 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 City's professional and accounting staff who made this presentation possible. In addition, I would like to extend a special thanks and recognition to Dennice Maxwell, Assistant Finance Officer, who was primarily responsible for the coordination of the audit and preparation of the financial report. It is the combined effort of all participants that resulted in the issuance of this document.



Stephen W. Strong
Finance Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redding,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



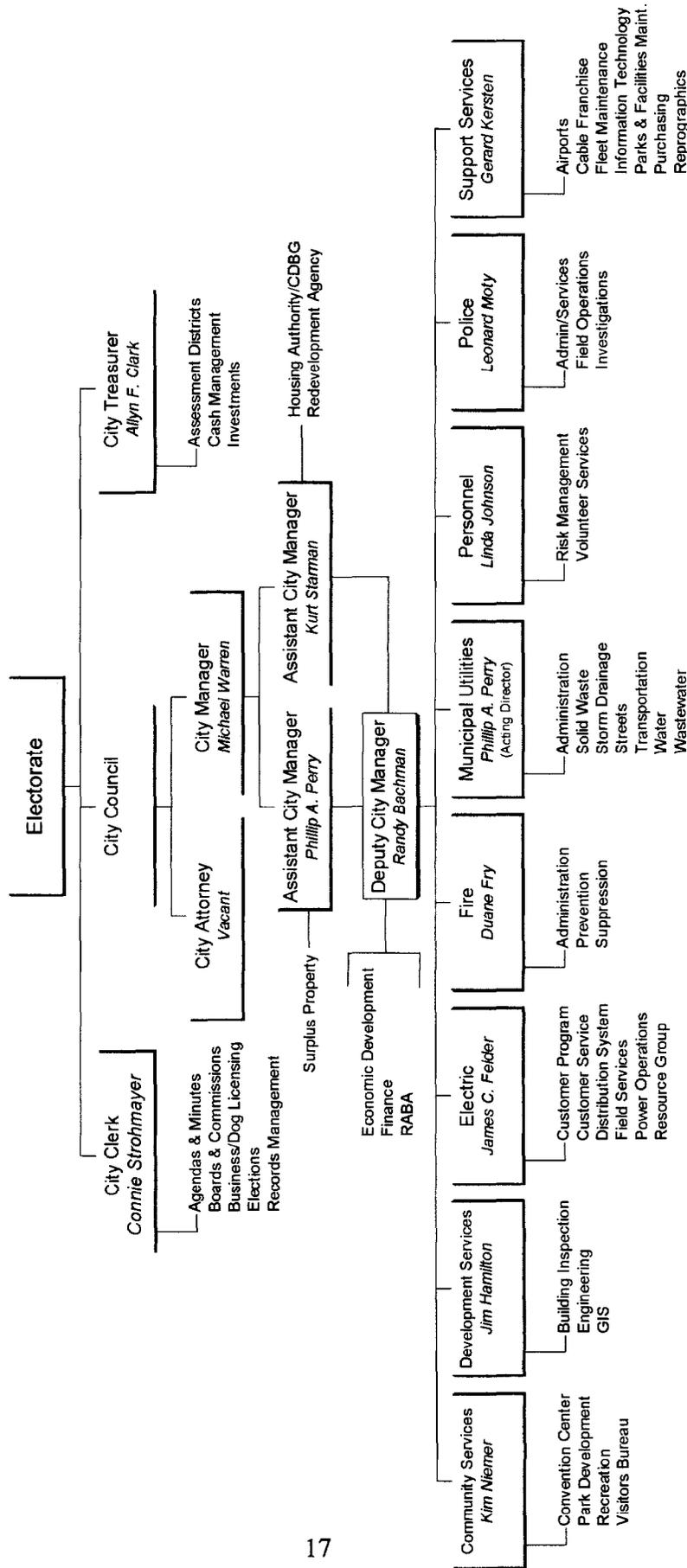
Nancy L. Ziehl

President

Jeffrey R. Egan

Executive Director

City of Redding Organizational Chart



MUNICIPAL OFFICIALS

City Council

Mayor.....Michael Pohlmeier
Vice Mayor Mary Stegall
Council MemberMark Cibula
Council MemberPat Kight
Council Member John Mathena

Administrative Personnel

City Manager Michael Warren
Assistant City Manager..... Phillip A. Perry
Assistant City Manager.....Kurt J. Starman
Deputy City Manager.....Randy Bachman
City Attorney.....Brad Fuller
City Clerk.....Connie Strohmayer
City Treasurer Allyn Feci Clark
Director of Administrative ServicesRandy Bachman
Director of Community Services Kim Niemer
Director of Development Services..... Jim Hamilton
Director of Electric Jim Feider
Director of Municipal Utilities (Acting)..... Phillip A. Perry
Director of Support Services.....Gerard Kersten
Fire Chief..... Duane D. Fry
Police Chief..... Leonard F. Moty

FINANCIAL SECTION



**Hathaway &
Ksenzulak, LLP**
Certified Public
Accountants

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James Viola Jr., CPA
David L. Wallace, CPA

INDEPENDENT AUDITORS' REPORT

Honorable City Council
City of Redding
Redding, CA

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, as of and for the year ended June 30, 2004, which collectively comprise the City of Redding's financial statements as listed in the table of contents. These financial statements are the responsibility of City of Redding's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redding as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

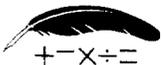
In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 10, 2004, on our consideration of the City of Redding's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis are not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of the City of Redding taken as a whole. The accompanying information identified in the table of contents as combining financial statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The information identified in the table of contents as the Introductory Section, Statistical Section, Budgetary Comparison Schedules and Supplemental Historical Information is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Redding. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Hathaway & Ksenzulak, LLP
December 10, 2004



Management's Discussion and Analysis

As management of the City of Redding (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2004. The management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address future challenges), (d) identify any material deviations from the financial plan (approved budget), and (e) identify individual fund issues or concerns.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (beginning on page 3) and the financial statements (beginning on page 40).

FINANCIAL HIGHLIGHTS

- The City's net assets increased by \$53.4 million. The governmental net assets increased by \$35.8 million and the business-type net assets increased by \$17.6 million
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$97.4 million, an increase of \$11.2 million in comparison with the prior year. Approximately 39% of this total amount, \$37.6 million, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$18.8 million, or 32.6% of the total general fund expenditures. This is an \$11.4 million increase from the prior year. The increase is primarily due to transferring \$10 million that had been in a separate fund for contingencies. The amount now shows as designated for contingencies in the General Fund.
- The City net debt decreased by \$1.5 million. The City issued new debt totaling \$52 million (21%) during the current fiscal year. The increase was due to issuing refunding bonds, issuing tax increment bonds for redevelopment projects, financing a portion of a new fire station, borrowing for recreation projects, and new equipment capital leases. The city debt decreased by \$53.4 million due to defeasing debt and regular scheduled debt service.

USING THIS FINANCIAL REPORT/ OVERVIEW OF REPORT

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

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 40 - 43 of this report.

Fund Financial Statements

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

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

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

The City maintains eighteen 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, General Capital Project Fund and the 1915 Act Assessment District Bonds, which are considered to be major funds. Data from the other fifteen governmental funds are 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 44-53 of this report.

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

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

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

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

The basic fiduciary fund financial statement can be found on page 64 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 65-101 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. During the City's fiscal year ended 2004, net assets changed as follows: (all amounts are in thousands)

| | Government Activities | Business Activities | Total |
|--------------------------------|--------------------------|------------------------|------------|
| Beginning net assets, restated | \$ 178,226 | \$ 291,289 | \$ 469,515 |
| Increase net assets | \$ 35,776 | \$ 17,576 | \$ 53,352 |
| Ending net assets | \$ 214,002 | \$ 308,865 | \$ 522,867 |

The City's total net assets increased by 11.4% from a year ago, increasing from \$469.5 million to \$522.9 million. Net assets from governmental activities increased by 20.1% while net assets from business activities increased by 6%. The \$35.8 million increase in net assets from governmental activities is primarily due to \$39.7 million used for the purchase and/or construction of capital assets, which does not result in an offsetting expense in the current year government-wide financial statements.

The \$17.6 million increase in net assets from business-type activities is primarily due to funds being accumulated for current and future capital projects.

The following schedule displays a summary breakdown of the City's net assets as of June 30, 2004 and 2003:

Net Assets (in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Current and other assets | \$ 142,725 | \$ 127,283 | \$ 146,970 | \$ 144,832 | \$ 289,695 | \$ 272,115 |
| Capital Assets, net | 182,061 | 144,770 | 337,307 | 333,306 | 519,368 | 478,076 |
| Total Assets | <u>324,786</u> | <u>272,053</u> | <u>484,277</u> | <u>478,138</u> | <u>809,063</u> | <u>750,191</u> |
| Current liabilities | 15,298 | 15,553 | 27,169 | 24,428 | 42,467 | 39,981 |
| Long Term Liabilities | 95,486 | 78,037 | 148,243 | 162,420 | 243,729 | 240,457 |
| Total Liabilities | <u>110,784</u> | <u>93,590</u> | <u>175,412</u> | <u>186,848</u> | <u>286,196</u> | <u>280,438</u> |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 152,600 | 113,741 | 200,044 | 196,490 | 352,644 | 310,231 |
| Restricted | 37,186 | 48,116 | 31,011 | 14,679 | 68,197 | 62,795 |
| Unrestricted | 24,216 | 16,606 | 77,810 | 80,121 | 102,026 | 96,727 |
| Total net assets | <u>\$ 214,002</u> | <u>\$ 178,463</u> | <u>\$ 308,865</u> | <u>\$ 291,290</u> | <u>\$ 522,867</u> | <u>\$ 469,753</u> |

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$523 million at the June 30, 2004. Most of the City's net assets (67%) are invested in capital assets (i.e., land, buildings, utility plants, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, (13%) represent resources that are subject to external restrictions as to how they may be used. The remaining balance of \$102 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors or for investments in capital assets. Only \$ 24.2 million of the unrestricted net assets pertain to governmental activities, the balance can only be used for the utilities and other business activities of the City.

The following schedule shows the various components that caused the City's net assets to increase:

Changes in Net Assets
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for service | \$ 7,937 | \$ 7,555 | \$ 166,802 | \$ 130,902 | \$ 174,739 | \$ 138,457 |
| Operating grants | 14,347 | 13,883 | 3,594 | 3,235 | 17,941 | 17,118 |
| Capital grants and contributions | 39,516 | 14,922 | 10,080 | 10,186 | 49,596 | 25,108 |
| General Revenues | | | | | | |
| Sales Tax | 20,298 | 19,327 | | | 20,298 | 19,327 |
| Property Tax | 16,966 | 13,276 | | | 16,966 | 13,276 |
| In-Lieu Property Taxes | 5,754 | 5,048 | | | 5,754 | 5,048 |
| Motor Vehicle In-Lieu | 3,961 | 4,833 | | | 3,961 | 4,833 |
| Investment earnings | 2,031 | 3,277 | 1,867 | 3,941 | 3,898 | 7,218 |
| Other | 4,964 | 5,269 | (192) | (430) | 4,772 | 4,839 |
| Total Revenues | <u>115,774</u> | <u>87,390</u> | <u>182,151</u> | <u>147,834</u> | <u>297,925</u> | <u>235,224</u> |
| Expenses: | | | | | | |
| General Government | 6,461 | 6,355 | | | 6,461 | 6,355 |
| Police | 21,554 | 18,637 | | | 21,554 | 18,637 |
| Fire | 12,568 | 11,675 | | | 12,568 | 11,675 |
| Public Works | 9,617 | 9,228 | | | 9,617 | 9,228 |
| Planning | 4,202 | 3,469 | | | 4,202 | 3,469 |
| Recreation and Culture | 5,733 | 7,237 | | | 5,733 | 7,237 |
| Community Development | 11,707 | 8,830 | | | 11,707 | 8,830 |
| Interest on Long-term debt | 3,976 | 3,453 | | | 3,976 | 3,453 |
| Electric | | | 118,023 | 101,854 | 118,023 | 101,854 |
| Water | | | 10,447 | 9,425 | 10,447 | 9,425 |
| Wastewater | | | 11,744 | 10,023 | 11,744 | 10,023 |
| Storm Drainage | | | 1,765 | 1,523 | 1,765 | 1,523 |
| Solid Waste | | | 15,881 | 12,126 | 15,881 | 12,126 |
| Transportation | | | 8,215 | 7,681 | 8,215 | 7,681 |
| Convention Center | | | 2,680 | 2,059 | 2,680 | 2,059 |
| Total Expenses | <u>75,818</u> | <u>68,884</u> | <u>168,755</u> | <u>144,691</u> | <u>244,573</u> | <u>213,575</u> |
| Increase in net assets before transfers | 39,956 | 18,506 | 13,396 | 3,143 | 53,352 | 21,649 |
| Transfers | (4,180) | (2,852) | 4,180 | 2,852 | - | - |
| Increase in net assets | <u>35,776</u> | <u>15,654</u> | <u>17,576</u> | <u>5,995</u> | <u>53,352</u> | <u>21,649</u> |
| Net assets July 1, as restated | <u>178,226</u> | <u>162,572</u> | <u>291,289</u> | <u>285,294</u> | <u>469,515</u> | <u>447,866</u> |
| Net assets June 30 | <u>\$ 214,002</u> | <u>\$ 178,226</u> | <u>\$ 308,865</u> | <u>\$ 291,289</u> | <u>\$ 522,867</u> | <u>\$ 469,515</u> |

Governmental Activities

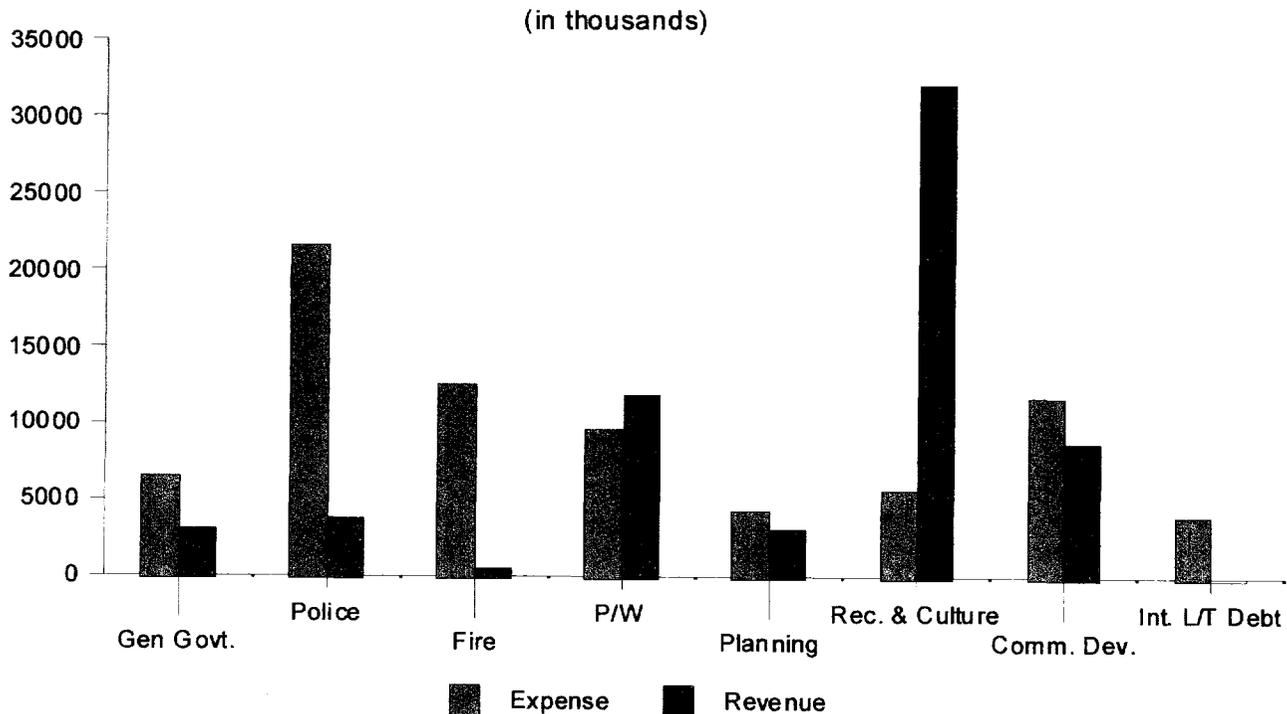
Program expenses exceed program revenues by \$14 million, however general revenues and transfers were \$49.8 million resulting in an increase in governmental activities net assets of \$35.8 million. This increase accounted for 67% of the total growth in the net assets of the City.

Taxes increased by 8.1% from the prior year (excludes the \$2.3 million Redevelopment pass-through discussed below). The large increase in taxes is primarily due to the continued strong economy. Tax rates were not increased during the year. Capital grants and contributions increased by 165% from the prior year. The increase is due to one-time grants and contributions, the largest of which was a \$20 million contribution of the Sundial Pedestrian Bridge. The City also received as capital grants and contributions approximately \$1.9 million for the Clover Creek Flood Protection Project.

Governmental activity expense increased by \$6.9 million (10%). The primary reasons for the increases are as follows:

- Community Development expenses increased by \$2.9 million (32.6%) primarily due to a \$2.3 million increase in redevelopment pass through to other agencies. The increase in pass-throughs was off set by an increase in tax increment revenues.
- Police expenses increased by \$2.9 million (15.7%) primarily due to a \$1.7 million increase in personnel related costs, and \$1.2 million increase in internal service fund allocation.
- Other expenses have increased due to additional smaller projects, increased payroll expense and other increases.

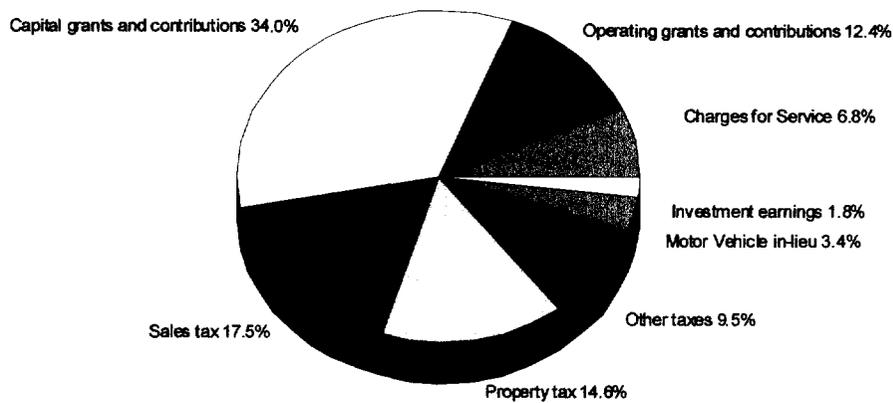
Expenses and Program Revenues - Governmental Activities



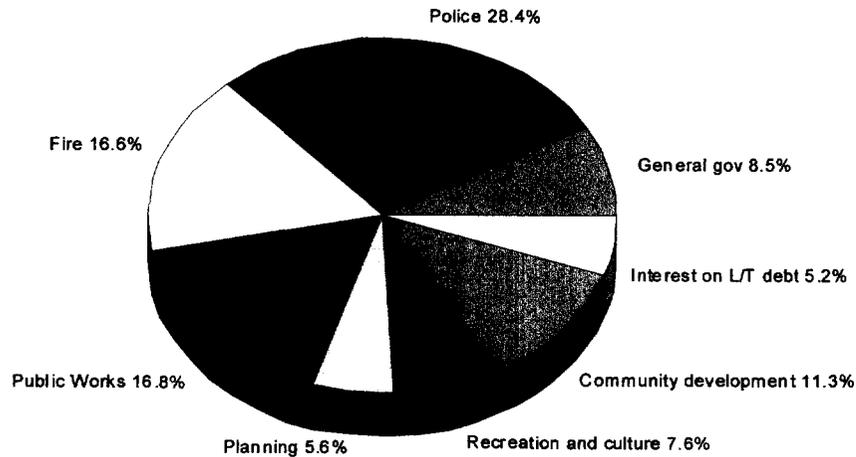
As shown in the expenses and program revenue graph on the previous page, Recreation and Culture revenues exceeded program expenses by \$26.4 million. The reason for revenues exceeding expenses is that program revenues from Recreation and Culture include \$31 million in capital grants and contributions. The largest source of capital grants and contributions pertaining to Recreation and culture was a \$20 million contribution of the Sundial Pedestrian Bridge. The other capital grants and contributions were used for capital assets as they could not be used to cover operating expenses. Public Works program revenues also exceeded program expenses by \$2.2 million due to \$7.6 million in capital grants.

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

Revenues by Source - Governmental Activities



Expenses by Source - Governmental Activities



Business-Type Activities

Business-type activities increased the City's net assets by \$17.6 million, accounting for 33% of the total growth in the government's net assets. Key elements of this increase are as follows:

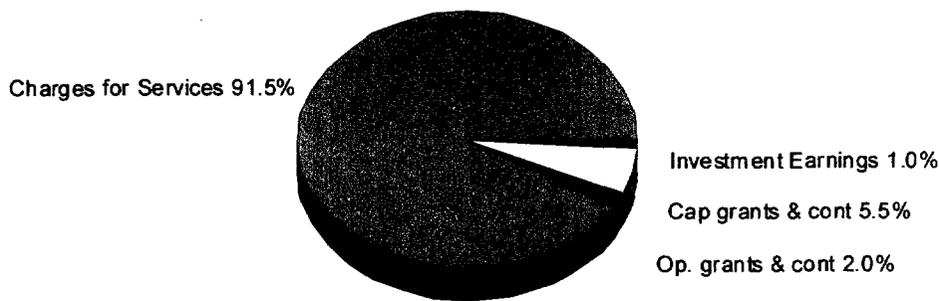
- Electric Revenues exceeded expenses by \$7.6 million primarily due to higher than anticipated wholesale revenues.
- Revenues exceed expenses for water, wastewater, and storm drainage as funds are being accumulated for current and future capital projects. The following schedule shows business-type activities revenues and expenses.

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

| | Revenue | | Expense | | Changes in net assets | |
|---------------------|-------------------|-------------------|-------------------|-------------------|-----------------------|-----------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Electric | \$ 125,587 | \$ 92,416 | \$ 118,023 | \$ 101,854 | \$ 7,564 | \$ (9,438) |
| Water | 14,879 | 14,270 | 10,447 | 9,425 | 4,432 | 4,845 |
| Wastewater | 14,070 | 13,072 | 11,744 | 10,023 | 2,326 | 3,049 |
| Storm Drainage | 2,229 | 2,435 | 1,765 | 1,523 | 464 | 912 |
| Solid Waste | 15,831 | 14,962 | 15,881 | 12,126 | (50) | 2,836 |
| Transportation | 7,043 | 6,246 | 8,215 | 7,681 | (1,172) | (1,435) |
| Convention Center | 796 | 492 | 2,680 | 2,059 | (1,884) | (1,567) |
| Investment earnings | 1,867 | 3,941 | | | 1,867 | 3,941 |
| Transfers | 4,180 | 2,852 | | | 4,180 | 2,852 |
| Extraordinary loss | (151) | | | | (151) | |
| Total | \$ 186,331 | \$ 150,686 | \$ 168,755 | \$ 144,691 | \$ 17,576 | \$ 5,995 |

The Electric Utility change in net assets is \$16.8 million more than in the prior year primarily due to higher wholesale sales. The city's wholesale revenue increased by \$26.7 million.

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 graph above, charges for services make up the vast majority (91.5%) of the revenues of the business-type activities.

Financial Analysis of the Government's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the fiscal year ended June 30, 2004, the City's governmental funds reported combined ending fund balances of \$97.4 million, an increase of \$11.2 million in comparison to June 30, 2003. Approximately 39% of this total (\$37.6 million) is considered unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate obligations that were in effect at the end of the prior period (encumbrances for such things as purchase orders or contracts) (\$11.3 million), 2) for non current advances, notes and receivables (\$22.9 million), 3) to pay debt service (\$2.6 million), 4) for capital projects (\$10.2 million), or 5) miscellaneous other items.

The General Fund is the chief operating fund of the City. At June 30, 2004, unreserved fund balance was \$18.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32.5% of the total General Fund expenditures, while total fund balance represents 45.9% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$11.4 million during the year ending June 30, 2004. The increase in the General Fund's fund balance is due to transferring \$10 million from a debt service contingency fund to properly account for the \$10 million contingency set aside for General Fund emergencies. The transfer is not required by any debt covenants, but was considered to be a prudent use of funds by the City Council and in keeping with the City's long range 10-year plan.

General Fund revenues increased by \$1.4 million, while expenditures increased by \$5.4 million from FYE 2003 to 2004. The largest increases in revenue were in sales tax, which increased by \$1 million and in-lieu taxes increased by \$0.8 million.

The \$5.4 million increase in expenditures is due to the following:

- Police expenditures increased by \$1.6 million, primarily due to an increase in wages, retirement and other related personnel costs
- Capital Outlay increased by \$1.1 million.
- Increased cost in personnel and operating in Fire, Public Works, Planning and Recreation of \$2.2 million

The 1915 Act Assessment District Bonds Fund has a total fund balance of \$3.7 million. The 1915 Act Assessment District Bonds Fund makes debt service payments from assessments levied against property owners for improvements made in their area. Assessments approximate debt service payments. During the year, fund balance decreased by less than \$0.2 million.

The General City Projects Fund balance is \$8.1 million. The General Capital Projects Fund balance decreased by \$1.9 million during the year due to the completion of the Sports Complex.

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

Changes in Net Assets
Major Proprietary Funds
(in thousands)

| | Net Assets July 1, 2003 (as restated) | Changes in Net Assets | Net Assets July 1, 2004 |
|---------------------------------|--|--------------------------|----------------------------|
| Electric Utility | \$ 140,879 | \$ 9,582 | \$ 150,461 |
| Water Utility | 39,334 | 4,880 | 44,214 |
| Wastewater Utility | 53,005 | 2,930 | 55,935 |
| Solid Waste Collection/Disposal | 21,349 | 895 | 22,244 |

Net Assets - Restricted and Unrestricted
Major Proprietary Funds as of June 30, 2004
(in thousands)

| | Invested in Capital Assets, Net of Related Debt | Restricted Net Assets | Unrestricted Net Assets | Total Net Assets |
|---------------------------------|---|--------------------------|----------------------------|------------------|
| Electric Utility | \$ 86,294 | \$ 16,716 | \$ 47,451 | \$ 150,461 |
| Water Utility | 27,579 | 613 | 16,022 | 44,214 |
| Wastewater Utility | 32,621 | 11,038 | 12,276 | 55,935 |
| Solid Saste Collection/Disposal | 12,389 | 707 | 9,148 | 22,244 |

The factors affecting the above changes in net assets and other factors regarding the proprietary funds has 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, 2004 was the first year of the two-year budget process. Differences between the original General Fund budget and the amended General Fund budget expenditures are shown below:

General Fund Original and Amended Budget
(in thousands)

| | Original | Amended | Increase |
|---------------------------|------------------|------------------|------------------|
| General Government | \$ 7,016 | \$ 12,694 | \$ 5,678 |
| Public Safety: | | | |
| Police | 20,063 | 21,409 | 1,346 |
| Fire Safety | 11,348 | 11,892 | 544 |
| Public Works | 7,810 | 10,384 | 2,574 |
| Planning | 4,251 | 4,767 | 516 |
| Recreation and culture | 4,500 | 4,997 | 497 |
| Principal payments | 824 | 815 | (9) |
| Interest Payments | 1,788 | 1,797 | 9 |
| Total Expenditures | \$ 57,600 | \$ 68,755 | \$ 11,155 |

As shown in the above table, the General Fund's original budget was increased by \$11.2 million or approximately 19%. The reasons for this increase are as follows:

- \$4.0 million was appropriated for grants and grant -type revenue obtained by the City after the budget was adopted.
- The City does not budget for certain equipment (primarily rolling stock) in the General Fund, but transfers cash from another fund and appropriates the amounts in the General Fund when the equipment is purchased. Additional equipment appropriations totaled \$.5 million
- An additional \$3.9 million was appropriated for Capital Projects including a new Fire Station, the City's share of a new library, additional funds for an industrial park, land, and other projects.
- An additional \$2.5 million was appropriated for street overlay and rehabilitation programs. The funds were primarily from higher than anticipated State street funds.
- Other miscellaneous appropriations totaled \$0.3 million or 0.5% of original adopted budget.

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

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004, totaled \$519 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, utility plants, collections, generation, distributions and transmissions systems, improvements, machinery and equipment, park facilities, roads, and bridges. The total increase in the City's investment in capital assets for the current year was \$41million (a 25.8% increase for governmental activities and 1.2% for business-type activities).

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

- The Turtle Bay Exploration Park completed and donated to the city the Sundial Pedestrian bridge. The glass –decked sundial bridge was designed by world-renowned architect Santiago Calatrava. The bridge is part of the City of Redding's Sacramento River Trail system. The \$23 million bridge was paid for primarily by private funds.
- Developers added an estimated \$3.2 million of water, wastewater, electric and storm drainage improvements.
- Developers added an estimated \$3 million of streets and sidewalks.
- Work continued on the Clover Creek Preserve, which when completed at an estimated cost of \$10 million will serve as a water retention holding area for storm drainage runoff and as park and preserve area. The current year cost of the project is \$2.5 million.
- Work continued on a \$16 million sports park. When completed in August of 2004 it will have replicas of three big league baseball park fields, two baseball fields, indoor multi-purpose sports room, restaurant and other amenities. The current year cost of the project was \$9 million.

Changes in capital assets consist of the following:

Changes in Capital Assets
(in thousands)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------------|-------------------|-------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 17,440 | \$ 2,022 | \$ (60) | \$ 19,402 |
| Construction in progress | 14,291 | 9,692 | (2,159) | 21,824 |
| Total capital assets, not being depreciated | <u>31,731</u> | <u>11,714</u> | <u>(2,219)</u> | <u>41,226</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 37,544 | - | (65) | 37,479 |
| Improvements other than buildings | 118,271 | 33,886 | (49) | 152,108 |
| Automotive equipment | 9,136 | 461 | (809) | 8,788 |
| Furnishings and equipment | 5,746 | 430 | (740) | 5,436 |
| Assets under capital lease | 801 | 235 | - | 1,036 |
| Total capital assets, being depreciated | <u>171,498</u> | <u>35,012</u> | <u>(1,663)</u> | <u>204,847</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (9,881) | (1,201) | 64 | (11,018) |
| Improvements other than buildings | (37,812) | (4,511) | 49 | (42,274) |
| Automotive equipment | (5,828) | (828) | 760 | (5,896) |
| Furnishings and equipment | (4,553) | (383) | 594 | (4,342) |
| Assets under capital lease | (385) | (97) | - | (482) |
| Total accumulated depreciation | <u>(58,459)</u> | <u>(7,020)</u> | <u>1,467</u> | <u>(64,012)</u> |
| Total capital assets, being depreciated, net | <u>113,039</u> | <u>27,992</u> | <u>(196)</u> | <u>140,835</u> |
| Governmental activities capital assets, net | <u>\$ 144,770</u> | <u>\$ 39,706</u> | <u>\$ (2,415)</u> | <u>\$ 182,061</u> |
| | Ending Balance | Increases | Decreases | Ending Balance |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 14,898 | \$ 1,325 | \$ - | 16,223 |
| Construction in progress | 2,328 | 7,838 | (642) | 9,524 |
| Total capital assets, not being depreciated | <u>17,226</u> | <u>9,163</u> | <u>(642)</u> | <u>25,747</u> |
| Capital assets, being depreciated: | | | | |
| Utility plants | 428,563 | 12,265 | (918) | 439,910 |
| Buildings | 39,949 | 516 | - | 40,465 |
| Improvements other than buildings | 26,107 | 392 | (52) | 26,447 |
| Automotive equipment | 22,243 | 3,252 | (225) | 25,270 |
| Furnishings and equipment | 15,574 | 1,459 | (1,305) | 15,728 |
| Assets under capital lease | 1,050 | - | - | 1,050 |
| Total capital assets, being depreciated | <u>533,486</u> | <u>17,884</u> | <u>(2,500)</u> | <u>548,870</u> |
| Less accumulated depreciation for: | | | | |
| Utility plants | (166,027) | (15,257) | 700 | (180,584) |
| Buildings | (17,049) | (1,233) | - | (18,282) |
| Improvements other than buildings | (12,687) | (1,679) | 52 | (14,314) |
| Automotive equipment | (12,068) | (1,740) | 225 | (13,583) |
| Furnishings and equipment | (9,277) | (1,846) | 1,004 | (10,119) |
| Assets under capital lease | (298) | (130) | - | (428) |
| Total accumulated depreciation | <u>(217,406)</u> | <u>(21,885)</u> | <u>1,981</u> | <u>(237,310)</u> |
| Total capital assets, being depreciated, net | <u>316,080</u> | <u>(4,001)</u> | <u>(519)</u> | <u>311,560</u> |
| Business-type activities capital assets, net | <u>\$ 333,306</u> | <u>\$ 5,162</u> | <u>\$ (1,161)</u> | <u>\$ 337,307</u> |

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

Long Term Debt

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

| | Balance June 30, 2003 | Additions/ Transfers | Reductions | Balance June 30, 2004 |
|--|--------------------------|-------------------------|------------|--------------------------|
| Governmental activities: | | | | |
| Capital Leases Payable | \$ 1,009 | | \$ 236 | \$ 773 |
| Lease revenue bonds | 18,178 | 10,310 | 398 | 28,090 |
| 1993 revenue bonds | 7,675 | - | 7,675 | - |
| Redevelopment bonds | 30,395 | 34,120 | 21,590 | 42,925 |
| Special assessment debt | 9,817 | | 877 | 8,940 |
| State Loans | 246 | | 52 | 194 |
| Total governmental activities | 67,320 | 44,430 | 30,828 | 80,922 |
| Business -Type Activities | | | | |
| General Obligation debt (payable from enterprise funds | 700 | | 350 | 350 |
| State loans payable | 15,536 | 231 | 659 | 15,108 |
| Revenue bonds | 55,643 | 7,310 | 17,678 | 45,275 |
| Certificates of participation | 106,600 | | 3,770 | 102,830 |
| Capital leases | 681 | | 120 | 561 |
| Special Assessment debt (payable from enterprise funds) | 227 | 0 | 27 | 200 |
| Total Business-type activities | 179,387 | 7,541 | 22,604 | 164,324 |
| Total outstanding long term debt | \$ 246,707 | \$ 51,971 | \$ 53,432 | \$ 245,246 |

The City's total debt decreased by 1.46 million during the year ending June 30, 2004. The decrease is due primarily to regular scheduled debt payments and the City refinancing 5 existing bond issues as discussed below:

- The city refunded \$15.1 million of bonds issued in 1994 for solid waste facilities by issuing \$7.3 million of new bonds and paying \$8.8 million in cash.
- \$10.3 million in lease revenue bonds were issued to refinance \$7.4 million of bonds issued in 1994 and to provide \$2.3 million of additional funds to partially fund a new fire station and a sports complex.
- The Redding Redevelopment Agency, a component unit of the city of Redding, issued \$34.1 million of tax increment bonds to refinance three existing bond issues and to provide an additional \$11.8 million dollars for redevelopment projects.

Currently, the City's legal debt margin is \$193 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.

As a result of the implementation of Governmental Accounting Standards Board Statement No. 6, it was determined that the City is obligated in some manner on the 1915 Act Assessment District Bonds. The obligation is a result of the City management's prior practice of temporarily advancing funds to the assessment districts when delinquencies exceed the amounts available in the assessment district's cash reserve fund, if directed by Council. In 1999, Council directed staff not to advance funds to assessment districts unless legally obligated to do so. As a result, during the year, some principle and interest payments on two special assessment bond issues were not made due to a high delinquency rate in those assessment districts. The City is not liable for these bonds. The security for the bondholders is the property on which assessments have been levied and not paid. The City has no obligation to advance funds to these assessment districts. See note 18 to the Financial Statement for further discussion.

Additional information on the City's long-term debt can be found in note 9 on pages 82 - 90 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City of Redding has experienced a steady increase in population since 1998 of one to four percent per year while the unemployment rate has decreased from 9.1% in 1998 to 7.9% in 2004.
- Inflationary trends in the region compare favorably to national indices.
- The assessed valuation within the City increased by \$402 million or (8.4%) in the current year.
- Overall tax revenue for the City has increased by 5% during the year. The City expects this growth rate to return to approximately 4.25% during the fiscal year 2004-05.

All of these factors were considered in preparing the City's budget for 2004-05 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$26.5 million. The City appropriated \$4 million of this amount for spending in the 2004-05 fiscal year budget. This amount, adjusted for certain known factors, has been included in the City's 10-year financial plan and the City continues to maintain above a 5% cash reserve in all years.

The Electric Utility has a scheduled rate increase of 4% that the budget was built on for fiscal year 2004-05. The Water and Wastewater Utilities have no scheduled increase.

Request for Information

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

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

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CITY OF REDDING
Statement of Net Assets
June 30, 2004

| ASSETS: | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--------------------------|------------------------------------|-------------------------------------|------------------------|
| Cash and investments | \$62,363,915 | \$89,340,378 | \$151,704,293 |
| Receivables: | | | |
| Interest | 1,583,700 | 814,888 | 2,398,588 |
| Accounts, net | 1,128,701 | 19,198,289 | 20,326,990 |
| Taxes | 5,105,685 | — | 5,105,685 |
| Intergovernmental | 9,707,129 | 528,752 | 10,235,881 |
| Notes | 16,680,004 | — | 16,680,004 |
| Special assessments | 10,592,229 | — | 10,592,229 |
| PacifiCorp Energy | — | 2,274,120 | 2,274,120 |
| Other | 475,922 | — | 475,922 |
| Internal balances | 4,826,355 | (4,826,355) | — |
| Inventories | 264,482 | 4,551,377 | 4,815,859 |
| Prepaid items | 175,225 | 1,640,000 | 1,815,225 |
| Deposits | 5,000 | — | 5,000 |
| Assets held for sale | 1,313,178 | — | 1,313,178 |
| Restricted assets: | | | |
| Cash and investments | 26,545,824 | 19,664,327 | 46,210,151 |
| Interest receivable | 94,446 | — | 94,446 |
| Taxes receivable | 415,943 | — | 415,943 |
| Purchased power | — | 1,872,508 | 1,872,508 |
| Prepaid power | — | 11,110,000 | 11,110,000 |
| Financing costs, net | 1,447,371 | 773,943 | 2,221,314 |
| Capital assets | 246,071,974 | 574,617,772 | 820,689,746 |
| Accumulated depreciation | (64,011,242) | (237,310,904) | (301,322,146) |
| Investment in JPA | <u>—</u> | <u>28,280</u> | <u>28,280</u> |
| Total assets | <u>324,785,841</u> | <u>484,277,375</u> | <u>809,063,216</u> |

(continued)

| LIABILITIES: | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|--------------------------|
| Accounts payable | \$ 3,442,269 | \$ 8,911,375 | \$12,353,644 |
| Accrued liabilities | 5,165,679 | 2,554,353 | 7,720,032 |
| Intergovernmental payable | 121,389 | 3,434,657 | 3,556,046 |
| Accrued interest payable | 1,026,829 | 773,507 | 1,800,336 |
| Deferred revenue | 1,012,536 | 300,783 | 1,313,319 |
| Current portion of landfill closing costs | — | 100,000 | 100,000 |
| Current portion of claims and judgements payable | 886,260 | — | 886,260 |
| Deposits | 190,169 | 3,059,372 | 3,249,541 |
| Current portion of long-term debt | 4,145,851 | 8,035,681 | 12,181,532 |
| Accounts payable from restricted | 192,561 | 153 | 192,714 |
| Long-term claims and judgements payable | 12,490,000 | — | 12,490,000 |
| Long-term landfill closing costs | — | 1,997,597 | 1,997,597 |
| Long-term accrued liabilities | 5,905,525 | 3,631,834 | 9,537,359 |
| Long-term debt | <u>76,204,430</u> | <u>142,612,883</u> | <u>218,817,313</u> |
| Total liabilities | <u>110,783,498</u> | <u>175,412,195</u> | <u>286,195,693</u> |
| NET ASSETS: | | | |
| Invested in capital assets, net of related debt | 152,599,739 | 200,043,626 | 352,643,365 |
| Restricted for: | | | |
| Capital outlay | — | 21,866,237 | 21,866,237 |
| Debt service | 1,031,543 | 8,437,518 | 9,469,061 |
| Housing | 19,393,953 | — | 19,393,953 |
| Community development | 13,398,725 | — | 13,398,725 |
| Public works | 3,362,057 | — | 3,362,057 |
| Other | — | 707,317 | 707,317 |
| Unrestricted | <u>24,216,326</u> | <u>77,810,482</u> | <u>102,026,808</u> |
| Total net assets | <u>\$214,002,343</u> | <u>\$308,865,180</u> | <u>\$522,867,523</u> |

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Activities
For the Year Ended June 30, 2004

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--------------------------------|----------------------|---------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | |
| General government | \$ 6,460,999 | \$ 2,105,485 | \$ 172,513 | \$ 758,099 |
| Police | 21,554,360 | 1,081,758 | 1,490,320 | 1,097 |
| Fire | 12,568,277 | 336,535 | 68,588 | 47,561 |
| Public works | 9,616,568 | 936,885 | 3,303,396 | 7,557,323 |
| Planning | 4,202,068 | 2,575,763 | 375,390 | 64,284 |
| Recreation and culture | 5,732,598 | 744,435 | 280,766 | 31,087,692 |
| Community development | 11,707,216 | 156,428 | 8,656,516 | — |
| Interest on long-term debt | <u>3,976,239</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total governmental activities | <u>75,818,325</u> | <u>7,937,289</u> | <u>14,347,489</u> | <u>39,516,056</u> |
| Business-type activities: | | | | |
| Electric | 118,023,084 | 124,479,448 | 9,123 | 1,098,435 |
| Water | 10,447,116 | 12,186,156 | 129,532 | 2,563,513 |
| Wastewater | 11,743,540 | 10,462,206 | 470 | 3,607,066 |
| Storm drainage | 1,765,074 | 922,254 | — | 1,306,770 |
| Solid waste | 15,880,622 | 15,731,744 | 14,222 | 84,372 |
| Transportation | 8,214,988 | 2,193,251 | 3,441,215 | 1,408,609 |
| Convention center | <u>2,680,425</u> | <u>784,529</u> | <u>—</u> | <u>11,247</u> |
| Total business-type activities | <u>168,754,849</u> | <u>166,759,588</u> | <u>3,594,562</u> | <u>10,080,012</u> |
| Total government | <u>\$244,573,174</u> | <u>\$174,696,877</u> | <u>\$17,942,051</u> | <u>\$49,596,068</u> |

General revenues:
 Taxes
 Property taxes, levied for general purpose
 In lieu property taxes
 Transient occupancy taxes
 Sales taxes
 Motor vehicle taxes
 Franchise taxes
 Other taxes
 Investment income
 Other
 Gain on sale of assets
 Extraordinary loss
 Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning
 Adjustments
 Net assets, beginning (as restated)

Net assets, ending

Net (Expense) Revenue and
Changes in Net Assets

| Total Governmental | Total Business-type | Total |
|-----------------------|------------------------|----------------------|
| \$ (3,424,902) | \$ — | \$ (3,424,902) |
| (18,981,185) | — | (18,981,185) |
| (12,115,593) | — | (12,115,593) |
| 2,181,036 | — | 2,181,036 |
| (1,186,631) | — | (1,186,631) |
| 26,380,295 | — | 26,380,295 |
| (2,894,272) | — | (2,894,272) |
| <u>(3,976,239)</u> | <u>—</u> | <u>(3,976,239)</u> |
| <u>(14,017,491)</u> | <u>—</u> | <u>(14,017,491)</u> |
| — | 7,563,922 | 7,563,922 |
| — | 4,432,085 | 4,432,085 |
| — | 2,326,202 | 2,326,202 |
| — | 463,950 | 463,950 |
| — | (50,284) | (50,284) |
| — | (1,171,913) | (1,171,913) |
| <u>—</u> | <u>(1,884,649)</u> | <u>(1,884,649)</u> |
| <u>—</u> | <u>11,679,313</u> | <u>11,679,313</u> |
| <u>(14,017,491)</u> | <u>11,679,313</u> | <u>(2,338,178)</u> |
| 16,965,869 | — | 16,965,869 |
| 5,753,770 | — | 5,753,770 |
| 3,275,325 | — | 3,275,325 |
| 20,297,843 | — | 20,297,843 |
| 3,960,686 | — | 3,960,686 |
| 828,940 | — | 828,940 |
| 1,129,334 | — | 1,129,334 |
| 2,031,348 | 1,866,949 | 3,898,297 |
| 68,789 | — | 68,789 |
| (337,650) | — | (337,650) |
| — | (150,684) | (150,684) |
| <u>(4,180,250)</u> | <u>4,180,250</u> | <u>—</u> |
| <u>49,794,004</u> | <u>5,896,515</u> | <u>55,690,519</u> |
| <u>35,776,513</u> | <u>17,575,828</u> | <u>53,352,341</u> |
| 178,463,451 | 291,289,352 | 469,752,803 |
| <u>(237,621)</u> | <u>—</u> | <u>(237,621)</u> |
| <u>178,225,830</u> | <u>291,289,352</u> | <u>469,515,182</u> |
| <u>\$214,002,343</u> | <u>\$308,865,180</u> | <u>\$522,867,523</u> |

See accompanying notes to financial statements.

CITY OF REDDING
Balance Sheet
Governmental Funds
June 30, 2004

| ASSETS | General Fund | General Capital Projects | 1915 Act Assessment District Bonds | Other Governmental Funds | Total Governmental Funds |
|--------------------------------|-------------------------|--------------------------------|---|--------------------------------|--------------------------------|
| Cash and investments | \$15,647,588 | \$ 9,900,740 | \$ 3,045,780 | \$23,656,507 | \$52,250,615 |
| Interest receivable | 127,906 | 40,608 | 23,511 | 1,311,297 | 1,503,322 |
| Accounts receivable, net | 495,345 | 396,046 | — | 220,380 | 1,111,771 |
| Intergovernmental receivable | 2,231,485 | 6,102,476 | — | 1,373,168 | 9,707,129 |
| Taxes receivable | 4,645,669 | — | — | 460,016 | 5,105,685 |
| Other receivable | — | 450,000 | — | 25,922 | 475,922 |
| Due from other funds | 505,541 | — | — | 52,838 | 558,379 |
| Inventories | 179,899 | — | — | — | 179,899 |
| Restricted assets: | | | | | |
| Cash and investments | 3,842,100 | 107,580 | 963,239 | 21,632,905 | 26,545,824 |
| Interest receivable | 11,249 | — | — | 83,197 | 94,446 |
| Taxes receivable | — | — | — | 415,943 | 415,943 |
| Interfund receivable | — | — | — | 53,736 | 53,736 |
| Deposits | — | — | — | 5,000 | 5,000 |
| Assets held for sale | — | — | — | 1,313,178 | 1,313,178 |
| Advances to other funds | 5,388,947 | — | — | 1,053,972 | 6,442,919 |
| Special assessments receivable | — | — | 10,577,927 | 14,302 | 10,592,229 |
| Notes receivable | — | — | — | 16,680,004 | 16,680,004 |
| Total assets | <u>\$33,075,729</u> | <u>\$16,997,450</u> | <u>\$14,610,457</u> | <u>\$68,352,365</u> | <u>\$133,036,001</u> |

(continued)

| LIABILITIES AND FUND BALANCES: | General | 1915 Act | Other | Total |
|--|---------------------|---------------------|---------------------|----------------------|
| | General | Assessment | Governmental | Governmental |
| | Capital | District | Funds | Governmental |
| Liabilities: | Projects | Bonds | Funds | Funds |
| | Fund | | | |
| Accounts payable | \$ 759,298 | \$ 1,319,814 | \$ 1,013,184 | \$ 3,092,296 |
| Accrued liabilities | 1,637,919 | 559,915 | 295,405 | 2,517,821 |
| Intergovernmental payable | 103,823 | — | 1,150 | 104,973 |
| Due to other funds | 52,838 | — | 256,125 | 308,963 |
| Accounts payable from restricted assets | 192,561 | — | — | 192,561 |
| Deferred revenues | 2,303,131 | 6,543,829 | 10,260,730 | 3,651,594 |
| Interfund payables | — | 60,000 | — | 53,736 |
| Deposits | 3,738 | — | — | 177,100 |
| Advances from other funds | <u>1,508,829</u> | <u>404,307</u> | <u>652,521</u> | <u>3,751,977</u> |
| Total liabilities | <u>6,562,137</u> | <u>8,887,865</u> | <u>10,937,833</u> | <u>35,588,106</u> |
| Fund balances: | | | | |
| Reserved for encumbrances | 2,116,684 | 3,153,666 | — | 6,073,578 |
| Reserved for inventories | 179,899 | — | — | — |
| Reserved for noncurrent advances | 5,388,947 | — | — | 72,081 |
| Reserved for debt service | — | — | — | 2,627,873 |
| Reserved for capital projects | 36,000 | — | — | 10,134,112 |
| Reserved for school projects | — | — | — | 911,507 |
| Reserved for noncurrent notes receivable | — | — | — | 17,419,763 |
| Reserved for fire projects | — | 119,846 | — | — |
| Reserved for parks projects | — | 712,256 | — | — |
| Reserved for public works projects | — | 10,924,624 | — | — |
| Unreserved, reported in: | | | | |
| General fund | 573,970 | — | — | — |
| Special revenue funds | — | — | — | 3,130,866 |
| Capital project funds | — | (6,800,807) | — | (3,038,217) |
| Debt service funds | — | — | 3,672,624 | 11,001,979 |
| Designated for continuing projects: | | | | |
| Capital projects fund | — | — | — | 10,818,552 |
| Designated for rolling stock | 1,062,092 | — | — | — |
| Designated for future expenditures | <u>17,156,000</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total fund balances | <u>26,513,592</u> | <u>8,109,585</u> | <u>3,672,624</u> | <u>59,152,094</u> |
| Total liabilities and fund balances | <u>\$33,075,729</u> | <u>\$16,997,450</u> | <u>\$14,610,457</u> | <u>\$68,352,365</u> |
| | | | | <u>\$133,036,001</u> |

See accompanying notes to financial statements.

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CITY OF REDDING
 Governmental Funds
 Reconciliation of the Balance Sheet of
 Governmental Funds to the Statement of Net Assets
 June 30, 2004

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|--|----------------------|
| Total Fund Balances | \$97,447,895 |
| Capital assets have not been included as financial resources in governmental fund activity. | 235,008,034 |
| Accumulated depreciation has not been included in the governmental fund financial statements. | (56,722,710) |
| Financing costs net of amortization | 1,447,371 |
| Long-term debt that has not been included in the governmental fund activity. | (80,310,845) |
| Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds. | (1,026,829) |
| Deferred revenue reported as a liability in the governmental funds was eliminated in the statement of net assets. | 21,746,747 |
| Internal service fund revenue included in the governmental activities on the statement of activities. | 4,033,375 |
| Accrued vacation and other leave not reported in governmental funds, but recorded as expense in the statement of activities. | <u>(7,620,695)</u> |
| Net assets of governmental activities | <u>\$214,002,343</u> |

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2004

| | General Fund | General Capital Projects | 1915 Act Assessment District Bonds | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------------------|---|--------------------------------|--------------------------------|
| REVENUES: | | | | | |
| Property taxes | \$ 6,498,975 | \$ — | \$ — | \$10,432,979 | \$16,931,954 |
| Sales and use taxes | 20,025,326 | — | — | 272,517 | 20,297,843 |
| Other taxes | 5,233,598 | — | — | — | 5,233,598 |
| Special assessments | — | — | 1,382,682 | 139,983 | 1,522,665 |
| Licenses and permits | 1,789,343 | — | — | 78,981 | 1,868,324 |
| Intergovernmental revenues | 5,872,497 | 7,246,626 | — | 13,738,073 | 26,857,196 |
| Charges for services | 2,343,447 | — | — | — | 2,343,447 |
| Fines, forfeitures, and penalties | 851,570 | — | — | 134,216 | 985,786 |
| Use of money and property | 9,224,944 | — | — | 30,445 | 9,255,389 |
| Interest revenue | 261,444 | 47,544 | 20,641 | 1,503,612 | 1,833,241 |
| Other | <u>1,250,958</u> | <u>3,815,260</u> | <u>—</u> | <u>131,478</u> | <u>5,197,696</u> |
| Total revenues | <u>53,352,102</u> | <u>11,109,430</u> | <u>1,403,323</u> | <u>26,462,284</u> | <u>92,327,139</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Community development | — | — | — | 12,439,346 | 12,439,346 |
| General government | 6,210,725 | 24,140 | 21,443 | 147,320 | 6,403,628 |
| Public safety: | | | | | |
| Police | 19,612,158 | — | — | 150,759 | 19,762,917 |
| Fire | 11,507,000 | — | — | — | 11,507,000 |
| Public works | 4,517,435 | 12,159 | — | 221,101 | 4,750,695 |
| Planning | 4,031,899 | — | — | — | 4,031,899 |
| Recreation and culture | 4,416,641 | 43,091 | — | — | 4,459,732 |
| Capital outlay | 4,913,118 | 13,761,641 | — | 3,246,891 | 21,921,650 |
| Debt service: | | | | | |
| Principal retirement | 832,759 | — | 904,000 | 280,000 | 2,016,759 |
| Interest and fiscal charges | 1,524,810 | 15,660 | 669,534 | 1,866,480 | 4,076,484 |
| Bond issuance costs | <u>248,426</u> | <u>—</u> | <u>—</u> | <u>734,152</u> | <u>982,578</u> |
| Total expenditures | <u>57,814,971</u> | <u>13,856,691</u> | <u>1,594,977</u> | <u>19,086,049</u> | <u>92,352,688</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(4,462,869)</u> | <u>(2,747,261)</u> | <u>(191,654)</u> | <u>7,376,235</u> | <u>(25,549)</u> |

| | General Fund | General Capital Projects | 1915 Act Assessment District Bonds | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|---|--------------------------------|--------------------------------|
| OTHER FINANCING SOURCES (USES): | | | | | |
| Sale of capital assets | 46,297 | — | — | 31,438 | 77,735 |
| Long-term debt issued | 9,557,592 | 752,408 | — | 34,120,000 | 44,430,000 |
| Bond discounts | — | — | — | (51,342) | (51,342) |
| Premium on bonds issued | 290,063 | — | — | 75,576 | 365,639 |
| Payment to refunding bonds escrow agent | (7,628,274) | — | — | (21,836,907) | (29,465,181) |
| Transfers in | 15,424,377 | 170,000 | — | 2,773,825 | 18,368,202 |
| Transfers out | <u>(1,811,071)</u> | <u>(68,657)</u> | <u>—</u> | <u>(20,668,725)</u> | <u>(22,548,453)</u> |
| Total other financing sources (uses) | <u>15,878,984</u> | <u>853,751</u> | <u>—</u> | <u>(5,556,135)</u> | <u>11,176,600</u> |
| Net change in fund balance | 11,416,115 | (1,893,510) | (191,654) | 1,820,100 | 11,151,051 |
| FUND BALANCE, beginning of year, as originally reported | 15,097,477 | 10,003,095 | 3,864,278 | 57,569,615 | 86,534,465 |
| Prior period adjustment | <u>—</u> | <u>—</u> | <u>—</u> | <u>(237,621)</u> | <u>(237,621)</u> |
| FUND BALANCE, beginning of year, as restated | <u>15,097,477</u> | <u>10,003,095</u> | <u>3,864,278</u> | <u>57,331,994</u> | <u>86,296,844</u> |
| FUND BALANCE, end of year | <u>\$26,513,592</u> | <u>\$ 8,109,585</u> | <u>\$ 3,672,624</u> | <u>\$59,152,094</u> | <u>\$97,447,895</u> |

See accompanying notes to financial statements.

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CITY OF REDDING
 Governmental Funds
 Reconciliation of The Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds to
 the Statement of Activities
 For the Year Ending June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$11,151,051 |
| Governmental funds report capital outlays as expenditures. | 43,949,351 |
| In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation/amortization expense. | (6,120,136) |
| Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the net book value of the assets which were disposed. | (415,387) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 2,454,030 |
| Repayment of bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | 31,167,643 |
| Proceeds from debt are a financing source in the governmental funds, but a liability in the statement of net assets. | (44,430,000) |
| In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. | 55,233 |
| In the statement of activities, financing costs are capitalized, whereas in the governmental funds, an expenditure is reported. | 982,578 |
| Compensated absences in the statement of activities is reported as an expense but is not reported in the governmental funds. | (762,416) |
| Internal service funds revenue that is recognized in the governmental activities in the statement of activities. | <u>(2,255,434)</u> |
| Change in Net Assets of Governmental Activities | <u>\$35,776,513</u> |

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Revenues, Expenditures, and Changes
In Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2004

| | <u>Budgeted Amounts</u> | | Actual Amounts | Variance With Final Budget |
|--|-------------------------|-------------------------|----------------------------|-------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Budgetary Basis</u> | Positive (Negative) |
| REVENUES: | | | | |
| Property taxes | \$ 6,196,000 | \$ 6,196,000 | \$ 6,498,975 | \$ 302,975 |
| Sales and use taxes | 19,000,000 | 19,500,000 | 19,622,167 | 122,167 |
| Other taxes | 5,196,000 | 5,196,000 | 5,188,058 | (7,942) |
| Licenses and permits | 1,786,500 | 1,789,330 | 1,789,343 | 13 |
| Intergovernmental revenues | 6,072,920 | 6,933,840 | 5,735,311 | (1,198,529) |
| Charges for services | 1,768,600 | 2,328,530 | 2,314,688 | (13,842) |
| Fines, forfeitures, and penalties | 470,000 | 470,000 | 851,570 | 381,570 |
| Use of money and property | 8,814,740 | 8,814,740 | 9,224,944 | 410,204 |
| Investment revenue | 660,000 | 684,800 | 461,477 | (223,323) |
| Other revenue | <u>1,164,230</u> | <u>1,128,620</u> | <u>1,204,221</u> | <u>75,601</u> |
| Total revenues | <u>51,128,990</u> | <u>53,041,860</u> | <u>52,890,754</u> | <u>(151,106)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 7,016,330 | 12,694,380 | 8,995,724 | 3,698,656 |
| Public safety: | | | | |
| Police | 20,062,780 | 21,408,930 | 20,613,100 | 795,830 |
| Fire safety | 11,348,010 | 11,892,360 | 11,780,436 | 111,924 |
| Public works | 7,810,420 | 10,384,445 | 7,106,403 | 3,278,042 |
| Planning | 4,250,580 | 4,766,705 | 4,610,823 | 155,882 |
| Recreation and culture | 4,499,750 | 4,996,865 | 4,756,617 | 240,248 |
| Principal payments | 823,750 | 815,260 | 832,759 | (17,499) |
| Interest payments | 1,773,490 | 1,781,980 | 1,384,331 | 397,649 |
| Bond administrative charges | <u>15,000</u> | <u>15,000</u> | <u>6,197</u> | <u>8,803</u> |
| Total expenditures | <u>57,600,110</u> | <u>68,755,925</u> | <u>60,086,390</u> | <u>8,669,535</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(6,471,120)</u> | <u>(15,714,065)</u> | <u>(7,195,636)</u> | <u>8,518,429</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of capital assets | 5,000 | 5,000 | 8,682 | 3,682 |
| Transfers in | 2,331,060 | 7,598,250 | 5,268,014 | (2,330,236) |
| Transfers out | <u>(3,029,190)</u> | <u>(5,173,940)</u> | <u>(4,487,589)</u> | <u>686,351</u> |
| Total other financing sources (uses) | <u>(693,130)</u> | <u>2,429,310</u> | <u>789,107</u> | <u>(1,640,203)</u> |

(continued)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | Variance With Final Budget Positive (Negative) |
|---|-------------------------|---------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Net change in fund balances | (7,164,250) | (13,284,755) | (6,406,529) | 6,878,226 |
| BUDGETARY FUND BALANCES, beginning of year | <u>15,097,477</u> | <u>15,097,477</u> | <u>15,097,477</u> | <u>—</u> |
| BUDGETARY FUND BALANCES, end of year | <u>\$ 7,933,227</u> | <u>\$ 1,812,722</u> | <u>\$ 8,690,948</u> | <u>\$ 6,878,226</u> |
| Fund balance from the Statement of Revenues, Expenditures and Changes in Fund Balance: | | | \$26,513,592 | |
| 1. The City budgets for taxes on a cash basis. | | | (552,415) | |
| 2. The City budgets for grants on a cash basis. | | | (31,265) | |
| 3. Timing difference due to GASB 33. | | | (28,317) | |
| 4. The City does not budget for accounts payable adjustments. | | | 235,192 | |
| 5. The City does not budget for benefit accruals. | | | 7,829 | |
| 6. Financial statement only interest income adjustment per GASB 31. | | | 298,651 | |
| 7. The City does not budget for the rolling stock fund. | | | (1,218,188) | |
| 8. The City does not budget for the cash transfer to and from the Airport Fund to cover grant revenue not received as of year end. | | | 168,582 | |
| 9. The City budgets for the cash transfer to/from other funds as loans, but records the advance in advances receivable/payable in the balance sheet. | | | 165,355 | |
| 10. The City does not budget for interest on long-term debt transactions. | | | 6,094 | |
| 11. The City does not budget for the long-term debt transactions. | | | (1,842,769) | |
| 12. Encumbrances are not included in the Statement of Revenues, Expenditures and Changes in Fund Balance. | | | (2,918,452) | |
| 13. The City did not budget for the transfer in from debt service fund. | | | <u>(12,112,941)</u> | |
| Budgetary fund balance | | | <u>\$ 8,690,948</u> | |

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Net Assets
Proprietary Funds
June 30, 2004

| ASSETS | Business-Type Activities | | | |
|-----------------------------------|--------------------------|---------------------|---------------------------|--|
| | Electric Utility | Water Utility | Waste Water Utility | Solid Waste Collection/ Disposal |
| Current assets: | | | | |
| Cash and investments | \$41,762,689 | \$14,119,357 | \$18,652,089 | \$11,477,231 |
| Interest receivable | 426,030 | 117,278 | 149,706 | 101,527 |
| Accounts receivable, net | 14,713,969 | 1,557,443 | 1,127,670 | 1,655,801 |
| Prepaid items | 1,640,000 | — | — | — |
| Intergovernmental receivable | — | 39,500 | — | 4,218 |
| Inventories | 3,884,237 | 459,092 | 60,581 | — |
| Interfund receivable | — | — | — | — |
| Pacificorp Energy receivable | <u>2,274,120</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total current assets | <u>64,701,045</u> | <u>16,292,670</u> | <u>19,990,046</u> | <u>13,238,777</u> |
| Non-current assets: | | | | |
| Restricted assets: | | | | |
| Cash and investments | <u>16,713,651</u> | <u>1,394,638</u> | <u>7,176</u> | <u>1,456,516</u> |
| Total restricted assets | <u>16,713,651</u> | <u>1,394,638</u> | <u>7,176</u> | <u>1,456,516</u> |
| Capital assets: | | | | |
| Land | 3,360,968 | 214,150 | 2,596,630 | 957,092 |
| Utility plants | 256,839,301 | 63,285,934 | 105,278,411 | — |
| Buildings | 4,552,172 | 3,073,925 | 2,323,037 | 13,814,056 |
| Improvements other than buildings | 2,579,647 | — | 65,984 | 340,759 |
| Automotive equipment | 3,195,478 | 1,430,980 | 919,316 | 11,473,200 |
| Furnishings and equipment | 5,931,911 | 403,804 | 994,211 | 6,586,006 |
| Assets under capital lease | — | — | — | — |
| Construction in progress | <u>3,787,187</u> | <u>496,683</u> | <u>731,588</u> | <u>1,940</u> |
| Total capital assets | 280,246,664 | 68,905,476 | 112,909,177 | 33,173,053 |
| Less: accumulated depreciation | <u>(116,949,983)</u> | <u>(28,243,812)</u> | <u>(42,973,871)</u> | <u>(13,821,938)</u> |
| Net capital assets | <u>163,296,681</u> | <u>40,661,664</u> | <u>69,935,306</u> | <u>19,351,115</u> |
| Other assets: | | | | |
| Power acquisition costs, net | 1,872,508 | — | — | — |
| Prepaid purchase cost | 11,110,000 | — | — | — |
| Advances to other funds | 2,749,511 | 34,677 | 1,516,737 | — |
| Financing costs, net | — | 248,315 | 334,942 | 160,263 |
| Investment in JPA | <u>28,280</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total other assets | <u>15,760,299</u> | <u>282,992</u> | <u>1,851,679</u> | <u>160,263</u> |
| Total non-current assets | <u>195,770,631</u> | <u>42,339,294</u> | <u>71,794,161</u> | <u>20,967,894</u> |
| Total assets | <u>260,471,676</u> | <u>58,631,964</u> | <u>91,784,207</u> | <u>34,206,671</u> |

(continued)

| <u>Business-Type Activities</u> | | <u>Governmental</u> |
|---------------------------------|----------------------|---------------------|
| | | <u>Activities</u> |
| <u>Non-Major</u> | | <u>Internal</u> |
| <u>Enterprise</u> | | <u>Service</u> |
| <u>Funds</u> | <u>Total</u> | <u>Funds</u> |
| \$ 3,329,012 | \$89,340,378 | \$10,113,300 |
| 20,347 | 814,888 | 80,378 |
| 143,406 | 19,198,289 | 16,930 |
| — | 1,640,000 | 175,225 |
| 485,034 | 528,752 | — |
| 147,467 | 4,551,377 | 84,583 |
| — | — | 145,000 |
| <u>—</u> | <u>2,274,120</u> | <u>—</u> |
| <u>4,125,266</u> | <u>118,347,804</u> | <u>10,615,416</u> |
| | | |
| <u>92,346</u> | <u>19,664,327</u> | <u>—</u> |
| | | |
| <u>92,346</u> | <u>19,664,327</u> | <u>—</u> |
| | | |
| 9,094,589 | 16,223,429 | 8,310 |
| 14,505,795 | 439,909,441 | — |
| 16,701,510 | 40,464,700 | — |
| 23,461,290 | 26,447,680 | 187,445 |
| 8,251,132 | 25,270,106 | 8,787,847 |
| 1,812,548 | 15,728,480 | 1,293,827 |
| 1,049,602 | 1,049,602 | 786,511 |
| <u>4,506,936</u> | <u>9,524,334</u> | <u>—</u> |
| | | |
| 79,383,402 | 574,617,772 | 11,063,940 |
| <u>(35,321,300)</u> | <u>(237,310,904)</u> | <u>(7,288,532)</u> |
| | | |
| <u>44,062,102</u> | <u>337,306,868</u> | <u>3,775,408</u> |
| | | |
| — | 1,872,508 | — |
| — | 11,110,000 | — |
| — | 4,300,925 | 1,752,918 |
| 30,423 | 773,943 | — |
| <u>—</u> | <u>28,280</u> | <u>—</u> |
| | | |
| <u>30,423</u> | <u>18,085,656</u> | <u>1,752,918</u> |
| | | |
| <u>44,184,871</u> | <u>375,056,851</u> | <u>5,528,326</u> |
| | | |
| <u>48,310,137</u> | <u>493,404,655</u> | <u>16,143,742</u> |

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Net Assets
Proprietary Funds
June 30, 2004

| LIABILITIES AND NET ASSETS | Business-Type Activities | | | |
|--|--------------------------|---------------------|---------------------------|--|
| | Electric Utility | Water Utility | Waste Water Utility | Solid Waste Collection/ Disposal |
| Current liabilities (payable from current assets): | | | | |
| Accounts payable | \$ 7,218,809 | \$ 201,150 | \$ 502,254 | \$ 591,033 |
| Accrued liabilities | 1,490,641 | 252,184 | 235,284 | 409,339 |
| Accrued interest payable | 326,603 | 156,026 | 197,100 | 62,585 |
| Claims and judgements payable | — | — | — | — |
| Intergovernmental payable | 3,299,014 | 10,954 | 1,926 | 42,630 |
| Due to other funds | — | — | — | — |
| Deferred revenues | 227,906 | — | — | 11,074 |
| Deposits | 1,743,714 | — | — | 1,315,658 |
| Interfund payable | — | — | — | — |
| Landfill closure costs, current | — | — | — | 100,000 |
| Capital leases, current | — | — | — | — |
| Long-term debt, current | 4,265,000 | 1,055,000 | 1,210,000 | 660,000 |
| State loan, current | — | — | 610,061 | — |
| Total current liabilities (payable from current assets) | <u>18,571,687</u> | <u>1,675,314</u> | <u>2,756,625</u> | <u>3,192,319</u> |
| Current liabilities (payable from restricted assets): | | | | |
| Accounts payable | 153 | — | — | — |
| Total current liabilities (payable from restricted assets) | <u>153</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Long-term liabilities: | | | | |
| Accrued compensated absences | 1,992,062 | 410,206 | 368,281 | 617,980 |
| Landfill closure costs | — | — | — | 1,997,597 |
| Advances from other funds | — | — | — | — |
| Capital leases, net of current | — | — | — | — |
| Long-term debt, net of current | 89,446,225 | 12,332,707 | 18,586,730 | 6,154,622 |
| State loan, net of current | — | — | 14,138,050 | — |
| Total long-term liabilities | <u>91,438,287</u> | <u>12,742,913</u> | <u>33,093,061</u> | <u>8,770,199</u> |
| Total liabilities | <u>110,010,127</u> | <u>14,418,227</u> | <u>35,849,686</u> | <u>11,962,518</u> |
| NET ASSETS: | | | | |
| Invested in capital assets, net of related debt | 86,294,222 | 27,578,518 | 32,620,859 | 12,388,811 |
| Restricted: | | | | |
| Capital projects | 8,278,641 | 613,415 | 11,037,591 | — |
| Debt service | 8,437,518 | — | — | — |
| Other | — | — | — | 707,317 |
| Unrestricted | <u>47,451,168</u> | <u>16,021,804</u> | <u>12,276,071</u> | <u>9,148,025</u> |
| Total net assets | <u>\$150,461,549</u> | <u>\$44,213,737</u> | <u>\$55,934,521</u> | <u>\$22,244,153</u> |

| <u>Business-Type Activities</u> | | <u>Governmental</u> | |
|---------------------------------|----------------------|---------------------|---|
| | | <u>Activities</u> | |
| <u>Non-Major</u> | | <u>Internal</u> | |
| <u>Enterprise</u> | | <u>Service</u> | |
| <u>Funds</u> | <u>Total</u> | <u>Funds</u> | |
| \$ 398,129 | \$ 8,911,375 | \$ 349,973 | Reconciliation of the Statement of Net Assets - |
| 166,905 | 2,554,353 | 394,135 | Proprietary Funds to the government-wide |
| 31,193 | 773,507 | — | Statement of Net Assets: |
| — | — | 13,376,260 | |
| 80,133 | 3,434,657 | 16,416 | Statement of Net Assets |
| 249,415 | 249,415 | — | Proprietary Funds |
| 61,803 | 300,783 | — | Total net assets |
| — | 3,059,372 | 9,331 | \$311,478,918 |
| 85,000 | 85,000 | — | Less business-type portion of |
| — | 100,000 | — | Internal Service Funds loss |
| 124,392 | 124,392 | 39,436 | <u>2,613,738</u> |
| 45,901 | 7,235,901 | — | Statement of Activities: |
| 65,327 | 675,388 | — | Total net assets |
| | | | <u>\$308,865,180</u> |
| <u>1,308,198</u> | <u>27,504,143</u> | <u>14,185,551</u> | |
| <u>—</u> | <u>153</u> | <u>—</u> | |
| <u>—</u> | <u>153</u> | <u>—</u> | |
| 243,305 | 3,631,834 | 538,553 | |
| — | 1,997,597 | — | |
| 6,179,127 | 6,179,127 | — | |
| 436,477 | 436,477 | — | |
| 1,223,095 | 127,743,379 | — | |
| 294,977 | 14,433,027 | — | |
| <u>8,376,981</u> | <u>154,421,441</u> | <u>538,553</u> | |
| <u>9,685,179</u> | <u>181,925,737</u> | <u>14,724,104</u> | |
| 41,161,216 | 200,043,626 | 3,768,072 | |
| 1,936,590 | 21,866,237 | — | |
| — | 8,437,518 | — | |
| — | 707,317 | — | |
| <u>(4,472,848)</u> | <u>80,424,220</u> | <u>(2,348,434)</u> | |
| <u>\$38,624,958</u> | <u>\$311,478,918</u> | <u>\$ 1,419,638</u> | |

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Revenues, Expenses
and Changes in Net Assets - Proprietary Funds
For the Year Ended June 30, 2004

| | Business-Type Activities | | | |
|---|--------------------------|---------------------|---------------------------|--|
| | Electric Utility | Water Utility | Waste Water Utility | Solid Waste Collection/ Disposal |
| OPERATING REVENUES: | | | | |
| User fees and charges | \$68,086,168 | \$12,159,301 | \$10,431,351 | \$14,530,564 |
| Wholesale power sales | 53,446,339 | — | — | — |
| Rental charges | — | — | 11,605 | — |
| Other operating revenue | <u>3,136,815</u> | <u>15,196</u> | <u>16,190</u> | <u>1,197,315</u> |
| Total operating revenues | <u>124,669,322</u> | <u>12,174,497</u> | <u>10,459,146</u> | <u>15,727,879</u> |
| OPERATING EXPENSES: | | | | |
| Cost of power, water, and transportation | 56,700,740 | 274,493 | — | — |
| Maintenance, operations, and administration | 42,012,698 | 7,124,500 | 6,667,698 | 12,538,588 |
| Depreciation and amortization | <u>13,382,077</u> | <u>2,073,982</u> | <u>3,389,830</u> | <u>1,799,752</u> |
| Total operating expenses | <u>112,095,515</u> | <u>9,472,975</u> | <u>10,057,528</u> | <u>14,338,340</u> |
| Operating income (loss) | <u>12,573,807</u> | <u>2,701,522</u> | <u>401,618</u> | <u>1,389,539</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Interest revenue | 1,115,550 | 207,585 | 229,254 | 291,488 |
| Interest expense | (5,028,039) | (733,981) | (1,311,479) | (737,807) |
| Intergovernmental revenues | 9,123 | 44,499 | 470 | 38,060 |
| Gain (loss) on disposal of assets | (189,874) | 11,659 | 3,060 | 3,865 |
| Other non-operating revenues (expenses) | <u>123,600</u> | <u>1,602,018</u> | <u>2,547,755</u> | <u>60,534</u> |
| Total non-operating revenues (expenses) | <u>(3,969,640)</u> | <u>1,131,780</u> | <u>1,469,060</u> | <u>(343,860)</u> |
| Income (loss) before operating transfers and capital contributions | 8,604,167 | 3,833,302 | 1,870,678 | 1,045,679 |
| Capital contributions | 974,835 | 1,046,528 | 1,059,311 | — |
| Transfers in | 3,195 | 380 | 228 | — |
| Transfers out | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Changes in net assets before extraordinary items | <u>9,582,197</u> | <u>4,880,210</u> | <u>2,930,217</u> | <u>1,045,679</u> |
| Extraordinary loss | <u>—</u> | <u>—</u> | <u>—</u> | <u>(150,684)</u> |
| Change in net assets | 9,582,197 | 4,880,210 | 2,930,217 | 894,995 |
| Net assets, beginning of year | <u>140,879,352</u> | <u>39,333,527</u> | <u>53,004,304</u> | <u>21,349,158</u> |
| Net assets, end of year | <u>\$150,461,549</u> | <u>\$44,213,737</u> | <u>\$55,934,521</u> | <u>\$22,244,153</u> |

| <u>Business-Type Activities</u> | | <u>Governmental</u> | |
|---------------------------------|----------------------|---------------------|--|
| <u>Non-Major</u> | | <u>Activities</u> | |
| <u>Enterprise</u> | | <u>Internal</u> | |
| <u>Funds</u> | <u>Total</u> | <u>Service</u> | |
| | | <u>Funds</u> | |
| \$ 2,256,839 | \$107,464,223 | \$29,498,600 | |
| — | 53,446,339 | — | |
| 954,066 | 965,671 | — | |
| <u>559,278</u> | <u>4,924,794</u> | <u>28,269</u> | |
| <u>3,770,183</u> | <u>166,801,027</u> | <u>29,526,869</u> | |
| 2,310,114 | 59,285,347 | — | |
| 6,447,505 | 74,790,989 | 34,160,592 | |
| <u>3,493,256</u> | <u>24,138,897</u> | <u>980,300</u> | |
| <u>12,250,875</u> | <u>158,215,233</u> | <u>35,140,892</u> | |
| <u>(8,480,692)</u> | <u>8,585,794</u> | <u>(5,614,023)</u> | |
| 23,072 | 1,866,949 | 124,796 | |
| (130,479) | (7,941,785) | (4,051) | |
| 3,441,215 | 3,533,367 | — | |
| 129,285 | (42,005) | 23,936 | |
| <u>443,804</u> | <u>4,777,711</u> | <u>—</u> | |
| <u>3,906,897</u> | <u>2,194,237</u> | <u>144,681</u> | |
| (4,573,795) | 10,780,031 | (5,469,342) | |
| 2,283,388 | 5,364,062 | 614,478 | |
| 4,176,447 | 4,180,250 | 11,600 | |
| <u>—</u> | <u>—</u> | <u>(10,000)</u> | |
| <u>1,886,040</u> | <u>20,324,343</u> | <u>(4,853,264)</u> | |
| <u>—</u> | <u>(150,684)</u> | <u>—</u> | |
| 1,886,040 | 20,173,659 | (4,853,264) | |
| <u>36,738,918</u> | <u>291,305,259</u> | <u>6,272,902</u> | |
| <u>\$38,624,958</u> | <u>\$311,478,918</u> | <u>\$ 1,419,638</u> | |

Reconciliation of Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds to the Statement of Activities:

Proprietary Funds changes in net assets. \$20,173,659

Add Internal Service Funds income - business-type activity portion. (2,597,831)

Statement of Activities: \$17,575,828
Change in net assets.

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

| | Business-Type Activities | | | |
|--|--------------------------|---------------------|---------------------------|--|
| | Electric Utility | Water Utility | Waste Water Utility | Solid Waste Collection/ Disposal |
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$121,518,786 | \$12,192,722 | \$10,270,428 | \$14,194,784 |
| Cash paid to suppliers | (85,829,892) | (5,094,818) | (4,526,368) | (6,570,566) |
| Cash paid to employees | (14,353,307) | (2,257,602) | (2,166,076) | (4,423,174) |
| Other income received | <u>3,136,473</u> | <u>15,196</u> | <u>27,795</u> | <u>1,197,315</u> |
| Net cash provided (used) by operating activities | <u>24,472,060</u> | <u>4,855,498</u> | <u>3,605,779</u> | <u>4,398,359</u> |
| Cash flows from noncapital financing activities: | | | | |
| Intergovernmental revenue received | 9,123 | 24,999 | 470 | 40,111 |
| Advances from other funds | — | — | — | — |
| Repayment of advances from other funds | — | — | — | (27,411) |
| Advances to other funds | (1,518,072) | (204) | (63,100) | — |
| Repayment of advances to other funds | 18,530 | 81,632 | 71,087 | — |
| Transfers in | 3,195 | 380 | 228 | — |
| Other non-operating revenues (expense), net | <u>—</u> | <u>—</u> | <u>—</u> | <u>60,534</u> |
| Net cash provided (used) by noncapital financing activities | <u>(1,487,224)</u> | <u>106,807</u> | <u>8,685</u> | <u>73,234</u> |
| Cash flows from capital and related financing activities: | | | | |
| Capital grant received | — | — | — | — |
| Proceeds from sale of assets | 3,016 | 2,000 | 2,060 | 7,179 |
| Purchase of capital assets | (5,327,466) | (2,842,797) | (2,300,183) | (2,109,296) |
| Interest paid | (4,573,252) | (680,763) | (1,132,386) | (1,083,846) |
| Principal paid on long-term debt | (4,120,000) | (920,000) | (1,786,673) | (8,132,189) |
| Principal paid on capital leases | — | — | — | — |
| Other non-operating revenues (expense), net | <u>123,600</u> | <u>1,602,018</u> | <u>2,547,755</u> | <u>—</u> |
| Net cash provided (used) by capital and related financing activities | <u>(13,894,102)</u> | <u>(2,839,542)</u> | <u>(2,669,427)</u> | <u>(11,318,152)</u> |
| Cash flows from investing activities: | | | | |
| Investment revenue received | <u>977,780</u> | <u>161,104</u> | <u>178,039</u> | <u>328,323</u> |
| Net cash provided (used) by investing activities | <u>977,780</u> | <u>161,104</u> | <u>178,039</u> | <u>328,323</u> |
| Net increase (decrease) in cash | 10,068,514 | 2,283,867 | 1,123,076 | (6,518,236) |
| Cash and investments, beginning of year | <u>48,407,826</u> | <u>13,230,128</u> | <u>17,536,189</u> | <u>19,451,983</u> |
| Cash and investments, end of year (continued) | <u>\$58,476,340</u> | <u>\$15,513,995</u> | <u>\$18,659,265</u> | <u>\$12,933,747</u> |

| <u>Business-Type Activities</u> | | <u>Governmental</u> |
|---------------------------------|----------------------|---------------------|
| <u>Non-Major</u> | | <u>Activities</u> |
| <u>Enterprise</u> | | <u>Internal</u> |
| <u>Funds</u> | <u>Total</u> | <u>Service</u> |
| | | <u>Funds</u> |
| \$ 3,806,738 | \$161,983,458 | \$29,529,849 |
| (7,046,648) | (109,068,292) | (29,879,548) |
| (1,835,274) | (25,035,433) | 711,996 |
| <u>—</u> | <u>4,376,779</u> | <u>—</u> |
| | | |
| <u>(5,075,184)</u> | <u>32,256,512</u> | <u>362,297</u> |
| | | |
| 3,087,747 | 3,162,450 | — |
| 1,190,375 | 1,190,375 | — |
| — | (27,411) | — |
| — | (1,581,376) | (881,500) |
| — | 171,249 | 150,940 |
| 4,176,447 | 4,180,250 | — |
| <u>—</u> | <u>60,534</u> | <u>—</u> |
| | | |
| <u>8,454,569</u> | <u>7,156,071</u> | <u>(730,560)</u> |
| | | |
| 1,531,175 | 1,531,175 | — |
| 129,260 | 143,515 | 118,826 |
| (5,579,554) | (18,159,296) | (230,093) |
| (131,219) | (7,601,466) | (4,051) |
| (129,319) | (15,088,181) | — |
| (119,633) | (119,633) | (78,155) |
| <u>443,804</u> | <u>4,717,177</u> | <u>—</u> |
| | | |
| <u>(3,855,486)</u> | <u>(34,576,709)</u> | <u>(193,473)</u> |
| | | |
| <u>21,049</u> | <u>1,666,295</u> | <u>103,173</u> |
| | | |
| <u>21,049</u> | <u>1,666,295</u> | <u>103,173</u> |
| | | |
| (455,052) | 6,502,169 | (458,563) |
| <u>3,876,410</u> | <u>102,502,536</u> | <u>10,571,863</u> |
| | | |
| <u>\$ 3,421,358</u> | <u>\$109,004,705</u> | <u>\$10,113,300</u> |

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

| | Business-Type Activities | | | |
|---|--------------------------|---------------------|---------------------------|--|
| | Electric Utility | Water Utility | Waste Water Utility | Solid Waste Collection/ Disposal |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$12,573,807 | \$ 2,701,522 | \$ 401,618 | \$ 1,389,539 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation and amortization | 13,382,077 | 2,073,982 | 3,389,830 | 1,799,752 |
| (Increase) decrease in accounts receivable | (171,810) | 33,421 | (160,923) | (207,153) |
| (Increase) decrease in inventories | (628,189) | (38,824) | 8,540 | — |
| (Increase) decrease in prepaid items | — | — | — | — |
| (Increase) decrease in investment in JPA | (342) | — | — | — |
| Increase (decrease) in accounts payable | 1,970,146 | (7,966) | (80,322) | 217,318 |
| Increase (decrease) in due to other funds | — | — | — | — |
| Increase (decrease) in accrued liabilities | 307,081 | 56,761 | 37,473 | 58,208 |
| Increase (decrease) in interfund payable | — | — | — | — |
| Increase (decrease) in claims and judgments payable | — | — | — | — |
| Increase (decrease) in deposits | 108,182 | — | — | (138,340) |
| Increase (decrease) in intergovernmental payable | (3,310,208) | (15,319) | (317) | 21,197 |
| Increase (decrease) in deferred revenues | 49,907 | — | — | 9,713 |
| Increase (decrease) in accrued compensated absences | 191,409 | 51,921 | 9,880 | 31,653 |
| Increase (decrease) in accrued landfill closure costs | — | — | — | 1,216,472 |
| Total adjustments | <u>11,898,253</u> | <u>2,153,976</u> | <u>3,204,161</u> | <u>3,008,820</u> |
| Net cash provided (used) by operating activities | <u>\$24,472,060</u> | <u>\$ 4,855,498</u> | <u>\$ 3,605,779</u> | <u>\$ 4,398,359</u> |
| Schedule of noncash capital and related financing activities: | | | | |
| Plant contributed from developers | \$ 974,835 | \$ 1,046,528 | \$ 1,059,311 | \$ — |
| Equipment contributed from customers | — | — | — | — |
| Total contributed capital | <u>\$ 974,835</u> | <u>\$ 1,046,528</u> | <u>\$ 1,059,311</u> | <u>\$ —</u> |

See Note 20 on defeasance of debt.

| <u>Business-Type Activities</u> | | <u>Governmental</u> |
|---------------------------------|---------------------|---------------------|
| <u>Non-Major</u> | | <u>Activities</u> |
| <u>Enterprise</u> | | <u>Internal</u> |
| <u>Funds</u> | <u>Total</u> | <u>Service</u> |
| | | <u>Funds</u> |
| \$(8,480,692) | \$ 8,585,794 | \$(5,614,023) |
| 3,493,256 | 24,138,897 | 980,300 |
| 36,787 | (469,678) | 2,980 |
| (14,910) | (673,383) | (6,245) |
| — | — | 46,042 |
| — | (342) | — |
| 18,776 | 2,117,952 | 97,395 |
| 204,023 | 204,023 | — |
| 43,849 | 503,372 | 55,615 |
| (413,237) | (413,237) | — |
| — | — | 4,786,260 |
| — | (30,158) | 698 |
| (1,107) | (3,305,754) | 16,416 |
| 15,768 | 75,388 | — |
| 22,303 | 307,166 | (3,141) |
| <u>—</u> | <u>1,216,472</u> | <u>—</u> |
| <u>3,405,508</u> | <u>23,670,718</u> | <u>5,976,320</u> |
| <u>\$(5,075,184)</u> | <u>\$32,256,512</u> | <u>\$ 362,297</u> |
| | | |
| \$ 1,069,222 | \$ 4,149,896 | \$ — |
| <u>—</u> | <u>—</u> | <u>615,278</u> |
| <u>\$ 1,069,222</u> | <u>\$ 4,149,896</u> | <u>\$ 615,278</u> |

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Agency Net Assets
Agency Funds
June 30, 2004

ASSETS

| | |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 1,704,873 |
| Accounts receivable | 6,561 |
| Interest receivable | <u>32,612</u> |
| Total assets | <u>1,744,046</u> |

LIABILITIES

| | |
|-----------------------|----------------------|
| Deposits | <u>1,744,046</u> |
| Total liabilities | <u>1,744,046</u> |

NET ASSETS

\$ —

See accompanying notes to financial statements.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Reporting Entity - (Continued)

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

D. New Accounting Standard Adopted

For the fiscal year ended, June 30, 2004, the City implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures (GASB 40). This Statement establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. This Statement also established and modifies disclosure requirements for deposit risks: custodial credit risk and foreign currency risk.

E. Basis of Presentation

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

Governmental Funds:

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

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

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

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Proprietary Funds:

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

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

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

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

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

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

Fiduciary Funds:

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

The government reports the following major governmental 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 Project Fund accounts for the financing and construction activities of the general government.

The 1915 Act Assessment Districts Debt Service Fund established to accumulate monies for payment of 1915 Act special assessment bonds when the government is obligated in some manner.

The government reports the following major proprietary funds:

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

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's business type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Interest is directly allocated to business-type activities where the proceeds were used strictly for their operations. The following amounts have been included in the expense column of the Statement of Activities:

| | |
|--------------------------|-------------------------|
| Electric | \$ 5,028,039 |
| Water | 733,981 |
| Wastewater | 1,311,479 |
| Storm drainage | 8,346 |
| Solid waste | 737,807 |
| Transportation - Airport | 98,184 |
| Convention Center | <u>23,949</u> |
| Total | <u>\$ 7,941,785</u> |

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds, and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City has elected to follow Governmental Accounting Standards Board (GASB) pronouncements, and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement Number 20.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

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

General Receivables and Property Taxes Receivable

The City records an allowance for doubtful accounts on general accounts receivable based on the experience method. At June 30, 2004 accounts receivable included the following allowances by fund type:

| | |
|-----------------------|---------------------|
| General fund | \$ 120,451 |
| Special revenue funds | 200,956 |
| Enterprise funds | <u>1,614,010</u> |
| | <u>\$ 1,935,417</u> |

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 results in current receivables.

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).

Capital Assets

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

| | |
|-------------------------------------|---------------|
| Public domain infrastructure | 50 years |
| Utility plants | 20 - 50 years |
| Buildings | 10 - 30 years |
| Improvements other than buildings | 5 - 40 years |
| Equipment, furnishings and vehicles | 5 - 7 years |
| Assets under capital lease | 4 - 30 years |
| System infrastructure | 30 years |

Pension Plan

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

Vacation and Sick Pay

Vacation pay is vested to the employees as it accrues and is payable upon retirement or termination. Sick leave, however, does not vest to the employees and is payable only when sick leave is taken, except when an individual has been employed by the City for ten years or longer. If the employee severs their relationship with the City after having been employed ten or more years, they receive from 33-1/3% to 60% payoff 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% payoff, 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 one-third to six-tenths of the sick pay of employees with terms of services equal to or exceeding ten years have been accrued in the accompanying government-wide financial statements and the accompanying proprietary fund financial statements. For governmental funds, the amount matured is reported as a liability in the governmental fund financial statements.

Deferred Revenue

The City reports deferred revenue on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

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

Net Assets

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

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

Use of Estimates

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Data

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

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

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

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

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

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

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

Budgetary Basis Reconciliation

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

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2004, are as follows:

| | |
|---------------------------------|----------------------|
| Cash and investments | \$151,704,293 |
| Restricted cash and investments | 46,210,151 |
| Agency funds | <u>1,704,873</u> |
| Total | <u>\$199,619,317</u> |

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 3 - CASH AND INVESTMENTS - (Continued)

Deposits - At June 30, 2004, the carrying amount of the City's deposits was \$6,512,017. The bank balance was \$13,382,409. Of the bank balance, \$446,178 was covered by Federal depository insurance, and \$12,936,231 was covered by collateral held in the pledging bank's trust department. Such collateral is in the City's name (although there is no Government or City Code requirement that collateral be held in the City's name.)

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

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

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

In accordance with authorized investment laws, the State Treasurer's Investment Pool (LAIF) invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2004, 1.603% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities.

At June 30, 2004, the City's investments and deposits were as follows:

| | <u>Fair Value</u> |
|---|-----------------------------|
| Medium Term Corporate Notes | \$ 19,464,262 |
| Federal Agency Bonds | 90,210,862 |
| U.S. Treasury Notes | 4,052,648 |
| Investment in State Treasurer's Investment Pool | 59,813,005 |
| Guaranteed investment agreements | 14,150,691 |
| Mutual Funds | <u>5,415,832</u> |
| Total investments | 193,107,300 |
| Deposits | <u>6,512,017</u> |
| Total deposits and investments | <u><u>\$199,619,317</u></u> |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 3 - CASH AND INVESTMENTS - (Continued)

As of June 30, 2004, the City had the following investments and maturities (Amounts are in thousands):

| <u>Investment Type</u> | <u>Investment Maturities (in Years)</u> | | | |
|---|---|--------------------|-------------------|--------------------|
| | <u>Fair Value</u> | <u>Less Than 1</u> | <u>1 - 5</u> | <u>More Than 5</u> |
| Medium Term Corporate Notes | \$ 19,464 | \$ 10,523 | \$ 8,941 | \$ — |
| Federal Agency Bonds | 90,211 | — | 90,211 | — |
| U.S. Treasury Notes | 4,053 | — | 4,053 | — |
| Investment in State Treasurer's Investment Pool | 59,813 | 59,813 | — | — |
| Guaranteed investment agreement | 14,151 | — | 8,279 | 5,872 |
| Mutual Funds | 5,416 | — | 5,416 | — |
| Total | \$ 193,108 | \$ 70,336 | \$ 116,900 | \$ 5,872 |

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

Credit Risk - As of June 30, 2004, the City's investments in Federal Agency Bonds were rated Aaa by Moody's Investors Service. The City's investments in Medium Term Corporate Notes were rated A1, Aa1, Aa2, and Aaa by Moody's Investors Service.

Custodial Credit Risk - All securities are held in the name of the City.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables/payables:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|---|-------------------|
| Nonmajor Governmental Funds | Nonmajor Governmental Fund | \$ 53,736 |
| Internal Service Funds | Nonmajor Business-Type - Airports | 85,000 |
| | Major Governmental Fund | 60,000 |
| | Total Internal Service Fund | 145,000 |
| | Total interfund receivables/payables | \$ 198,736 |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 5 - CAPITAL ASSETS

Changes in capital assets consist of the following:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|----------------------|----------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 17,439,278 | \$ 2,022,406 | \$ (60,406) | \$ 19,401,278 |
| Construction in progress | <u>14,291,425</u> | <u>9,692,160</u> | <u>(2,159,001)</u> | <u>21,824,584</u> |
| Total capital assets, not being depreciated | <u>31,730,703</u> | <u>11,714,566</u> | <u>(2,219,407)</u> | <u>41,225,862</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 37,544,879 | — | (64,671) | 37,480,208 |
| Improvements other than buildings | 118,270,774 | 33,885,791 | (49,442) | 152,107,123 |
| Automotive equipment | 9,135,818 | 461,060 | (809,032) | 8,787,846 |
| Furnishings and equipment | 5,745,278 | 429,721 | (740,578) | 5,434,421 |
| Assets under capital lease | <u>801,321</u> | <u>235,193</u> | <u>—</u> | <u>1,036,514</u> |
| Total capital assets, being depreciated | <u>171,498,070</u> | <u>35,011,765</u> | <u>(1,663,723)</u> | <u>204,846,112</u> |
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (9,881,692) | (1,200,589) | 64,671 | (11,017,610) |
| Improvements other than buildings | (37,812,002) | (4,510,645) | 48,859 | (42,273,788) |
| Automotive equipment | (5,827,876) | (828,364) | 759,637 | (5,896,603) |
| Furnishings and equipment | (4,552,157) | (383,086) | 594,245 | (4,340,998) |
| Assets under capital lease | <u>(385,191)</u> | <u>(97,052)</u> | <u>—</u> | <u>(482,243)</u> |
| Total accumulated depreciation | <u>(58,458,918)</u> | <u>(7,019,736)</u> | <u>1,467,412</u> | <u>(64,011,242)</u> |
| Total capital assets, being depreciated, net | <u>113,039,152</u> | <u>27,992,029</u> | <u>(196,311)</u> | <u>140,834,870</u> |
| Governmental activities capital assets, net | <u>\$144,769,855</u> | <u>\$ 39,706,595</u> | <u>\$(2,415,718)</u> | <u>\$182,060,732</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | <u>Depreciation Expense</u> | <u>Amortization Expense</u> | <u>Total</u> |
|--------------------------|---------------------------------|---------------------------------|--------------|
| Governmental activities: | | | |
| General government | \$ 1,193,114 | \$ — | \$ 1,193,114 |
| Police | 226,315 | — | 226,315 |
| Fire | 108,064 | — | 108,064 |
| Public works | 3,587,425 | — | 3,587,425 |
| Planning | 1,653 | — | 1,653 |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 5 - CAPITAL ASSETS - (Continued)

| | <u>Depreciation</u> <u>Expense</u> | <u>Amortization</u> <u>Expense</u> | <u>Total</u> |
|--|---------------------------------------|---------------------------------------|---------------------|
| Recreation and culture | 903,604 | — | 903,604 |
| Community development | <u>5,323</u> | <u>70,137</u> | <u>75,460</u> |
| Total | 6,025,498 | 70,137 | 6,095,635 |
| | | | |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | <u>980,300</u> | <u>—</u> | <u>980,300</u> |
| | | | |
| Total depreciation expense - government activities | <u>\$ 7,005,798</u> | <u>\$ 70,137</u> | <u>\$ 7,075,935</u> |

Depreciation expense does not include increases to accumulated depreciation associated with transfers of assets.

| | <u>Beginning</u> <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u> <u>Balance</u> |
|---|------------------------------------|---------------------|----------------------|---------------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 14,898,309 | \$ 1,325,241 | \$ (120) | \$ 16,223,430 |
| Construction in progress | <u>2,327,831</u> | <u>7,838,188</u> | <u>(641,687)</u> | <u>9,524,332</u> |
| Total capital assets, not being depreciated | <u>17,226,140</u> | <u>9,163,429</u> | <u>(641,807)</u> | <u>25,747,762</u> |
| Capital assets, being depreciated: | | | | |
| Utility plants | 428,562,805 | 12,264,621 | (917,982) | 439,909,444 |
| Buildings | 39,948,444 | 516,255 | — | 40,464,699 |
| Improvements other than buildings | 26,107,789 | 392,156 | (52,265) | 26,447,680 |
| Automotive equipment | 22,246,266 | 3,251,893 | (225,054) | 25,270,105 |
| Furnishings and equipment | 15,574,197 | 1,459,336 | (1,305,054) | 15,728,479 |
| Assets under capital lease | <u>1,049,603</u> | <u>—</u> | <u>—</u> | <u>1,049,603</u> |
| Total capital assets, being depreciated | <u>533,486,104</u> | <u>17,884,261</u> | <u>(2,500,355)</u> | <u>548,870,010</u> |
| Less accumulated depreciation for: | | | | |
| Utility plants | (166,026,911) | (15,257,148) | 699,707 | (180,584,352) |
| Buildings | (17,048,919) | (1,232,674) | — | (18,281,593) |
| Improvements other than buildings | (12,687,563) | (1,679,425) | 52,265 | (14,314,723) |
| Automotive equipment | (12,067,841) | (1,740,098) | 225,054 | (13,582,885) |
| Furnishings and equipment | (9,276,820) | (1,845,839) | 1,003,835 | (10,118,824) |
| Assets under capital lease | <u>(298,222)</u> | <u>(130,305)</u> | <u>—</u> | <u>(428,527)</u> |
| Total accumulated depreciation | <u>(217,406,276)</u> | <u>(21,885,489)</u> | <u>1,980,861</u> | <u>(237,310,904)</u> |
| Total capital assets, being depreciated, net | <u>316,079,828</u> | <u>(4,001,228)</u> | <u>(519,494)</u> | <u>311,559,106</u> |
| Business-type capital assets, net | <u>\$333,305,968</u> | <u>\$ 5,162,201</u> | <u>\$(1,161,301)</u> | <u>\$337,306,868</u> |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 5 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

| | <u>Depreciation Expense</u> | <u>Amortization Expense</u> | <u>Total</u> |
|--|---------------------------------|---------------------------------|---------------------|
| Business-type activities: | | | |
| Electric | \$11,170,009 | \$ 2,212,068 | \$13,382,077 |
| Water | 2,060,679 | 13,303 | 2,073,982 |
| Wastewater | 3,364,551 | 25,279 | 3,389,830 |
| Storm drainage | 774,306 | — | 774,306 |
| Solid waste | 1,798,631 | 1,121 | 1,799,752 |
| Transportation | 2,467,242 | 1,002 | 2,468,244 |
| Convention center | <u>250,071</u> | <u>635</u> | <u>250,706</u> |
| Total depreciation and amortization expense- business-type activities | <u>\$21,885,489</u> | <u>\$ 2,253,408</u> | <u>\$24,138,897</u> |

Depreciation expense does not include increases to accumulated depreciation associated with transfers of assets.

NOTE 6 - SELF-INSURANCE

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

Employee Health Insurance is administered through a private carrier. The City is self-insured up to \$150,000 with an insurance company co-insuring claims from \$150,001 to the statutory limit. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of total claims expense. The interfund charges are reported as an expense or expenditure in the at risk fund. The estimated liability for pending and incurred but not reported employee health insurance claims at June 30, 2004, has been included as an accrued liability in the risk management internal service fund.

Workers' Compensation Insurance is administered as a co-insurance plan. The City is self-insured up to \$1,000,000 with an insurance company co-insuring claims from \$1,000,001 to \$25,000,000. Claim payments are charged to the fund that employs the claimant. The estimated liability for pending and incurred but not reported claims at June 30, 2004, has been included in the Risk Management Fund's claims payable amount as of June 30, 2004.

Liability Insurance is administered as a co-insurance plan. The City is self-insured up to \$500,000 with an insurance company co-insuring claims from \$500,001 to \$25,000,000. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience, and the interfund charges are reported as an expense or expenditure in the at risk fund. Incurred but not reported claims liability has been included in the claims payable amount as of June 30, 2004.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 6 - SELF-INSURANCE - (Continued)

Property Insurance is administered as a co-insurance plan. The City is self-insured for claims up to \$25,000. An insurance company co-insures claims over \$25,000. Additionally, the City has acquired earthquake and flood coverage for the Redding Power Plant up to \$10,000,000. The deductibles on these policies are 5% of insured value and \$500,000 respectively. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience, and the interfund charges are reported as an expense or expenditure in the at risk fund. Incurred but not reported claims liability has been included in the claims payable amount as of June 30, 2004.

Changes in the Fund's claims liability amounts in fiscal year ended June 30 were:

| | <u>Liability at July 1, 2002</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Liability at June 30, 2003</u> |
|----------------------------------|--------------------------------------|---|---------------------------|---------------------------------------|
| Fiscal Year Ended June 30, 2003: | | | | |
| Workers' Compensation | \$ 5,136,000 | \$ 2,269,338 | \$ 1,745,338 | \$ 5,660,000 |
| General Liability | 1,741,000 | 891,370 | 672,370 | 1,960,000 |
| Health and Dental | <u>750,000</u> | <u>7,970,965</u> | <u>7,700,965</u> | <u>970,000</u> |
| Total | <u>\$ 7,627,000</u> | <u>\$11,081,673</u> | <u>\$10,118,673</u> | <u>\$ 8,590,000</u> |

Changes in the Fund's claims liability amounts in fiscal year ended June 30 were:

| | <u>Liability at July 1, 2003</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Liability at June 30, 2004</u> |
|----------------------------------|--------------------------------------|---|---------------------------|---------------------------------------|
| Fiscal Year Ended June 30, 2004: | | | | |
| Workers' Compensation | \$ 5,660,000 | \$ 6,267,430 | \$ 1,757,430 | \$10,170,000 |
| General Liability | 1,960,000 | 1,146,332 | 786,332 | 2,320,000 |
| Health and Dental | <u>970,000</u> | <u>8,440,725</u> | <u>8,524,465</u> | <u>886,260</u> |
| Total | <u>\$ 8,590,000</u> | <u>\$15,854,487</u> | <u>\$11,068,227</u> | <u>\$13,376,260</u> |

NOTE 7 - 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:

| <u>Fiscal Year Ended June 30,</u> | <u>Capital Leases</u> |
|---------------------------------------|---------------------------|
| 2005 | \$ 399,143 |
| 2006 | 283,041 |
| 2007 | 217,785 |
| 2008 | 191,711 |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 7 - LEASES - (Continued)

| <u>Fiscal Year</u> <u>Ended June 30,</u> | <u>Capital</u> <u>Leases</u> |
|---|---------------------------------|
| 2009 | 165,638 |
| 2010-2014 | 332,911 |
| 2015 | <u>26,075</u> |
| Total minimum lease payments | 1,616,304 |
| Less amount representing interest | <u>(282,858)</u> |
| Present value of minimum lease payments | <u>\$ 1,333,446</u> |

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

| | |
|--------------------------|-------------------------|
| General | \$ 874,274 |
| Convention center | 590,718 |
| Storm drainage utility | 111,262 |
| Information systems | 32,495 |
| General support services | <u>7,555</u> |
| Total debt service | <u>\$ 1,616,304</u> |

NOTE 8 - JOINT VENTURES

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

M-S-R Public Power Agency

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

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

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 8 - JOINT VENTURES - (Continued)

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

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

Summary audited financial information of the M-S-R Public Power Agency as of and for the year ended December 31, 2003, is as follows (in thousands):

| | | | |
|--|-------------------|--|---------------------|
| Total assets | <u>\$ 302,215</u> | Total revenues | 98,946 |
| | | Total expenses | <u>(94,305)</u> |
| Total liabilities | \$ 531,786 | | |
| Total members' deficit | <u>(229,571)</u> | Net (loss) income | 4,641 |
| | | Cumulative effect of change in accounting principle | (19,752) |
| Total liabilities and members' deficit | <u>\$ 302,215</u> | Members' deficit, January 1, 2002 | <u>(214,460)</u> |
| | | Members' deficit, December 31, 2003 | <u>\$ (229,571)</u> |

The debt of the Agency is comprised entirely of revenue bonds totaling \$479.8 million. These bonds are secured by a pledge and assignment of the net electric revenues of the Agency and are supported by take-and-pay commitments of the participants.

The City utilizes the equity method of accounting for M-S-R Public Power Agency. The City has invested \$17.4 million in this joint venture. However, operating losses have caused the City to have a deficit equity in the Agency of \$34.4 million at December 31, 2003. 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.

Transmission Agency of Northern California

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

Also TANC receives from PG&E 300 MW of bi-directional transmission service over PG&E's system between the Tesla and Midway Substations. The City's share of this South of Tesla agreement is 10.33% at June 30, 2004.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 8 - JOINT VENTURES - (Continued)

Transmission Agency of Northern California - (Continued)

The City's share of total outstanding debt at June 30, 2004 is \$36.4 million.

Summarized financial information of TANC as of and for the year ended June 30, 2004 is as follows (in thousands):

| | |
|---|-----------------------|
| Total assets | <u>\$ 472,489</u> |
| Total liabilities | 472,131 |
| Total net assets | <u>358</u> |
| Total liabilities and net assets | <u>\$ 472,489</u> |
| Net increase (decrease) in net assets | <u>\$ 5</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 Division, 777 Cypress Avenue, Redding, California 96001.

NOTE 9 - LONG-TERM LIABILITIES

The following is a summary of long-term obligations of the City of Redding at June 30, 2004.

| | Balance <u>June 30, 2003</u> | Additions/ <u>Transfers</u> | Reductions/ <u>Transfers</u> | Balance <u>June 30, 2004</u> | Due Within <u>One Year</u> |
|--|---------------------------------|--------------------------------|---------------------------------|---------------------------------|-------------------------------|
| Governmental activities: | | | | | |
| Long-term debt: | | | | | |
| Capital leases payable | \$ 891,388 | \$ — | \$ 158,248 | \$ 733,140 | \$ 166,404 |
| Capital leases (payable from service funds) | 117,591 | — | 78,155 | 39,436 | 39,436 |
| Revenue bonds | 25,852,336 | 10,310,000 | 8,072,492 | 28,089,844 | 919,100 |
| Redevelopment bonds | 30,395,000 | 34,120,000 | 21,590,000 | 42,925,000 | 1,500,000 |
| Special assessment debt with governmental commitment | 9,816,842 | — | 876,530 | 8,940,312 | 1,478,082 |
| State loans | 245,749 | 2 | 51,595 | 194,156 | 42,829 |
| Unamortized deferred loss on defeasance of debt | (85,730) | (705,605) | (28,252) | (763,083) | — |
| Bond premiums | 16,911 | 365,640 | 21,479 | 361,072 | — |
| Bond discount | <u>(123,923)</u> | <u>(51,342)</u> | <u>(5,669)</u> | <u>(169,596)</u> | <u>—</u> |
| Total governmental activities long-term debt | <u>67,126,164</u> | <u>44,038,695</u> | <u>30,814,578</u> | <u>80,350,281</u> | <u>4,145,851</u> |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

| | <u>Balance</u> <u>June 30, 2003</u> | <u>Additions/</u> <u>Transfers</u> | <u>Reductions/</u> <u>Transfers</u> | <u>Balance</u> <u>June 30, 2004</u> | <u>Due Within</u> <u>One Year</u> |
|---|--|---------------------------------------|--|--|--------------------------------------|
| Business-type activities: | | | | | |
| Long-term debt: | | | | | |
| General obligation debt (payable from enterprise funds) | 700,000 | — | 350,000 | 350,000 | 350,000 |
| State loans payable | 15,536,204 | 231,444 | 659,232 | 15,108,416 | 65,327 |
| Revenue bonds (payable from enterprise funds) | 55,642,664 | 7,310,000 | 17,677,508 | 45,275,156 | 3,580,961 |
| Certificates of participation (payable from enterprise funds) | 106,600,000 | — | 3,770,000 | 102,830,000 | 3,915,000 |
| Capital leases (payable from enterprise funds) | 680,502 | — | 119,632 | 560,870 | 124,393 |
| Special assessment debt (payable from enterprise funds) | 227,158 | — | 27,470 | 199,688 | — |
| Unamortized deferred loss on defeasance of debt | (14,577,813) | (910,678) | (925,185) | (14,563,306) | — |
| Bond premium | <u>516,252</u> | <u>404,876</u> | <u>33,388</u> | <u>887,740</u> | <u>—</u> |
| Total business-type activities long-term debt | <u>165,324,967</u> | <u>7,035,642</u> | <u>21,712,045</u> | <u>150,648,564</u> | <u>8,035,681</u> |
| Total long-term debt | <u>\$232,451,131</u> | <u>\$51,074,337</u> | <u>\$52,526,623</u> | <u>\$230,998,845</u> | <u>\$12,181,532</u> |

| <u>Redevelopment Agency Obligation Bonds</u> | <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> |
|---|--|---|
| Tax Allocation Bonds, Series A: Interest from 2.61% to 6.4% payable on March 1 and September 1; maturities payable on September 1 in annual redemptions from \$280,000 to \$545,000; final payment September 1, 2016. Original issue: \$6,000,000. Proceeds from the Series A Bonds are used for housing projects. | \$ 5,305,000 | \$ — |
| Tax Allocation Bonds, Series B: Interest from 4.5% to 4.875% payable March 1 and September 1; maturities are payable beginning September 1, 2016 in annual redemptions from \$105,000 to \$745,000; final payment September 1, 2021. Original issue: \$3,500,000. Proceeds from the Series B Bond are used for housing projects. | 3,500,000 | — |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

| <u>Redevelopment Agency Obligation Bonds</u> - (Continued) | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---|------------------------------------|-------------------------------------|
| Tax Allocation Bonds, Series A 2003: Interest from 2.0% to 5.0% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$240,000 to \$2,055,000; final payment September 1, 2023. Original issue \$28,935,000. Proceeds from the Series A Bonds 2003 are being used to finance various capital improvements within the Canby-Hilltop-Cypress Redevelopment Area. | | |
| | 28,935,000 | — |
| Tax Allocation Bonds, Series 2003: Interest from 2.0% to 5.375%, payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$170,000 to \$305,000; final payment September 1, 2018. Original issue \$5,185,000. Proceeds from the Series 2003 Bonds are being used to finance various capital improvements within the Market Street Redevelopment Area. | | |
| | <u>5,185,000</u> | — |
| Total Redevelopment Agency Bonds outstanding | <u>\$42,925,000</u> | \$ — |
| <u>Special Assessment Debt with Governmental Commitment</u> | | |
| 1915 Act Assessment District Bonds: Interest from 4.70% to 9.25% payable on March 2 and September 2; maturities payable on September 2 in annual redemptions from \$2,000 to \$820,000; final payment September 2, 2019. Original issues totaled \$22,778,150. | | |
| | \$ 8,940,312 | \$ — |
| Interest from 4.40% to 5.6%, payable on March 2 and September 2; maturities payable on September 2 in annual redemptions ranging from \$27,470 to \$38,076, final payment September 2, 2011. Reassessment issues totaled \$345,964. | | |
| | — | <u>199,688</u> |
| Total 1915 Act Assessment District Bonds | <u>\$ 8,940,312</u> | <u>\$ 199,688</u> |

Revenue Bonds

2003 Water Revenue Bonds Series A:

The 2003 Water Revenue Bonds were issued to refinance the 1993 Water Revenue Bonds. The 1993 Water Revenue Bonds were originally issued to finance capital improvements to the City's water system.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

| <u>Revenue Bonds</u> - (Continued) | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---|------------------------------------|-------------------------------------|
| <p>Serial Bonds of \$11,135,000 bear interest from 2.0% to 5.0%, payable on December 1 and June 1; maturities are payable June 1 in annual redemptions from \$250,000 to \$1,055,000; final payment due June 1, 2018. Two term bonds totaling \$4,225,000 were issued. The first bond bears interest at 5.0% and matures on June 1, 2021 in the amount of \$2,400,000; and the second bond bears interest at 4.65% and matures on June 1, 2023 in the amount of \$1,825,000.</p> | \$ — | \$14,440,000 |
| <p>2002 Wastewater Refunding Revenue Bonds, Series A: The 2002 Wastewater refunding revenue bonds were issued to refinance 1993 wastewater debt and wastewater's portion of the corporation yard debt.</p> <p>Serial Bonds of \$23,575,000 bear interest from 2.0% to 4.0%, payable on December 1 and June 1; maturities are payable December 1 in annual redemption amounts from \$1,190,000 to \$1,885,000; final payment due December 1, 2018.</p> | — | 22,385,000 |
| <p>1997 Lease Revenue Bond, Series A: Issued to finance the Construction of the Civic Center. Interest from 4% to 5.5% payable on March 1 and September 1; maturities payable on March 1 in annual redemptions from \$185,000 to \$350,000; final payment due March 1, 2026. Original issue \$11,425,000.</p> | 9,965,000 | — |
| <p>2003 Lease Revenue Bond, Series A and Series B: Issued to finance the construction of the Redding Aquatic Center, the Sports Complex, and refinance the 1993 Lease Revenue Bonds for Shascom, Convention Center and the Municipal Airport.</p> <p>Series A, Serial/Term Bonds: <u>Serial Bonds</u> interest from 2% to 5% payable on March 1 and September 1; maturities payable annually on March 1 in annual redemptions from \$170,000 to \$290,000; final payment due March 1, 2019. Original issue \$3,535,000. <u>Term Bonds</u>, (1) bear interest at 4.75% maturity payable on March 1, 2023, in the amount of \$1,310,000; (2) bear interest at 4.875%, maturity payable on March 1, 2028, in the amount of \$680,000; (3) bear interest at 5.0% maturity payable on March 1, 2033, in the amount of \$865,000.</p> | 5,079,844 | 1,140,156 |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

| <u>Revenue Bonds - (Continued)</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---|------------------------------------|-------------------------------------|
| <p>Series B, Serial/Term Bonds: <u>Serial Bonds</u> interest from 1.8% to 5.0% payable on March 1 and September 1; maturities payable on March 1 in annual redemptions from \$35,000 to \$60,000; final payment due March 1, 2013. <u>Term Bonds</u>, 5.875% interest, maturity payable on March 1, 2033, in the amount of \$2,280,000.</p> | 2,735,000 | — |
| <p>2004 Lease Revenue Bonds: Issued to finance the purchase and renovation of certain public safety and recreation facilities of the City of Redding.</p> | | |
| <p>Series A, Serial/Term Bonds: <u>Serial Bonds</u> 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. <u>Term Bonds</u> bear interest at 4.25% maturity payable March 1, 2018 in the amount of \$865,000; (2) bear interest at 5.0%, maturity payable on March 1, 2020 in the amount of \$1,230,000.</p> | 10,310,000 | 7,310,000 |
| <p>Total revenue bonds</p> | <u>\$28,089,844</u> | <u>\$45,275,156</u> |
| <p><u>State Loans:</u></p> | | |
| <p>1984 California Airport Loan (Municipal): Original loan amount \$88,705; annual installments of \$3,548 plus interest at 9.2499%, due in January; final payment due January 2010.</p> | \$ — | \$ 21,289 |
| <p>1986 California Airport Loan (Municipal): Original loan amount \$33,640; annual installments of \$1,346 plus interest at 7.4258%, due in February; final payment is due February 2011.</p> | — | 9,419 |
| <p>1989 California Airport Loan (Municipal): Original loan amount \$19,400; annual installments of \$1,293 plus interest at 7.2470%, due in September; final payment due September 2004.</p> | — | 1,294 |
| <p>1990 California Airport Loan (Benton): Original loan amount \$250,000; annual installments of \$16,667, plus interest at 6.8450%, due in April; final payment is due April, 2006.</p> | — | 33,334 |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--|------------------------------------|-------------------------------------|
| <u>State Loans:</u> - (Continued) | | |
| 1990 California Loan Agreement (Benton): Original loan amount \$140,000; annual installments of \$9,333, plus interest at 6.845%, due in March; final payment due in 2007. | — | 28,000 |
| 1997 California Airport Loan (Benton): Original loan amount \$235,000; annual installments ranging from \$10,740 to \$27,100, including 5.4804% interest; final payment due in 2010. | — | 146,080 |
| 1998 California Airport Loan (Municipal): Original loan amount \$83,000; annual installments ranging from \$3,793 to \$9,571, including 4.9874% interest; final payment due in 2011. | — | 58,269 |
| 1999 California Airport Loan (Municipal): Original loan amount \$80,746; annual installments ranging from \$43,690 to \$9,311, including 4.78% interest; final payment due 2012. | — | 62,620 |
| SWRCB Interceptor Loan: | | |
| The total loan was \$15,344,784, \$4,731,445 was advanced in 2002 and \$10,613,339 in 2003 to construct the Westside Wastewater interceptor; annual installments ranging from \$610,061 to \$968,335 plus interest; final payment due in 2023. | — | 14,748,111 |
| Streets - LED: | | |
| Original loan amount \$381,080; biannual installments of \$22,742, including 5.4% interest due in December and June; final payment due in 2012. | 94,435 | — |
| Police and Fire: | | |
| Original loan amount \$163,068; biannual installments of \$10,144, including 5.4% interest due in December and June; final payment due in 2013. | <u>99,721</u> | <u>—</u> |
| Total state loans | <u>\$ 194,156</u> | <u>\$15,108,416</u> |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---|------------------------------------|-------------------------------------|
| <u>General Obligation Bonds:</u> | | |
| The following general obligation bonds are being serviced by the Electric Utility Fund: | | |
| 1977 Electric System Improvement General Obligation Bonds, Series B Interest from 5% to 7% payable on February 1 and August 1; maturities payable on August 1 in annual redemptions of \$350,000; final payment August 1, 2004. Original issue \$5,000,000. | \$ — | \$ 350,000 |
| Total general obligation bonds | <u>\$ —</u> | <u>\$ 350,000</u> |
| <u>Capital Leases Payable:</u> | | |
| The capital leases payable from governmental activities were \$733,140 and \$39,436 from internal service funds for fiscal year ended June 30, 2004. | \$ 772,576 | \$ — |
| 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, 2004, the capital leases in the enterprise funds are \$560,870. The internal service funds capital leases payable have been reported with the governmental activities. | <u>—</u> | <u>560,870</u> |
| Total capital leases payable | <u>\$ 772,576</u> | <u>\$ 560,870</u> |
| <u>Certificates of Participation:</u> | | |
| Electric System Revenue Certificates of Participation -Series 2002: \$110,055,000 Bonds due in annual principal installments of \$3,915,000 to \$8,100,000, semi-annual interest installments of \$109,500 to \$1,546,213 as well as weekly variable interest rate payments of \$333,923 to \$2,772,382 on \$67,250,000 of Auction Rate securities. These are subject to a swap agreement with Salomon Smith Barney which results in a fixed rate of 4.1225%. See Swap Payments and Associated Debt below for more information on the swap. Bonds are payable through June 1, 2022; interest accrues at 3.25% to 5.375%. The maximum debt service payments is \$8,433,923. | \$ — | \$102,830,000 |
| Total Certificated of Participation | <u>\$ —</u> | <u>\$102,830,000</u> |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

Swap Payments and Associated Debt

Using rates as of June 30, 2004, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

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

| Fiscal Year Ending June 30 | Variable Rate Bonds | | Interest Rate Swaps, net | Total |
|-------------------------------|---------------------|---------------------|-----------------------------|----------------------|
| | Principal | Interest | | |
| 2004 | \$ — | \$ 720,786 | \$ 2,287,173 | \$ 3,007,959 |
| 2005 | — | 720,786 | 2,287,173 | 3,007,959 |
| 2006 | — | 720,786 | 2,287,173 | 3,007,959 |
| 2007 | — | 720,786 | 2,287,173 | 3,007,959 |
| 2008 | — | 720,786 | 2,287,173 | 3,007,959 |
| 2009-2013 | 13,875,000 | 3,232,817 | 10,258,266 | 27,366,083 |
| 2014-2018 | 23,000,000 | 2,189,152 | 6,946,543 | 32,135,695 |
| 2019-2022 | <u>30,375,000</u> | <u>506,158</u> | <u>1,606,122</u> | <u>32,487,280</u> |
| Total | <u>\$67,250,000</u> | <u>\$ 9,532,057</u> | <u>\$30,246,796</u> | <u>\$107,028,853</u> |

See Note 21 for additional information on the Interest Rate Swap.

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--|------------------------------------|-------------------------------------|
| Summary of Outstanding Debt: | | |
| Total Outstanding Debt | \$80,921,888 | \$164,324,130 |
| Add: Bond Premiums | 361,072 | 887,740 |
| Less: Bond Discounts | (169,596) | — |
| Less: Unamortized deferred loss on defeased debt | <u>(763,083)</u> | <u>(14,563,306)</u> |
| Total Outstanding Debt, net of premiums, discounts, unamortized deferred loss | <u>\$80,350,281</u> | <u>\$150,648,564</u> |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

The annual requirements to amortize all debt outstanding as of June 30, 2004, excluding obligations associated with compensated absences and housing set aside, are as follows:

| | Governmental Activities | | Business-Type Activities | | Government-Wide | |
|------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2005 | \$ 4,145,851 | \$ 3,060,569 | \$ 8,035,681 | \$ 6,326,562 | \$12,181,532 | \$9,387,131 |
| 2006 | 3,639,688 | 3,006,692 | 7,446,162 | 6,145,596 | 11,085,850 | 9,152,288 |
| 2007 | 3,577,714 | 2,863,688 | 7,625,075 | 5,913,672 | 11,202,789 | 8,777,360 |
| 2008 | 3,634,039 | 2,708,909 | 7,875,933 | 5,667,707 | 11,509,972 | 8,376,616 |
| 2009 | 3,760,667 | 2,552,172 | 8,149,911 | 5,390,748 | 11,910,578 | 7,942,920 |
| 2010-2014 | 18,240,746 | 10,222,860 | 44,894,764 | 21,914,379 | 63,135,510 | 32,137,239 |
| 2015-2019 | 18,967,647 | 6,013,166 | 49,464,641 | 12,264,277 | 68,432,288 | 18,277,443 |
| 2020-2024 | 20,740,536 | 2,503,064 | 30,831,963 | 2,656,576 | 51,572,499 | 5,159,640 |
| 2025-2029 | 2,825,000 | 713,688 | — | — | 2,825,000 | 713,688 |
| Thereafter | <u>1,390,000</u> | <u>191,294</u> | <u>—</u> | <u>—</u> | <u>1,390,000</u> | <u>191,294</u> |
| Totals | <u>\$80,921,888</u> | <u>\$33,836,102</u> | <u>\$164,324,130</u> | <u>\$66,279,517</u> | <u>\$245,246,018</u> | <u>\$100,115,619</u> |

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

NOTE 10 - ADVANCES TO/FROM OTHER FUNDS

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

| <u>Receivable Fund</u> | <u>Payable</u> | <u>Amount</u> |
|------------------------|--|---------------------|
| General Fund | Nonmajor Governmental Fund - Parking | \$ 567,218 |
| | Nonmajor Business-Type - Airports | 3,840,882 |
| | Nonmajor Business-Type - Convention Center | <u>980,847</u> |
| | Total General Fund | <u>\$ 5,388,947</u> |
| Electric Utility | General Fund | \$ 1,508,829 |
| | Nonmajor Governmental Fund - Parking | 710,742 |
| | Nonmajor Governmental Fund - RRA | <u>529,940</u> |
| | Total Electric | <u>\$ 2,749,511</u> |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 10 - ADVANCES TO/FROM OTHER FUNDS - (Continued)

| <u>Receivable Fund</u> | <u>Payable</u> | <u>Amount</u> |
|-------------------------------|-----------------------------------|---------------------|
| Water Utility | Nonmajor Business-Type - Airports | \$ 34,677 |
| | Total Water | <u>\$ 34,677</u> |
| Wastewater Utility | Assessment District | \$ 652,521 |
| | Nonmajor Business-Type - Airports | <u>864,216</u> |
| | Total Wastewater | <u>\$ 1,516,737</u> |
| Nonmajor Governmental Fund | Nonmajor Governmental Fund | <u>\$ 1,053,971</u> |
| Internal Service Funds - Risk | General Capital Project Fund | \$ 404,307 |
| | Nonmajor Governmental Fund | 890,106 |
| | Nonmajor Business-Type | <u>458,505</u> |
| | Total Internal Service Funds | <u>\$ 1,752,918</u> |

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

Repayment of the lease revenue bonds will be made from the Redevelopment Agency's property tax increment revenue. However, as the revenue is often less than the annual debt service of the bonds, the Midtown Project Fund leases the parking facility to the City to finance the debt service. A reciprocal agreement between the Midtown Project Fund and the City provides for the reimbursement of the lease payments from the property tax increment. Therefore, in substance, the lease revenues pay the bond debt service while the tax increment revenues reduce the lease liability from the Midtown Project Fund to the City. An advance from the City's Parking Fund to the Midtown Project Fund accounts for the outstanding lease liability to the City. This advance will be paid from the property tax increment revenues upon retirement of the bonds.

The loan from the Electric Utility to the Midtown Project Fund will be repaid from the Redevelopment Agency's property tax increment revenues when it exceeds the debt service of the lease revenue bonds. Interest of three percent accrues on the outstanding principal balance of the loan.

The funds advanced to the Midtown Project Fund from the Electric Fund and the General Fund are to be repaid with any excess funds in the Midtown Project Fund at year end.

- (2) In recent years the General Fund has advanced \$6,772,580 to the Airport Fund to finance improvements and operating expenses. The Airport Fund has repaid \$2,727,675 to date. This leaves a balance of \$4,044,905 due to the General Fund, of which \$204,023 has been classified as a due to from receivable/payable.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 10 - ADVANCES TO/FROM OTHER FUNDS - (Continued)

- (3) In recent years the General Fund has advanced \$1,110,847 to the Convention Center Fund to finance improvements and operating expenses. The Convention Center has repaid \$130,000 to date. This leaves a balance of \$980,847 due to the General Fund.
- (4) The Electric Fund advanced the General Fund to finance a property purchase.
- (5) The Water and Wastewater Funds advanced funds to the Airport Fund to cover costs (not covered by grants or advances from other funds) related to the new industrial park.
- (6) Under an agreement, the Wastewater Fund is paying the Airport Fund's sewer special assessment. The advance is to be repaid December 31, 2005, including interest at the City's average earnings on its pooled cash accounts.
- (7) The Wastewater Fund advanced funds to the 1915 Act Assessment District Bonds Funds to cover delinquent assessments on wastewater improvements in the assessment districts.
- (8) The Risk Management Fund advanced funds for park construction.

NOTE 11 - INDIVIDUAL FUND DISCLOSURES

Parking Special Revenue Fund - The deficit (\$826,897) arose from advances received by the Parking Fund in prior years from the Electric Utility Enterprise Fund to construct the bi-level and underground parking structures. This project is being financed by parking meter funds, parking fines and property tax increment payments. The deficit will take a number of years to eliminate.

Midtown Project Debt Service Fund - The deficit (\$995,295) arose as a result of Proposition 13 whereby property tax increment revenues in the project area have not increased to the level necessary to make debt service payments. Funds have been advanced from the Parking Special Revenue Fund to meet debt service requirements.

Buckeye Capital Project Fund - The deficit (\$33,929) is the result of a new project area. The deficit should be eliminated as future tax increments are received.

SHASTECCAPITAL PROJECT FUND - The deficit (\$288,852) is the result of deferring revenue on the two State of California grants for the Clover Creek Preserve Project. The deficit will be eliminated when the grant revenue is received.

Convention Center Enterprise Fund - The deficit (\$574,039) 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.

Risk Management Fund - The deficit (\$3,406,209) is the result of expenses exceeding revenue. The City's workers compensation claim liability exceeded associated revenues. The deficit will be eliminated through user charges over the next few years.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 12 - PENSION PLAN

Information for the year ended June 30, 2004, has been used in the following note when possible. However, information provided by the California Public Employees Retirement System (PERS) for the years ended June 30, 2001 and 2002 was not available. Therefore, PERS information has been prepared using information for the year ended June 30, 2001.

A. Plan Description

The City of Redding's defined benefit pension plans, Miscellaneous Plan and Safety Plan of the City of Redding, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City of Redding selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through action of the City Council. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

B. Funding Policy

Miscellaneous Plan - Active plan members are required to contribute 7% of their annual covered salary. This member contribution is paid by the City in accordance with labor agreements. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2003/04 was 0%. The contribution requirements of the plan members are established by State statute and the employer contribution rates are established and may be amended by CalPERS.

Safety Plan - The funding policy for the Safety Plan is the same as for the Miscellaneous except that active plan members are required to contribute 9% of their annual covered salary and the required employer contribution rate for fiscal year 2003/04 was 20.984%. The required member contribution is paid by the City in accordance with labor agreements.

C. Annual Pension Cost

For fiscal year 2003/04 the City of Redding's annual pension cost was \$2,394,556 for the Miscellaneous Plan and \$1,185,266 for the Safety Plan. The City actually contributed \$2,592,531 for the Miscellaneous Plan and \$3,953,308 for the Safety Plan. The excess of actual contribution over annual pension costs consist of additional employee contributions. The required contributions for fiscal year 2003/04 were determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members and from 4.27% to 11.59% for safety members, and (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5% and a production growth component of 0.25%.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 12 - PENSION PLAN - (Continued)

The actuarial value of the Plans' assets was determined using a technique that smooths the cumulative effect of short-term volatility in the market value of investments over a three year period. The Plans' unfunded actuarial accrued liabilities or excess assets are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2002 was 22 years for the Miscellaneous Plan and 14 years for the Safety Plan.

D. Three-year Trend Information for PERS

| Fiscal Year Ended | Miscellaneous Plan | | | Safety Plan | | |
|-------------------|---------------------------|-------------------------------|------------------------|---------------------------|-------------------------------|------------------------|
| | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 6/30/02 | \$ 1,994,388 | 100 % | \$ — | \$ 1,032,096 | 100 % | \$ — |
| 6/30/03 | 2,191,283 | 100 % | — | 1,140,689 | 100 % | — |
| 6/30/04 | 2,394,556 | 100% | — | 1,185,266 | 100% | — |

Miscellaneous Plan:

| (1) Actuarial Valuation Date | (2) Entry Age Actuarial Accrued Liability | (3) Actuarial Value of Assets | (4) Total Unfunded Liability/ (Excess Assets) | (5) Funded Status | (6) Annual Covered Payroll | (7) Unfunded Actuarial Liability as a Percentage of Covered Payroll |
|---------------------------------|--|----------------------------------|--|----------------------|-------------------------------|--|
| 6/30/00 | \$104,855,426 | \$139,334,807 | \$ (34,479,381) | 132.9 % | \$ 25,603,388 | (134.667) % |
| 6/30/01 | 115,396,349 | 144,408,981 | (29,012,632) | 125.1 % | 26,866,649 | (108.0) % |
| 6/30/02 | 127,298,396 | 136,593,020 | (9,294,624) | 107.3% | 29,883,779 | (31.1) % |

Safety Plan:

| (1) Actuarial Valuation Date | (2) Entry Age Actuarial Accrued Liability | (3) Actuarial Value of Assets | (4) Total Unfunded Liability/ (Excess Assets) | (5) Funded Status | (6) Annual Covered Payroll | (7) Unfunded Actuarial Liability as a Percentage of Covered Payroll |
|---------------------------------|--|----------------------------------|--|----------------------|-------------------------------|--|
| 6/30/00 | \$ 72,829,445 | \$ 85,277,614 | \$(12,448,169) | 117.1 % | \$10,434,268 | (119.301) % |
| 6/30/01 | 90,025,923 | 92,215,740 | (2,189,817) | 102.4 % | 10,935,670 | (20.0) % |
| 6/30/02 | 98,556,471 | 84,761,467 | 13,795,004 | 86.0% | 11,678,595 | 118.1 % |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 13 - POST-RETIREMENT BENEFITS

The City provides post-retirement medical coverage to all full-time employees and their dependents who go directly from active status to retirement. The authority for this coverage is union contracts for union employees and council resolution for all other employees. Currently, 235 retirees are eligible to receive this benefit. The cost of the coverage, financed on a pay-as-you-go basis, is shared equally between the City and the retirees. The amounts received and expended for this coverage flow through the risk management internal service fund. The total cost of providing this coverage for the fiscal years ended June 30, 2004, was \$646,267.

NOTE 14 - POSTCLOSURE CARE COSTS

State and federal laws and regulations required the City of Redding to place a final cover on Benton Landfill, which closed in 1990. The City has completed the final cover and other closure items required. The City is also required under state and federal laws and regulations to perform certain maintenance and monitoring functions at the landfill site for the next 20 years. The estimated remaining liability for landfill postclosure care costs has been estimated at \$2,097,597 as of June 30, 2004. 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, 2004. 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.

NOTE 15 - COMMITMENTS, CONTINGENT LIABILITIES, AND LITIGATION

- A. Certain general obligation bonds which are issued exclusively as general obligation debt for the benefit of a governmental enterprise, but which, as a matter of discretionary financial policy, are actually serviced by earnings of an enterprise, are presented as an obligation of this enterprise rather than as an obligation of the general government. The City would be responsible for the debt only in the event that funds were not available in the enterprise fund. If this occurred, an interfund receivable would be created and remain until the enterprise fund was able to repay the City.
- B. A number of construction contracts existed at June 30, 2004. The unexpended authorized amount of \$15,381,571 represents a commitment by the City.
- C. The City's Electric Utility (REU) is contractually obligated through M-S-R Public Power Agency (see Note 8) to receive 22.5 MW of firm capacity from the Bonneville Power Administration (BPA) through September 2005. The annual obligation is approximately \$2.36 million. The REU is obligated to purchase this power regardless of demand.
- D. The City's Electric Utility (REU) is obligated to purchase from M-S-R Public Power Agency on a take-or-pay basis a 15% entitlement share of M-S-R's share in the San Juan Resource, which includes approximately 21.5 MW of capacity and associated energy from M-S-R San Juan Unit No. 4. REU has entered into an exchange agreement with PacifiCorp in the Southwest on a year-round basis. In exchange, PacifiCorp delivers energy (50 MW of capacity) to REU at the California Oregon border during the summer months (May-October). The annual energy amount exchanged is about 115 GWH.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 15 - COMMITMENTS, CONTINGENT LIABILITIES, AND LITIGATION - (Continued)

- E. The City's Electric Utility (REU) began taking delivery from a new power supplier America Electric Power (AEP) on November 1, 2004. The AEP contract is for the delivery of 25MW of capacity and associated energy (219,000 Mwh per year). Deliveries will continue through October 31, 2014. REU is obligated to purchase this power regardless of the City's electric demands. The annual obligation is approximately \$9 million per year. The power rates under the contract are currently very favorable to Redding when compared to today's market.
- F. The City's Electric Utility (REU) is contractually obligated to purchase 7,500 Dth/dy of pipeline capacity, connecting the AECO supply hub to the California border, from TransCanada affiliates through 2023. REU is also contractually obligated to purchase 1,000 Dth/dy of pipeline capacity, connecting the OPAL supply hub to the California Intrastate system at Topock, California, from the Kern River company through 2017.
- G. The City's Electric Utility (REU) is contractually committed to purchase approximately \$11,000,000 per year of natural gas for the years 2005-2007 which represents approximately 80% of REU's expected requirement for its baseload Unit #5. REU has contractual commitments in 2008 for approximately \$7,500,000 and 2009 for approximately \$4,000,000. Respectively, this represents approximately 55% and 20% of the expected yearly requirement for Unit #5.
- H. The City's Electric Utility (REU) entered into a natural gas storage contract with Lodi Gas Storage from July 1, 2004 - March 31, 2007 at an annual cost of approximately \$250,000. REU has the right to store up to 300,000 Dth at one time.
- I. The City's Electric Utility (REU) has purchased the bulk of its retail power needs (80%) from the Western Area Power Administration (Western). On January 1, 2005, REU's contractual relationship with Western changes to reflect Western's hydro-only based generation system with no thermal generation plant backup. Under the new arrangements, Western will be providing approximately 25% of REU's retail power needs. REU has anticipated this resource change and has added an additional 43MW of local base load generation capacity in addition to the new 25MW contract with AEP.

Conduit Debt

In 2001, Redding Redevelopment Agency issued conduit bonds to provide financing for improvements at various school sites for the Redding School District. The bonds do not constitute an obligation of the Redding Redevelopment Agency. The bonds are secured by the land and improvements to Bonny View Elementary School located at 5080 Bidwell Road, Redding, CA 96001. On June 30, 2004, the total outstanding principle on the bonds was \$5,209,000.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 16 - TRANSFERS

The following operating transfers were made during the fiscal year ended June 30, 2004:

| | <u>General Fund</u> | <u>Nonmajor Governmental Capital Project</u> | <u>Electric</u> | <u>Waste Water</u> | <u>Water</u> | <u>Nonmajor Governmental</u> | <u>Nonmajor Business Type</u> | <u>Total</u> |
|-----------------------------|-------------------------|--|-----------------|------------------------|---------------|----------------------------------|---------------------------------------|---------------------|
| Transfer out: | | | | | | | | |
| General Fund | \$ — | \$ 170,000 | \$ — | \$ — | \$ — | \$ — | \$ 1,641,071 | \$ 1,811,071 |
| Nonmajor governmental funds | <u>15,424,377</u> | <u>—</u> | <u>3,195</u> | <u>228</u> | <u>380</u> | <u>2,773,826</u> | <u>2,535,376</u> | <u>20,737,382</u> |
| Total transfers out | <u>\$ 15,424,377</u> | <u>\$ 170,000</u> | <u>\$ 3,195</u> | <u>\$ 228</u> | <u>\$ 380</u> | <u>\$ 2,773,826</u> | <u>\$ 4,176,447</u> | <u>\$22,548,453</u> |

The General Fund transferred funds to the Capital Project Fund for the Sports Complex. In addition, one half of the transient occupancy tax was transferred to the Convention Center per City policy.

Electric, Wastewater and Water Utilities received a reimbursement on unexpended project funds previously transferred.

NOTE 17 - ADJUSTMENTS TO EQUITY AND NET ASSETS

Adjustments to Equity and Net Assets at June 30, 2004 consists of the following items:

| | <u>Government Activities</u> | <u>Business Activities</u> | <u>Total</u> |
|--------------------------|----------------------------------|--------------------------------|-------------------|
| Prior period adjustments | <u>\$ 237,621</u> | <u>\$ —</u> | <u>\$ 237,621</u> |

Prior Period Adjustments:

Government Activities - Special Revenue; Community Development:

At June 30, 2003, the notes receivable balance was overstated in the Community Development Special Revenue Fund. The overstatement was caused by duplicate recording of some loans, and by recording portions of some loans before the City had incurred the related expenditures for those loans. A prior period adjustment in the amount of \$237,621 was recorded to correct the overstatement.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 18 - SPECIAL ASSESSMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 6, Accounting and Financial Reporting for Special Assessments, which became effective for periods beginning after June 15, 1987. The City implemented the provisions of this statement in the year ended June 30, 1988.

As a result of the implementation of Statement No. 6, it was determined that the City is obligated in some manner on the 1915 Act assessment district bonds. The obligation is a result of the City management's prior practice of temporarily advancing funds to the assessment districts when delinquencies exceed the amounts available in the assessment district's cash reserve fund if directed by Council. These advances are repaid when delinquencies are received. In 1999, council directed staff not to advance funds to assessment districts unless legally obligated to do so. As a result, during the year, interest payments on two special assessment bond issues were not made due to a high delinquency rate in those assessment districts. The City is not liable for these bonds. The security for the bondholders is the property which have assessments. The City has no obligation to advance funds to these assessment districts. Principal of \$145,000 due September 2, 2001, \$155,000 due September 2, 2002, and \$160,000 due September 2, 2003 on Tierra Oaks Assessment District No 1993-1 Limited Obligation Improvement Bonds was outstanding on June 30, 2004. Principal and interest due through September 2, 2004 was brought current on September 2, 2004. Principal remaining due of \$20,000 due September 2, 2002, and \$25,000 due September 2, 2003 on Churn Creek Road Extension #2 Assessment District No 1990-5 Limited Obligation Improvement Bonds was outstanding on June 30, 2004. The September 2, 2004 principal payment was not made. Interest due through September 2, 2004 was brought current on September 2, 2004.

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

The amount of outstanding delinquencies for the years ending June 30, 2004 was \$1,788,178.

NOTE 19 - OCJP GRANT INFORMATION

| | <u>Expenses to Report in Audit Period, per OCJP 201 Report</u> | | | |
|------------------------------|--|------------------------|--|--|
| | <u>02/03 Audit</u> | <u>03/04 Audit</u> | <u>Total by Category (From Report)</u> | <u>(Under reported) Over reported Variance</u> |
| PROJECT NO.: GENF1299 | | | | |
| C-CAP Grant | | | | |
| Personnel | \$ — | \$ — | \$ — | \$ — |
| Operating expenses | 2,153 | — | 2,153 | — |
| Equipment | <u>3,906</u> | <u>—</u> | <u>3,906</u> | <u>—</u> |
| Total | <u>\$ 6,059</u> | <u>\$ —</u> | <u>\$ 6,059</u> | <u>\$ —</u> |

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 19 - OCJP GRANT INFORMATION - (Continued)

Expenses to Report in Audit Period, no OCJP 201 Report Required

| | | <u>03/04</u> | |
|-------------------------------|----|---------------------|-----------------------------|
| | | <u>Audit</u> | |
| <u>PROJECT NO.: GENF1299</u> | | | |
| CLEEP Formula Grant 00/01 | | | |
| Personnel | \$ | — | No OCJP 201 Report Required |
| Operating expenses | | — | |
| Equipment | | <u>6,520</u> | |
| Total | | <u>\$ 6,520</u> | |
| CLEEP Formula Grant 01/02 | | | |
| Personnel | \$ | — | |
| Operating expenses | | — | |
| Equipment | | <u>2,599</u> | |
| Total | | <u>\$ 2,599</u> | |
| CLEEP Formula Grant 02/03 | | | |
| Personnel | \$ | — | |
| Operating expenses | | — | |
| Equipment | | <u>9,560</u> | |
| Total | | <u>\$ 9,560</u> | |

NOTE 20 - DEFEASANCE OF DEBT

On May 5, 2004 the City of Redding issued \$17,620,000 of Lease Revenue Bonds with an average interest rate of 4.55 percent. \$15,150,000 of the issue was used to defease the remaining portion the 1993A Solid Waste and Corporation Yard Revenue Bonds; of which \$7,840,000 pertained to the General Fund, and \$7,310,000 pertained to the Solid Waste Utility.

The General Funds current refunding was undertaken to reduce interest rates and to remove restrictive bond covenants resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$273,250. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2023. There is cost of \$6,565 over the next 19 years with an economic gain (difference between the present values of the old and new debt service payments) of \$144,950.

The Solid Waste Funds net proceeds of \$7,146,616 (after payment of \$163,384 in underwriting fees, insurance, other issuance costs) plus an additional \$813,975 in 1993 Series bond sinking fund, and \$1,500,000 in Solid Waste Utility capital for the current refunding. The refunding required a 2 percent call premium and was undertaken to reduce interest rates and to reduce restrictive bond covenants, reduce the debt payment schedule, and reduce future debt service payments. As a result, the Solid Waste Utilities portion of the 1993A Corporation Yard Bonds are considered to be defeased and the liability for those bonds has been removed from the City's enterprise and government-wide financial statements.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 20 - DEFEASANCE OF DEBT - (Continued)

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$910,678. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2015. The City completed the refunding to reduce its total debt service payments over the next 11 years by \$4,725,788 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$654,648.

During the year ended June 30, 2004, the City used \$5,975,128 cash from the Solid Waste Fund, and \$584,751 from the Solid Waste Bond reserve to defease \$6,300,337 of 1993A Solid Waste and Corporation Yard Revenue Bonds. The transaction resulted in an extraordinary loss under generally accepted accounting principles of \$150,684. The \$6,559,879 was used to purchase U.S. government securities that were placed in an irrevocable trust, and used for the defeasance on June 4, 2004. As a result, the liability relating to the defeased debt was removed from the enterprise funds statement of net assets.

On August 28, 2003, the Agency issued \$5.185 million of Market Street Redevelopment Project Tax Allocation Bonds with a true interest rate of 5.27 percent. A portion of these bonds was used to advance refund the Market Street Redevelopment Project Tax Allocation Bonds Series A 1994 with an aggregate interest rate of 6.7 percent and a par value of \$1.995 million. The Series A Bonds are callable on September 1, 2004. A total of \$2,091,985 was used to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the defeased debt. The advance refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the Agency's government-wide financial statements. As of June 30, 2004, the amount of defeased debt outstanding, but removed from the City's government-wide financial statements is \$1,950,000.

As a result of the advance refunding, the Agency reduced its total debt service requirements by \$153,647, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$96,559.

On August 28, 2003, the Agency issued \$28.935 million of Canby-Hilltop-Cypress Redevelopment Project Tax Allocation Bonds with a true interest rate of 4.70 percent. A portion of these bonds was used to current refund the Canby-Hilltop-Cypress Redevelopment Project Tax Allocation Bonds Series C and D. The Series C Bonds had an average interest rate of 6.0 percent and a par value of \$4.87 million. The Series D had an average interest rate of 5.0 percent and a par value of \$14.445 million. The Series C and D Bonds were defeased with cash from the new bond sale on September 1, 2003.

As a result of the current refunding for Series C, the Agency reduced its total debt service requirements by \$958,885, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$589,130. As a result of the current refunding for Series D, the Agency reduced its total debt service requirements by \$203,229, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$39,440.

CITY OF REDDING
Notes to Financial Statements
June 30, 2004

NOTE 21 - INTEREST RATE SWAP

Objective of the Interest Rate Exchange As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in April 2002, the City of Redding entered into an interest rate exchange in connection with its \$55.825 million 2002 Series C-1 Certificates and its \$13.425 million 2002 Series C-2 Certificates. The intention of the exchange was to effectively change the City of Redding's variable interest rate on the Certificates to a synthetic fixed rate of 4.122%, excluding associated costs of remarketing variable rate debt.

Terms Under the exchange, the City of Redding pays the counterparty a fixed payment of 4.1225% and receives a variable payment computed as 65 percent of the London Interbank Offered Rate (LIBOR). As of June 30, 2004, the exchange had a notional amount of \$67.25 million. The exchange was entered into at the same time the bonds were issued (April 2002). The notional amount of the exchange and the outstanding amount of associated Certificates decline starting in June 2009. The Certificates' variable-rate coupons are assumed to be based on The Bond Market Association Municipal Swap Index™ (BMA). The Certificates have a final maturity on June 1, 2022. The exchange terminates on June 1, 2022. As of June 30, 2004, rates were as follows:

Fair Value Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$4,618,227 as of June 30, 2004. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk As of June 30, 2004, the City of Redding was not exposed to credit risk because the exchange had a negative fair market value. However, should interest rates change and the fair value of the exchange becomes a positive, the City of Redding would be exposed to credit risk in the amount of the exchange's fair value. The counterparty (Citigroup Inc) was rated Aa1 by the Moody's Investors Service, AA- by Standard & Poor's, and AA+ by Fitch Ratings. To mitigate the potential for credit risk, the counterparty is required to post collateral should the fair value exceed certain thresholds. While the counterparty is rated Aa3 or higher by Moody's and AA- or higher by Standard & Poor's, the threshold amount is \$25 million.

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

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

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COMBINING NONMAJOR GOVERNMENTAL FUNDS

CITY OF REDDING
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

| ASSETS | Total Special Revenue Funds | Total Capital Project Funds | Total Debt Service Funds | Total Nonmajor Governmental Funds |
|--|--------------------------------------|--------------------------------------|-----------------------------------|--|
| Cash and investments | \$12,013,139 | \$11,643,368 | \$ — | \$23,656,507 |
| Interest receivables | 1,271,306 | 39,991 | — | 1,311,297 |
| Accounts receivable, net | 220,380 | — | — | 220,380 |
| Intergovernmental receivable | 286,104 | 1,087,064 | — | 1,373,168 |
| Taxes receivable | 347,150 | 112,866 | — | 460,016 |
| Other receivables | 25,922 | — | — | 25,922 |
| Due from other funds | — | 52,838 | — | 52,838 |
| Restricted assets: | | | | |
| Cash and investments | 6,892,159 | 241,949 | 14,498,797 | 21,632,905 |
| Interest receivable | 24,171 | — | 59,026 | 83,197 |
| Taxes receivable | — | — | 415,943 | 415,943 |
| Interfund receivables | 13,736 | 40,000 | — | 53,736 |
| Deposits | — | 5,000 | — | 5,000 |
| Assets held for sale | 1,313,178 | — | — | 1,313,178 |
| Advances to other funds | 981,891 | 72,081 | — | 1,053,972 |
| Special assessments receivable | 14,302 | — | — | 14,302 |
| Notes receivable | <u>16,680,004</u> | <u>—</u> | <u>—</u> | <u>16,680,004</u> |
| Total assets | <u>\$40,083,442</u> | <u>\$13,295,157</u> | <u>\$14,973,766</u> | <u>\$68,352,365</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 170,180 | \$ 843,004 | \$ — | \$ 1,013,184 |
| Accrued liabilities | 48,792 | 246,613 | — | 295,405 |
| Intergovernmental payable | 1,150 | — | — | 1,150 |
| Due to other funds | 237,912 | 18,213 | — | 256,125 |
| Deferred revenues | 2,030,055 | 1,273,252 | 348,287 | 3,651,594 |
| Interfund payables | — | 40,000 | 13,736 | 53,736 |
| Deposits | 177,100 | — | — | 177,100 |
| Advances from other funds | <u>1,807,899</u> | <u>962,187</u> | <u>981,891</u> | <u>3,751,977</u> |
| Total liabilities | <u>4,473,088</u> | <u>3,383,269</u> | <u>1,343,914</u> | <u>9,200,271</u> |
| Fund balances (deficit): | | | | |
| Reserved for encumbrances | 3,011,104 | 3,062,474 | — | 6,073,578 |
| Reserved for noncurrent advances | — | 72,081 | — | 72,081 |
| Reserved for debt service | — | — | 2,627,873 | 2,627,873 |
| Reserved for capital projects | 10,134,112 | — | — | 10,134,112 |
| Reserved for school projects | — | 911,507 | — | 911,507 |
| Reserved for noncurrent notes receivable | 17,419,763 | — | — | 17,419,763 |
| Unreserved: | | | | |
| Designated for continuing projects | 1,914,509 | 8,904,043 | — | 10,818,552 |
| Undesignated | <u>3,130,866</u> | <u>(3,038,217)</u> | <u>11,001,979</u> | <u>11,094,628</u> |
| Total fund balances | <u>35,610,354</u> | <u>9,911,888</u> | <u>13,629,852</u> | <u>59,152,094</u> |
| Total liabilities and fund balances | <u>\$40,083,442</u> | <u>\$13,295,157</u> | <u>\$14,973,766</u> | <u>\$68,352,365</u> |

CITY OF REDDING
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

| | Total Special Revenue Funds | Total Capital Projects Funds | Total Debt Service Funds | Total Nonmajor Governmental Funds |
|---|--------------------------------------|---------------------------------------|-----------------------------------|--|
| REVENUES: | | | | |
| Property taxes | \$ 2,082,747 | \$ 6,898,507 | \$ 1,451,725 | \$10,432,979 |
| Sales tax revenue | 272,517 | — | — | 272,517 |
| Special assessments | 139,983 | — | — | 139,983 |
| License, fees and permits | 78,981 | — | — | 78,981 |
| Intergovernmental revenues | 11,858,936 | 1,879,137 | — | 13,738,073 |
| Fines, forfeitures and penalties | 134,216 | — | — | 134,216 |
| Use of money and property | 445 | 30,000 | — | 30,445 |
| Interest revenue | 1,205,904 | 170,177 | 127,531 | 1,503,612 |
| Other | 48,168 | 83,252 | 58 | 131,478 |
| Total revenues | <u>15,821,897</u> | <u>9,061,073</u> | <u>1,579,314</u> | <u>26,462,284</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 8,702,561 | 3,736,785 | — | 12,439,346 |
| General government | — | — | 147,320 | 147,320 |
| Public safety | 150,759 | — | — | 150,759 |
| Public works | 221,101 | — | — | 221,101 |
| Capital outlay | — | 3,246,891 | — | 3,246,891 |
| Debt service: | | | | |
| Principal retirement | 280,000 | — | — | 280,000 |
| Interest and fiscal charges | 508,103 | 24,667 | 1,333,710 | 1,866,480 |
| Bond issuance costs | — | — | 734,152 | 734,152 |
| Total expenditures | <u>9,862,524</u> | <u>7,008,343</u> | <u>2,215,182</u> | <u>19,086,049</u> |
| Excess (deficiency) of revenues over(under) expenditures | <u>5,959,373</u> | <u>2,052,730</u> | <u>(635,868)</u> | <u>7,376,235</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of capital assets | 31,438 | — | — | 31,438 |
| Long-term debt issued | — | — | 34,120,000 | 34,120,000 |
| Bond discounts | — | — | (51,342) | (51,342) |
| Premium on bonds issued | — | — | 75,576 | 75,576 |
| Payment to refunding bond escrow agent | — | — | (21,836,907) | (21,836,907) |
| Transfers in | 2,344,184 | 429,641 | — | 2,773,825 |
| Transfers out | <u>(5,647,004)</u> | <u>(2,535,376)</u> | <u>(12,486,345)</u> | <u>(20,668,725)</u> |
| Total other financing sources (uses) | <u>(3,271,382)</u> | <u>(2,105,735)</u> | <u>(179,018)</u> | <u>(5,556,135)</u> |
| Net change in fund balances | <u>2,687,991</u> | <u>(53,005)</u> | <u>(814,886)</u> | <u>1,820,100</u> |
| FUND BALANCES, beginning of year, as originally stated | 33,159,984 | 9,964,893 | 14,444,738 | 57,569,615 |
| Prior year adjustments | <u>(237,621)</u> | <u>—</u> | <u>—</u> | <u>(237,621)</u> |
| FUND BALANCES, beginning of year, as restated | <u>32,922,363</u> | <u>9,964,893</u> | <u>14,444,738</u> | <u>57,331,994</u> |
| FUND BALANCES, end of year | <u>\$35,610,354</u> | <u>\$ 9,911,888</u> | <u>\$13,629,852</u> | <u>\$59,152,094</u> |

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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.

Special Project Fund - This fund was established to account for funds used for special housing projects derived from sources other than tax increment revenue and required to be used for housing related projects

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.

CITY OF REDDING
Combining Balance Sheet
Special Revenue
Nonmajor Governmental Funds
June 30, 2004

| | <u>Parking</u> | <u>Street Maintenance</u> | <u>Community Development</u> | <u>Housing</u> |
|--|----------------------------|-------------------------------|----------------------------------|----------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 7,435 | \$ 3,316,032 | \$ 2,388,775 | \$ 6,034,857 |
| Interest receivable, unrestricted | 117 | — | 841,203 | 427,812 |
| Accounts receivable, net | 15 | — | — | 220,365 |
| Intergovernmental receivable | — | 46,025 | 162,825 | 77,254 |
| Taxes receivables | — | — | — | 347,150 |
| Other receivable | — | — | 25,081 | 841 |
| Restricted cash and investment | — | — | — | 144,275 |
| Restricted interest receivable | — | — | — | — |
| Interfund receivables | 13,736 | — | — | — |
| Assets held for sale | — | — | — | 1,313,178 |
| Advances to other funds | 981,891 | — | — | — |
| Special assessments receivable | — | — | — | — |
| Notes receivable | — | — | 11,064,782 | 5,615,222 |
| | <u>—</u> | <u>—</u> | <u>11,064,782</u> | <u>5,615,222</u> |
| Total assets | <u>\$ 1,003,194</u> | <u>\$ 3,362,057</u> | <u>\$14,482,666</u> | <u>\$14,180,954</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 1,713 | \$ — | \$ 136,912 | \$ 31,555 |
| Accrued liabilities | 5,593 | — | 17,831 | 25,368 |
| Intergovernmental payable | 1,150 | — | — | — |
| Due to other funds | — | — | — | 237,912 |
| Deferred revenues | 13,736 | — | 929,198 | 1,087,121 |
| Deposits | — | — | — | 177,100 |
| Advances from other funds | 1,807,899 | — | — | — |
| | <u>1,807,899</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total liabilities | <u>1,830,091</u> | <u>—</u> | <u>1,083,941</u> | <u>1,559,056</u> |
| Fund balances (deficit): | | | | |
| Reserved for encumbrances | — | — | 129,443 | 2,881,661 |
| Reserved for capital projects | — | 3,362,057 | — | — |
| Reserved for noncurrent notes receivable | 981,891 | — | 10,835,498 | 5,602,374 |
| Unreserved: | | | | |
| Designated for continuing projects | — | — | — | 1,914,509 |
| Undesignated | (1,808,788) | — | 2,433,784 | 2,223,354 |
| | <u>(1,808,788)</u> | <u>—</u> | <u>2,433,784</u> | <u>2,223,354</u> |
| Total fund balances (deficit) | <u>(826,897)</u> | <u>3,362,057</u> | <u>13,398,725</u> | <u>12,621,898</u> |
| Total liabilities and fund balances | <u>\$ 1,003,194</u> | <u>\$ 3,362,057</u> | <u>\$14,482,666</u> | <u>\$14,180,954</u> |

| <u>Special Project</u> | <u>General Special Revenue</u> | <u>Landscape Maintenance Districts</u> | <u>Total</u> |
|------------------------|--------------------------------|--|---------------------|
| \$ — | \$ — | \$ 266,040 | \$12,013,139 |
| — | — | 2,174 | 1,271,306 |
| — | — | — | 220,380 |
| — | — | — | 286,104 |
| — | — | — | 347,150 |
| — | — | — | 25,922 |
| 6,747,884 | — | — | 6,892,159 |
| 24,171 | — | — | 24,171 |
| — | — | — | 13,736 |
| — | — | — | 1,313,178 |
| — | — | — | 981,891 |
| — | — | 14,302 | 14,302 |
| — | — | — | 16,680,004 |
| <u>\$ 6,772,055</u> | <u>\$ —</u> | <u>\$ 282,516</u> | <u>\$40,083,442</u> |
| | | | |
| \$ — | \$ — | \$ — | \$ 170,180 |
| — | — | — | 48,792 |
| — | — | — | 1,150 |
| — | — | — | 237,912 |
| — | — | — | 2,030,055 |
| — | — | — | 177,100 |
| — | — | — | 1,807,899 |
| — | — | — | 4,473,088 |
| — | — | — | 3,011,104 |
| 6,772,055 | — | — | 10,134,112 |
| — | — | — | 17,419,763 |
| — | — | — | 1,914,509 |
| — | — | 282,516 | 3,130,866 |
| <u>6,772,055</u> | <u>—</u> | <u>282,516</u> | <u>35,610,354</u> |
| <u>\$ 6,772,055</u> | <u>\$ —</u> | <u>\$ 282,516</u> | <u>\$40,083,442</u> |

CITY OF REDDING
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Special Revenue
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

| | <u>Parking</u> | <u>Street Maintenance</u> | <u>Community Development</u> | <u>Housing</u> |
|--|---------------------|-------------------------------|----------------------------------|---------------------|
| REVENUES: | | | | |
| Property taxes | \$ — | \$ — | \$ — | \$ 2,082,747 |
| Sales tax revenue | — | — | — | — |
| Special assessments | — | — | — | — |
| Licenses, fees and permits | 78,981 | — | — | — |
| Intergovernmental revenues | — | 4,089,277 | 1,390,849 | 6,378,810 |
| Fines, forfeitures and penalties | 134,216 | — | — | — |
| Use of money and property | — | — | — | 445 |
| Interest revenue | 32,170 | 25,763 | 592,323 | 478,417 |
| Other revenues | <u>—</u> | <u>—</u> | <u>1,016</u> | <u>47,152</u> |
| Total revenues | <u>245,367</u> | <u>4,115,040</u> | <u>1,984,188</u> | <u>8,987,571</u> |
| EXPENDITURES: | | | | |
| Community development | — | — | 1,449,712 | 7,252,849 |
| Public safety | 150,759 | — | — | — |
| Public works | 76,425 | — | — | — |
| Debt service: | | | | |
| Principal retirement | — | — | — | 280,000 |
| Interest and fiscal charges | <u>9,243</u> | <u>—</u> | <u>—</u> | <u>498,860</u> |
| Total expenditures | <u>236,427</u> | <u>—</u> | <u>1,449,712</u> | <u>8,031,709</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>8,940</u> | <u>4,115,040</u> | <u>534,476</u> | <u>955,862</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of capital assets | — | — | — | 31,438 |
| Transfers in | — | — | 175,000 | 2,169,184 |
| Transfers out | <u>—</u> | <u>(3,030,303)</u> | <u>—</u> | <u>(175,000)</u> |
| Total other financing sources (uses) | <u>—</u> | <u>(3,030,303)</u> | <u>175,000</u> | <u>2,025,622</u> |
| Net change in fund balances | <u>8,940</u> | <u>1,084,737</u> | <u>709,476</u> | <u>2,981,484</u> |
| FUND BALANCES (DEFICIT), beginning of year | (835,837) | 2,277,320 | 12,926,870 | 9,640,414 |
| Prior year adjustments | <u>—</u> | <u>—</u> | <u>(237,621)</u> | <u>—</u> |
| FUND BALANCES (DEFICIT), as restated | <u>(835,837)</u> | <u>2,277,320</u> | <u>12,689,249</u> | <u>9,640,414</u> |
| FUND BALANCES (DEFICIT), end of year | <u>\$ (826,897)</u> | <u>\$ 3,362,057</u> | <u>\$13,398,725</u> | <u>\$12,621,898</u> |

| <u>Special Project</u> | <u>General Special Revenues</u> | <u>Landscape Maintenance District</u> | <u>Total Special Revenue</u> |
|------------------------|---------------------------------|---------------------------------------|------------------------------|
| \$ — | \$ — | \$ — | \$ 2,082,747 |
| — | 272,517 | — | 272,517 |
| — | — | 139,983 | 139,983 |
| — | — | — | 78,981 |
| — | — | — | 11,858,936 |
| — | — | — | 134,216 |
| — | — | — | 445 |
| 74,711 | — | 2,520 | 1,205,904 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>48,168</u> |
| <u>74,711</u> | <u>272,517</u> | <u>142,503</u> | <u>15,821,897</u> |
| — | — | — | 8,702,561 |
| — | — | — | 150,759 |
| — | — | 144,676 | 221,101 |
| — | — | — | 280,000 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>508,103</u> |
| <u>—</u> | <u>—</u> | <u>144,676</u> | <u>9,862,524</u> |
| <u>74,711</u> | <u>272,517</u> | <u>(2,173)</u> | <u>5,959,373</u> |
| — | — | — | 31,438 |
| — | — | — | 2,344,184 |
| <u>(2,169,184)</u> | <u>(272,517)</u> | <u>—</u> | <u>(5,647,004)</u> |
| <u>(2,169,184)</u> | <u>(272,517)</u> | <u>—</u> | <u>(3,271,382)</u> |
| <u>(2,094,473)</u> | <u>—</u> | <u>(2,173)</u> | <u>2,687,991</u> |
| 8,866,528 | — | 284,689 | 33,159,984 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>(237,621)</u> |
| <u>8,866,528</u> | <u>—</u> | <u>284,689</u> | <u>32,922,363</u> |
| <u>\$ 6,772,055</u> | <u>\$ —</u> | <u>\$ 282,516</u> | <u>\$35,610,354</u> |

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Nonmajor Governmental Funds Capital Projects Funds

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

Redevelopment Agency Capital Project Funds:

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

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

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

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

CITY OF REDDING
Combining Balance Sheet
Capital Projects
Nonmajor Governmental Funds
June 30, 2004

| ASSETS | Canby/Hilltop/ Cypress Project | Market Street Project | Buckeye Project | SHASTEC Project | Total Capital Projects |
|--|--------------------------------------|-----------------------------|----------------------|-------------------------|------------------------------|
| Cash and investments | \$ 8,306,174 | \$ 1,953,101 | \$ 72,075 | \$ 1,312,018 | \$11,643,368 |
| Interest receivable | 27,098 | 6,339 | 342 | 6,212 | 39,991 |
| Accounts receivable, net | — | — | — | — | — |
| Intergovernmental receivable | — | — | — | 1,087,064 | 1,087,064 |
| Taxes receivable | 4,195 | 1,450 | 14,323 | 92,898 | 112,866 |
| Due from other funds | — | — | — | 52,838 | 52,838 |
| Restricted assets: | | | | | |
| Cash and investments | — | — | — | 241,949 | 241,949 |
| Interfund receivable | 40,000 | — | — | — | 40,000 |
| Deposits | — | 5,000 | — | — | 5,000 |
| Advances to other funds | <u>72,081</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>72,081</u> |
| Total assets | <u>\$ 8,449,548</u> | <u>\$ 1,965,890</u> | <u>\$ 86,740</u> | <u>\$ 2,792,979</u> | <u>\$13,295,157</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 8,150 | \$ 29,169 | \$ — | \$ 805,685 | \$ 843,004 |
| Accrued liabilities | 9,945 | 3,211 | — | 233,457 | 246,613 |
| Due to other funds | 14,551 | 3,662 | — | — | 18,213 |
| Deferred revenues | 112,081 | — | 8,588 | 1,152,583 | 1,273,252 |
| Interfund payables | — | — | 40,000 | — | 40,000 |
| Advances from other funds | <u>—</u> | <u>—</u> | <u>72,081</u> | <u>890,106</u> | <u>962,187</u> |
| Total liabilities | <u>144,727</u> | <u>36,042</u> | <u>120,669</u> | <u>3,081,831</u> | <u>3,383,269</u> |
| Fund balances (deficit): | | | | | |
| Reserved for encumbrances | 85,692 | 261,346 | — | 2,715,436 | 3,062,474 |
| Reserved for noncurrent advances | 72,081 | — | — | — | 72,081 |
| Reserved for school projects | 92,103 | 819,404 | — | — | 911,507 |
| Unreserved: | | | | | |
| Designated for continuing projects | 8,054,945 | 849,098 | — | — | 8,904,043 |
| Undesignated | <u>—</u> | <u>—</u> | <u>(33,929)</u> | <u>(3,004,288)</u> | <u>(3,038,217)</u> |
| Total fund balances (deficit) | <u>8,304,821</u> | <u>1,929,848</u> | <u>(33,929)</u> | <u>(288,852)</u> | <u>9,911,888</u> |
| Total liabilities and fund balances | <u>\$ 8,449,548</u> | <u>\$ 1,965,890</u> | <u>\$ 86,740</u> | <u>\$ 2,792,979</u> | <u>\$13,295,157</u> |

CITY OF REDDING
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Capital Projects
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

| | <u>Canby/Hilltop/ Cypress Project</u> | <u>Market Street Project</u> | <u>Buckeye Project</u> | <u>SHASTEC Project</u> | <u>Total Capital Projects</u> |
|--|---|--------------------------------------|----------------------------|----------------------------|---------------------------------------|
| REVENUES: | | | | | |
| Property taxes | \$ 4,175,379 | \$ 1,736,064 | \$ 105,091 | \$ 881,973 | \$ 6,898,507 |
| Intergovernmental revenues | — | 18,060 | — | 1,861,077 | 1,879,137 |
| Use of money and property | 30,000 | — | — | — | 30,000 |
| Interest revenue | 121,197 | 29,452 | 1,166 | 18,362 | 170,177 |
| Other | <u>10,444</u> | <u>5,121</u> | <u>167</u> | <u>67,520</u> | <u>83,252</u> |
| Total revenues | <u>4,337,020</u> | <u>1,788,697</u> | <u>106,424</u> | <u>2,828,932</u> | <u>9,061,073</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Community development | 2,492,235 | 1,010,020 | 21,133 | 213,397 | 3,736,785 |
| Capital outlay | 1,879,605 | 529,737 | — | 837,549 | 3,246,891 |
| Debt service: | | | | | |
| Interest and fiscal charges | <u>—</u> | <u>—</u> | <u>2,167</u> | <u>22,500</u> | <u>24,667</u> |
| Total expenditures | <u>4,371,840</u> | <u>1,539,757</u> | <u>23,300</u> | <u>1,073,446</u> | <u>7,008,343</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(34,820)</u> | <u>248,940</u> | <u>83,124</u> | <u>1,755,486</u> | <u>2,052,730</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | 414,331 | 15,310 | — | — | 429,641 |
| Transfers out | <u>—</u> | <u>—</u> | <u>—</u> | <u>(2,535,376)</u> | <u>(2,535,376)</u> |
| Total other financing sources (uses) | <u>414,331</u> | <u>15,310</u> | <u>—</u> | <u>(2,535,376)</u> | <u>(2,105,735)</u> |
| Net change in fund balances | 379,511 | 264,250 | 83,124 | (779,890) | (53,005) |
| FUND BALANCES (DEFICIT), beginning of year, | <u>7,925,310</u> | <u>1,665,598</u> | <u>(117,053)</u> | <u>491,038</u> | <u>9,964,893</u> |
| FUND BALANCES (DEFICIT), end of year | <u>\$ 8,304,821</u> | <u>\$ 1,929,848</u> | <u>\$ (33,929)</u> | <u>\$ (288,852)</u> | <u>\$ 9,911,888</u> |

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Nonmajor Governmental Funds Debt Service Funds

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

Redevelopment Agency Debt Service Funds:

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

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

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

General Debt Service - This fund was established to accumulate monies for payment of long-term bonds that are the responsibility of the General Fund.

CITY OF REDDING
Combining Balance Sheet
Debt Service
Nonmajor Governmental Funds
June 30, 2004

| | <u>Midtown Project Bonds</u> | <u>Canby/Hilltop/ Cypress Project Bonds</u> | <u>Market Street Project Bonds</u> | <u>General Debt Service</u> | <u>Total</u> |
|--------------------------------------|--------------------------------------|---|--|-------------------------------------|---------------------|
| ASSETS | | | | | |
| Restricted assets: | | | | | |
| Cash and investments | \$ — | \$11,314,627 | \$ 3,184,170 | \$ — | \$14,498,797 |
| Interest receivable | — | 46,802 | 12,224 | — | 59,026 |
| Taxes receivable | <u>1,478</u> | <u>294,209</u> | <u>120,256</u> | <u>—</u> | <u>415,943</u> |
| Total assets | <u>\$ 1,478</u> | <u>\$11,655,638</u> | <u>\$ 3,316,650</u> | <u>\$ —</u> | <u>\$14,973,766</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Deferred revenues | \$ 1,146 | \$ 248,529 | \$ 98,612 | \$ — | \$ 348,287 |
| Interfund payables | 13,736 | — | — | — | 13,736 |
| Advances from other funds | <u>981,891</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>981,891</u> |
| Total liabilities | <u>996,773</u> | <u>248,529</u> | <u>98,612</u> | <u>—</u> | <u>1,343,914</u> |
| Fund balances (deficit): | | | | | |
| Reserved for debt service | — | 2,208,593 | 419,280 | — | 2,627,873 |
| Unreserved, undesignated | <u>(995,295)</u> | <u>9,198,516</u> | <u>2,798,758</u> | <u>—</u> | <u>11,001,979</u> |
| Total fund balances (deficit) | <u>(995,295)</u> | <u>11,407,109</u> | <u>3,218,038</u> | <u>—</u> | <u>13,629,852</u> |
| Total liabilities and fund balances | <u>\$ 1,478</u> | <u>\$11,655,638</u> | <u>\$ 3,316,650</u> | <u>\$ —</u> | <u>\$14,973,766</u> |

CITY OF REDDING
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Debt Service
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

| | <u>Midtown Project Bonds</u> | <u>Canby/Hilltop/ Cypress Project Bond</u> | <u>Market Street Project Bonds</u> | <u>General Debt Service</u> | <u>Total Debt Service</u> |
|--|--------------------------------------|--|--|-------------------------------------|-----------------------------------|
| REVENUES: | | | | | |
| Property taxes | \$ 19,244 | \$ 1,156,610 | \$ 275,871 | \$ --- | \$ 1,451,725 |
| Interest revenue | 198 | 92,366 | 34,967 | --- | 127,531 |
| Other | <u>58</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>58</u> |
| Total revenues | <u>19,500</u> | <u>1,248,976</u> | <u>310,838</u> | <u>---</u> | <u>1,579,314</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 2,018 | 105,313 | 39,989 | --- | 147,320 |
| Debt service: | | | | | |
| Interest and fiscal charges | 29,460 | 1,108,239 | 196,011 | --- | 1,333,710 |
| Bond issuance charges | <u>---</u> | <u>679,606</u> | <u>54,546</u> | <u>---</u> | <u>734,152</u> |
| Total expenditures | <u>31,478</u> | <u>1,893,158</u> | <u>290,546</u> | <u>---</u> | <u>2,215,182</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(11,978)</u> | <u>(644,182)</u> | <u>20,292</u> | <u>---</u> | <u>(635,868)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Long-term debt issued | --- | 28,935,000 | 5,185,000 | --- | 34,120,000 |
| Bond discounts | --- | --- | (51,342) | --- | (51,342) |
| Premium on bonds issued | --- | 75,576 | --- | --- | 75,576 |
| Payment to refunding bond escrow agent | --- | (19,698,821) | (2,138,086) | --- | (21,836,907) |
| Transfers out | <u>---</u> | <u>(414,331)</u> | <u>(15,310)</u> | <u>(12,056,704)</u> | <u>(12,486,345)</u> |
| Total other financing sources (uses) | <u>---</u> | <u>8,897,424</u> | <u>2,980,262</u> | <u>(12,056,704)</u> | <u>(179,018)</u> |
| Net change in fund balances | (11,978) | 8,253,242 | 3,000,554 | (12,056,704) | (814,886) |
| FUND BALANCES (DEFICIT), beginning of year | <u>(983,317)</u> | <u>3,153,867</u> | <u>217,484</u> | <u>12,056,704</u> | <u>14,444,738</u> |
| FUND BALANCES (DEFICIT), end of year | <u>\$ (995,295)</u> | <u>\$11,407,109</u> | <u>\$ 3,218,038</u> | <u>\$ ---</u> | <u>\$13,629,852</u> |

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Nonmajor Proprietary Funds Enterprise Funds

Enterprise funds account for operations that are financed and operated in a manner similar to a private business enterprise. The intent of the governing body is that the cost of providing goods or services be financed primarily through user charges. An enterprise fund is also used when the governing body has decided that periodic determination 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 Utility - This fund was established to account for the operations of the City's storm drainage utility, a self-supporting activity which renders a service on a user-charge basis to residents and businesses.

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

Convention Center - This fund was established to account for the operations of the Convention Center and Visitors Bureau.

CITY OF REDDING
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2004

| | <u>Airport</u> | <u>Storm Drainage Utility</u> | <u>Redding Area Bus Authority</u> | <u>Convention Center</u> | <u>Totals</u> |
|-----------------------------------|---------------------|---------------------------------------|---|------------------------------|---------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 229,756 | \$ 2,263,541 | \$ 601,745 | \$ 233,970 | \$ 3,329,012 |
| Interest receivable | 247 | 16,666 | 1,691 | 1,743 | 20,347 |
| Accounts receivable, net | 22,281 | 113,089 | 7,950 | 86 | 143,406 |
| Intergovernmental receivable | 229,456 | — | 255,578 | — | 485,034 |
| Inventories | <u>—</u> | <u>53,940</u> | <u>93,527</u> | <u>—</u> | <u>147,467</u> |
| Total current assets | <u>481,740</u> | <u>2,447,236</u> | <u>960,491</u> | <u>235,799</u> | <u>4,125,266</u> |
| Non-current assets: | | | | | |
| Restricted assets: | | | | | |
| Cash and investments | <u>56,509</u> | <u>—</u> | <u>—</u> | <u>35,837</u> | <u>92,346</u> |
| Total restricted assets | <u>56,509</u> | <u>—</u> | <u>—</u> | <u>35,837</u> | <u>92,346</u> |
| Capital assets: | | | | | |
| Land | 4,974,061 | 2,544,318 | 1,326,210 | 250,000 | 9,094,589 |
| Utility plants | — | 14,505,795 | — | — | 14,505,795 |
| Buildings | 7,771,132 | — | 5,488,813 | 3,441,565 | 16,701,510 |
| Improvements other than buildings | 19,552,511 | 2,348,779 | 1,191,054 | 368,946 | 23,461,290 |
| Automotive equipment | 705,476 | 352,470 | 7,098,319 | 94,867 | 8,251,132 |
| Furnishings and equipment | 126,843 | 16,054 | 1,352,014 | 317,637 | 1,812,548 |
| Assets under capital lease | — | 321,428 | — | 728,174 | 1,049,602 |
| Construction in progress | <u>376,792</u> | <u>4,106,595</u> | <u>—</u> | <u>23,549</u> | <u>4,506,936</u> |
| Total capital assets | 33,506,815 | 24,195,439 | 16,456,410 | 5,224,738 | 79,383,402 |
| Less: accumulated depreciation | <u>(18,203,604)</u> | <u>(6,533,003)</u> | <u>(6,642,061)</u> | <u>(3,942,632)</u> | <u>(35,321,300)</u> |
| Net capital assets | <u>15,303,211</u> | <u>17,662,436</u> | <u>9,814,349</u> | <u>1,282,106</u> | <u>44,062,102</u> |
| Other assets: | | | | | |
| Financing costs, net | <u>18,617</u> | <u>—</u> | <u>—</u> | <u>11,806</u> | <u>30,423</u> |
| Total other assets | <u>18,617</u> | <u>—</u> | <u>—</u> | <u>11,806</u> | <u>30,423</u> |
| Total non-current assets | <u>15,378,337</u> | <u>17,662,436</u> | <u>9,814,349</u> | <u>1,329,749</u> | <u>44,184,871</u> |
| Total assets | <u>15,860,077</u> | <u>20,109,672</u> | <u>10,774,840</u> | <u>1,565,548</u> | <u>48,310,137</u> |

| LIABILITIES AND NET ASSETS | <u>Airport</u> | <u>Storm Drainage Utility</u> | <u>Redding Area Bus Authority</u> | <u>Convention Center</u> | <u>Totals</u> |
|---|---------------------|---------------------------------------|---|------------------------------|---------------------|
| Current liabilities (payable from current assets): | | | | | |
| Accounts payable | \$ 60,958 | \$ 16,316 | \$ 263,209 | \$ 57,646 | \$ 398,129 |
| Accrued liabilities | 52,230 | 25,358 | 6,005 | 83,312 | 166,905 |
| Accrued interest payable | 25,237 | — | — | 5,956 | 31,193 |
| Intergovernmental payables | 200 | — | 78,382 | 1,551 | 80,133 |
| Due to other funds | 204,023 | — | 45,392 | — | 249,415 |
| Deferred revenues | 9,803 | — | 52,000 | — | 61,803 |
| Interfund payables | 85,000 | — | — | — | 85,000 |
| Capital leases, current | — | 69,418 | — | 54,974 | 124,392 |
| Long-term debt, current | 28,088 | — | — | 17,813 | 45,901 |
| State loan, current | <u>65,327</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>65,327</u> |
| Total current liabilities (payable from current assets) | <u>530,866</u> | <u>111,092</u> | <u>444,988</u> | <u>221,252</u> | <u>1,308,198</u> |
| Long-term liabilities: | | | | | |
| Accrued compensated absences | 69,330 | 43,355 | — | 130,620 | 243,305 |
| Advances from other funds | 5,198,280 | — | — | 980,847 | 6,179,127 |
| Capital leases, net of current | — | 36,116 | — | 400,361 | 436,477 |
| Long-term debt, net of current | 816,588 | — | — | 406,507 | 1,223,095 |
| State loan, net of current | <u>294,977</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>294,977</u> |
| Total long-term liabilities | <u>6,379,175</u> | <u>79,471</u> | <u>—</u> | <u>1,918,335</u> | <u>8,376,981</u> |
| Total liabilities | <u>6,910,041</u> | <u>190,563</u> | <u>444,988</u> | <u>2,139,587</u> | <u>9,685,179</u> |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | 13,351,677 | 17,556,902 | 9,814,349 | 438,288 | 41,161,216 |
| Restricted for capital projects | — | 1,936,590 | — | — | 1,936,590 |
| Unrestricted | <u>(4,401,641)</u> | <u>425,617</u> | <u>515,503</u> | <u>(1,012,327)</u> | <u>(4,472,848)</u> |
| Total net assets | <u>\$ 8,950,036</u> | <u>\$19,919,109</u> | <u>\$10,329,852</u> | <u>\$ (574,039)</u> | <u>\$38,624,958</u> |

CITY OF REDDING
Combining Statement of Revenues, Expenses,
and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2004

| | <u>Airport</u> | <u>Storm Drainage Utility</u> | <u>Redding Area Bus Authority</u> | <u>Convention Center</u> | <u>Totals</u> |
|--|---------------------|---------------------------------------|---|------------------------------|---------------------|
| OPERATING REVENUES: | | | | | |
| User fees and charges | \$ 126,164 | \$ 905,574 | \$ 654,629 | \$ 570,472 | \$ 2,256,839 |
| Rental charges | 751,142 | — | — | 202,924 | 954,066 |
| Other operating revenue | <u>530,752</u> | <u>16,680</u> | <u>—</u> | <u>11,846</u> | <u>559,278</u> |
| Total operating revenues | <u>1,408,058</u> | <u>922,254</u> | <u>654,629</u> | <u>785,242</u> | <u>3,770,183</u> |
| OPERATING EXPENSES: | | | | | |
| Cost of power, water, and transportation | — | — | 2,310,114 | — | 2,310,114 |
| Maintenance, operations, and administration | 1,613,950 | 920,788 | 1,566,610 | 2,346,157 | 6,447,505 |
| Depreciation and amortization | <u>1,505,161</u> | <u>774,306</u> | <u>963,083</u> | <u>250,706</u> | <u>3,493,256</u> |
| Total operating expenses | <u>3,119,111</u> | <u>1,695,094</u> | <u>4,839,807</u> | <u>2,596,863</u> | <u>12,250,875</u> |
| Operating income (loss) | <u>(1,711,053)</u> | <u>(772,840)</u> | <u>(4,185,178)</u> | <u>(1,811,621)</u> | <u>(8,480,692)</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | | |
| Interest revenue | — | 22,413 | 659 | — | 23,072 |
| Interest expense | (98,184) | (8,346) | — | (23,949) | (130,479) |
| Intergovernmental revenues | 222,942 | — | 3,218,273 | — | 3,441,215 |
| Gain (loss) on disposal of assets | 129,285 | — | — | — | 129,285 |
| Other non-operating revenues (expenses) | <u>206,969</u> | <u>237,548</u> | <u>—</u> | <u>(713)</u> | <u>443,804</u> |
| Total non-operating revenues (expenses) | <u>461,012</u> | <u>251,615</u> | <u>3,218,932</u> | <u>(24,662)</u> | <u>3,906,897</u> |
| Income (loss) before operating transfers and capital contributions | (1,250,041) | (521,225) | (966,246) | (1,836,283) | (4,573,795) |
| Capital contributions | 247,489 | 1,069,222 | 955,430 | 11,247 | 2,283,388 |
| Transfers in | <u>—</u> | <u>2,535,376</u> | <u>—</u> | <u>1,641,071</u> | <u>4,176,447</u> |
| Change in net assets | (1,002,552) | 3,083,373 | (10,186) | (183,965) | 1,886,040 |
| Net assets (deficit), beginning of year | <u>9,952,588</u> | <u>16,835,736</u> | <u>10,340,668</u> | <u>(390,074)</u> | <u>36,738,918</u> |
| Net assets (deficit), end of year | <u>\$ 8,950,036</u> | <u>\$19,919,109</u> | <u>\$10,329,852</u> | <u>\$ (574,039)</u> | <u>\$38,624,958</u> |

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CITY OF REDDING
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2004

| | <u>Airport</u> | <u>Storm Drainage Utility</u> | <u>Redding Area Bus Authority</u> | <u>Convention Center</u> | <u>Totals</u> |
|---|--------------------|---------------------------------------|---|------------------------------|---------------------|
| Cash flows from operating activities: | | | | | |
| Cash received from customers | \$ 1,436,426 | \$ 922,244 | \$ 660,557 | \$ 787,511 | \$ 3,806,738 |
| Cash paid to suppliers | (1,230,615) | (584,494) | (3,916,586) | (1,314,953) | (7,046,648) |
| Cash paid to employees | <u>(524,962)</u> | <u>(314,333)</u> | <u>—</u> | <u>(995,979)</u> | <u>(1,835,274)</u> |
| Net cash provided (used) by operating activities | <u>(319,151)</u> | <u>23,417</u> | <u>(3,256,029)</u> | <u>(1,523,421)</u> | <u>(5,075,184)</u> |
| Cash flows from noncapital financing activities: | | | | | |
| Intergovernmental revenue received | 380,005 | — | 2,707,742 | — | 3,087,747 |
| Advances from other funds | 1,120,375 | — | — | 70,000 | 1,190,375 |
| Repayment of advances to other funds | — | — | — | — | — |
| Transfers in | <u>—</u> | <u>2,535,376</u> | <u>—</u> | <u>1,641,071</u> | <u>4,176,447</u> |
| Net cash provided (used) by noncapital financing activities | <u>1,500,380</u> | <u>2,535,376</u> | <u>2,707,742</u> | <u>1,711,071</u> | <u>8,454,569</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Capital grants received | 247,489 | — | 1,272,439 | 11,247 | 1,531,175 |
| Proceeds from sale of assets | 129,260 | — | — | — | 129,260 |
| Purchase of capital assets | (1,596,643) | (2,952,270) | (955,430) | (75,211) | (5,579,554) |
| Interest paid | (97,963) | (8,346) | — | (24,910) | (131,219) |
| Principal paid on long-term debt | (112,931) | — | — | (16,388) | (129,319) |
| Principal paid on capital leases | — | (65,829) | — | (53,804) | (119,633) |
| Other revenue (expenses) received | <u>206,969</u> | <u>237,548</u> | <u>—</u> | <u>(713)</u> | <u>443,804</u> |
| Net cash provided (used) by capital and related financing activities | <u>(1,223,819)</u> | <u>(2,788,897)</u> | <u>317,009</u> | <u>(159,779)</u> | <u>(3,855,486)</u> |
| Cash flows from investing activities: | | | | | |
| Investment revenue received | <u>(63)</u> | <u>17,737</u> | <u>3,935</u> | <u>(560)</u> | <u>21,049</u> |
| Net cash provided (used) by investing activities | <u>(63)</u> | <u>17,737</u> | <u>3,935</u> | <u>(560)</u> | <u>21,049</u> |
| Net increase (decrease) in cash | (42,653) | (212,367) | (227,343) | 27,311 | (455,052) |
| Cash and investments, beginning of year | <u>328,918</u> | <u>2,475,908</u> | <u>829,088</u> | <u>242,496</u> | <u>3,876,410</u> |
| Cash and investments, end of year | <u>\$ 286,265</u> | <u>\$ 2,263,541</u> | <u>\$ 601,745</u> | <u>\$ 269,807</u> | <u>\$ 3,421,358</u> |

(continued)

| | <u>Airport</u> | <u>Storm Drainage Utility</u> | <u>Redding Area Bus Authority</u> | <u>Convention Center</u> | <u>Totals</u> |
|---|---------------------|---------------------------------------|---|------------------------------|----------------------|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$(1,711,053) | \$ (772,840) | \$(4,185,178) | \$(1,811,621) | \$(8,480,692) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation and amortization | 1,505,161 | 774,306 | 963,083 | 250,706 | 3,493,256 |
| (Increase) decrease in accounts receivable | 28,600 | (10) | 5,928 | 2,269 | 36,787 |
| (Increase) decrease in inventories | — | 3,071 | (17,981) | — | (14,910) |
| Increase (decrease) in accounts payable | 11,462 | 3,796 | (3,254) | 6,772 | 18,776 |
| Increase (decrease) in due to other funds | 204,023 | — | — | — | 204,023 |
| Increase (decrease) in accrued liabilities | 14,309 | 9,607 | 6,005 | 13,928 | 43,849 |
| Increase (decrease) in interfund payable | (372,605) | — | (40,632) | — | (413,237) |
| Increase (decrease) in intergovernmental payable | (2,658) | — | — | 1,551 | (1,107) |
| Increase (decrease) in deferred revenues | (232) | — | 16,000 | — | 15,768 |
| Increase (decrease) in accrued compensated absences | <u>3,842</u> | <u>5,487</u> | <u>—</u> | <u>12,974</u> | <u>22,303</u> |
| Total adjustments | <u>1,391,902</u> | <u>796,257</u> | <u>929,149</u> | <u>288,200</u> | <u>3,405,508</u> |
| Net cash provided (used) by operating activities | <u>\$ (319,151)</u> | <u>\$ 23,417</u> | <u>\$(3,256,029)</u> | <u>\$(1,523,421)</u> | <u>\$(5,075,184)</u> |
| Plant contributed from developers | <u>\$ —</u> | <u>\$ 1,069,222</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 1,069,222</u> |

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Proprietary Funds Internal Service Funds

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

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

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

General Support Services Fund - This fund was established to account for general support services utilized by all City departments.

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

CITY OF REDDING
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004

| | <u>Equipment</u> | <u>Information Systems</u> | <u>General Support Services</u> | <u>Risk Management</u> | <u>Total</u> |
|-----------------------------------|--------------------|--------------------------------|---|----------------------------|--------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 769,207 | \$ 563,547 | \$ 810,200 | \$ 7,970,346 | \$10,113,300 |
| Interest receivable | 6,561 | 4,542 | 7,049 | 62,226 | 80,378 |
| Accounts receivable, net | — | — | 379 | 16,551 | 16,930 |
| Prepaid items | — | — | — | 175,225 | 175,225 |
| Inventories | 84,583 | — | — | — | 84,583 |
| Interfund receivables | — | — | — | 145,000 | 145,000 |
| Total current assets | <u>860,351</u> | <u>568,089</u> | <u>817,628</u> | <u>8,369,348</u> | <u>10,615,416</u> |
| Non-current assets: | | | | | |
| Capital assets: | | | | | |
| Land | — | — | 8,310 | — | 8,310 |
| Improvements other than buildings | 100,050 | 71,229 | 16,166 | — | 187,445 |
| Automotive equipment | 8,685,448 | — | 102,399 | — | 8,787,847 |
| Furnishings and equipment | 833,945 | 261,965 | 197,917 | — | 1,293,827 |
| Assets under capital lease | <u>545,630</u> | <u>193,618</u> | <u>47,263</u> | <u>—</u> | <u>786,511</u> |
| Total capital assets | 10,165,073 | 526,812 | 372,055 | — | 11,063,940 |
| Less: accumulated depreciation | <u>(6,674,818)</u> | <u>(370,621)</u> | <u>(243,093)</u> | <u>—</u> | <u>(7,288,532)</u> |
| Net capital assets | <u>3,490,255</u> | <u>156,191</u> | <u>128,962</u> | <u>—</u> | <u>3,775,408</u> |
| Other assets: | | | | | |
| Advances to other funds | — | — | — | 1,752,918 | 1,752,918 |
| Total other assets | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,752,918</u> | <u>1,752,918</u> |
| Total non-current assets | <u>3,490,255</u> | <u>156,191</u> | <u>128,962</u> | <u>1,752,918</u> | <u>5,528,326</u> |
| Total assets | <u>4,350,606</u> | <u>724,280</u> | <u>946,590</u> | <u>10,122,266</u> | <u>16,143,742</u> |

(continued)

| LIABILITIES AND NET ASSETS | <u>Equipment</u> | <u>Information Systems</u> | <u>General Support Services</u> | <u>Risk Management</u> | <u>Total</u> |
|---|---------------------|--------------------------------|---|----------------------------|---------------------|
| Current liabilities (payable from current assets): | | | | | |
| Accounts payable | \$ 120,244 | \$ 10,992 | \$ 147,551 | \$ 71,186 | \$ 349,973 |
| Intergovernmental payable | — | — | 16,216 | 200 | 16,416 |
| Accrued liabilities | 117,534 | 120,894 | 101,472 | 54,235 | 394,135 |
| Claims and judgments payable | — | — | — | 13,376,260 | 13,376,260 |
| Deposits | — | — | — | 9,331 | 9,331 |
| Capital leases, current | <u>—</u> | <u>32,100</u> | <u>7,336</u> | <u>—</u> | <u>39,436</u> |
| Total current liabilities (payable from current assets) | <u>237,778</u> | <u>163,986</u> | <u>272,575</u> | <u>13,511,212</u> | <u>14,185,551</u> |
| Long-term liabilities: | | | | | |
| Accrued compensated absences | <u>140,102</u> | <u>190,183</u> | <u>191,005</u> | <u>17,263</u> | <u>538,553</u> |
| Total long-term liabilities | <u>140,102</u> | <u>190,183</u> | <u>191,005</u> | <u>17,263</u> | <u>538,553</u> |
| Total liabilities | <u>377,880</u> | <u>354,169</u> | <u>463,580</u> | <u>13,528,475</u> | <u>14,724,104</u> |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | 3,490,255 | 156,191 | 121,626 | — | 3,768,072 |
| Unrestricted | <u>482,471</u> | <u>213,920</u> | <u>361,384</u> | <u>(3,406,209)</u> | <u>(2,348,434)</u> |
| Total net assets | <u>\$ 3,972,726</u> | <u>\$ 370,111</u> | <u>\$ 483,010</u> | <u>\$ (3,406,209)</u> | <u>\$ 1,419,638</u> |

CITY OF REDDING
Combining Statement of Revenues, Expenses,
and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2004

| | <u>Equipment</u> | <u>Information Systems</u> | <u>General Support Services</u> | <u>Risk Management</u> | <u>Total</u> |
|--|---------------------|--------------------------------|---|----------------------------|---------------------|
| OPERATING REVENUES: | | | | | |
| User fees and charges | \$ 3,352,325 | \$ 1,754,830 | \$ 3,283,111 | \$21,108,334 | \$29,498,600 |
| Other operating revenue | <u>16,762</u> | <u>8,100</u> | <u>3,407</u> | <u>—</u> | <u>28,269</u> |
| Total operating revenues | <u>3,369,087</u> | <u>1,762,930</u> | <u>3,286,518</u> | <u>21,108,334</u> | <u>29,526,869</u> |
| OPERATING EXPENSES: | | | | | |
| Maintenance, operations, and administration | 3,487,870 | 1,832,144 | 3,372,210 | 25,468,368 | 34,160,592 |
| Depreciation and amortization | <u>877,461</u> | <u>69,243</u> | <u>33,596</u> | <u>—</u> | <u>980,300</u> |
| Total operating expenses | <u>4,365,331</u> | <u>1,901,387</u> | <u>3,405,806</u> | <u>25,468,368</u> | <u>35,140,892</u> |
| Operating income (loss) | <u>(996,244)</u> | <u>(138,457)</u> | <u>(119,288)</u> | <u>(4,360,034)</u> | <u>(5,614,023)</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | | |
| Interest revenue | 10,054 | 4,657 | 4,574 | 105,511 | 124,796 |
| Interest expense | — | (3,127) | (924) | — | (4,051) |
| Gain (loss) on disposal of capital assets | <u>20,693</u> | <u>—</u> | <u>3,243</u> | <u>—</u> | <u>23,936</u> |
| Total non-operating revenues (expenses) | <u>30,747</u> | <u>1,530</u> | <u>6,893</u> | <u>105,511</u> | <u>144,681</u> |
| Income (loss) before transfers | <u>(965,497)</u> | <u>(136,927)</u> | <u>(112,395)</u> | <u>(4,254,523)</u> | <u>(5,469,342)</u> |
| Capital contributions | 614,478 | — | — | — | 614,478 |
| Transfers in | 800 | — | 10,800 | — | 11,600 |
| Transfers out | <u>—</u> | <u>—</u> | <u>(10,000)</u> | <u>—</u> | <u>(10,000)</u> |
| Change in net assets | (350,219) | (136,927) | (111,595) | (4,254,523) | (4,853,264) |
| Net assets, beginning of year | <u>4,322,945</u> | <u>507,038</u> | <u>594,605</u> | <u>848,314</u> | <u>6,272,902</u> |
| Net assets (deficit), end of year | <u>\$ 3,972,726</u> | <u>\$ 370,111</u> | <u>\$ 483,010</u> | <u>\$(3,406,209)</u> | <u>\$ 1,419,638</u> |

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CITY OF REDDING
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004

| | <u>Equipment</u> | <u>Information Systems</u> | <u>General Support Services</u> | <u>Risk Management</u> | <u>Total</u> |
|--|--------------------|--------------------------------|---|----------------------------|---------------------|
| Cash flows from operating activities: | | | | | |
| Cash received from other funds | \$ 3,378,720 | \$ 1,762,930 | \$ 3,286,283 | \$21,101,916 | \$29,529,849 |
| Cash paid to suppliers | (2,264,961) | (379,574) | (2,082,804) | (25,152,209) | (29,879,548) |
| Cash paid to employees | <u>(1,177,615)</u> | <u>(1,479,021)</u> | <u>(1,188,476)</u> | <u>4,557,108</u> | <u>711,996</u> |
| Net cash provided (used) by operating activities | <u>(63,856)</u> | <u>(95,665)</u> | <u>15,003</u> | <u>506,815</u> | <u>362,297</u> |
| Cash flows from noncapital financing activities: | | | | | |
| Repayment of advances to other funds | — | — | — | 150,940 | 150,940 |
| Advances to other funds | <u>—</u> | <u>—</u> | <u>—</u> | <u>(881,500)</u> | <u>(881,500)</u> |
| Net cash provided (used) by noncapital financing activities | <u>—</u> | <u>—</u> | <u>—</u> | <u>(730,560)</u> | <u>(730,560)</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Proceeds from sale of assets | 114,930 | — | 3,896 | — | 118,826 |
| Purchase of capital assets | (184,860) | (6,518) | (38,715) | — | (230,093) |
| Interest paid | — | (3,127) | (924) | — | (4,051) |
| Principal paid on capital leases | <u>—</u> | <u>(67,279)</u> | <u>(10,876)</u> | <u>—</u> | <u>(78,155)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(69,930)</u> | <u>(76,924)</u> | <u>(46,619)</u> | <u>—</u> | <u>(193,473)</u> |
| Cash flows from investing activities: | | | | | |
| Investment revenue received | <u>8,832</u> | <u>3,817</u> | <u>2,155</u> | <u>88,369</u> | <u>103,173</u> |
| Net cash provided by investing activities | <u>8,832</u> | <u>3,817</u> | <u>2,155</u> | <u>88,369</u> | <u>103,173</u> |
| Net increase (decrease) in cash | (124,954) | (168,772) | (29,461) | (135,376) | (458,563) |
| Cash and investments, beginning of year | <u>894,161</u> | <u>732,319</u> | <u>839,661</u> | <u>8,105,722</u> | <u>10,571,863</u> |
| Cash and investments, end of year | <u>\$ 769,207</u> | <u>\$ 563,547</u> | <u>\$ 810,200</u> | <u>\$ 7,970,346</u> | <u>\$10,113,300</u> |

(continued)

| | <u>Equipment</u> | <u>Information Systems</u> | <u>General Support Services</u> | <u>Risk Management</u> | <u>Total</u> |
|---|--------------------|--------------------------------|---|----------------------------|-------------------|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$ (996,244) | \$ (138,457) | \$ (119,288) | \$(4,360,034) | \$(5,614,023) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation and amortization | 877,461 | 69,243 | 33,596 | — | 980,300 |
| (Increase) decrease in accounts receivable | 9,633 | — | (235) | (6,418) | 2,980 |
| (Increase) decrease in inventories | (6,245) | — | — | — | (6,245) |
| (Increase) decrease in prepaid items | — | — | — | 46,042 | 46,042 |
| Increase (decrease) in accounts payable | 24,146 | (7,679) | 52,514 | 28,414 | 97,395 |
| Increase (decrease) in accrued liabilities | 16,865 | 10,659 | 20,402 | 7,689 | 55,615 |
| Increase (decrease) in claims and judgments payable | — | — | — | 4,786,260 | 4,786,260 |
| Increase (decrease) in deposits | — | — | — | 698 | 698 |
| Increase (decrease) in intergovernmental payable | — | — | 16,216 | 200 | 16,416 |
| Increase (decrease) in accrued compensated absences | <u>10,528</u> | <u>(29,431)</u> | <u>11,798</u> | <u>3,964</u> | <u>(3,141)</u> |
| Total adjustments | <u>932,388</u> | <u>42,792</u> | <u>134,291</u> | <u>4,866,849</u> | <u>5,976,320</u> |
| Net cash provided (used) by operating activities | <u>\$ (63,856)</u> | <u>\$ (95,665)</u> | <u>\$ 15,003</u> | <u>\$ 506,815</u> | <u>\$ 362,297</u> |
| Schedule of noncash capital activities: | | | | | |
| Equipment contributed from customers | <u>\$ 615,278</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 615,278</u> |

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Fiduciary Funds

Agency Funds

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.

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 Agency Net Assets
For the Year Ended June 30, 2004

| | Balance <u>July 1, 2003</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2004</u> |
|---------------------------|--------------------------------|------------------|-------------------|---------------------------------|
| SPECIAL DEPOSITS | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,660,610 | \$ 4,678,369 | \$ 4,865,257 | \$ 1,473,722 |
| Accounts receivable | 24,821 | 449,695 | 467,956 | 6,560 |
| Interest receivable | <u>24,365</u> | <u>6,379</u> | <u>—</u> | <u>30,744</u> |
| Total assets | <u>1,709,796</u> | <u>5,134,443</u> | <u>5,333,213</u> | <u>1,511,026</u> |
| LIABILITIES | | | | |
| Deposits | <u>1,709,796</u> | <u>6,816,269</u> | <u>7,015,039</u> | <u>1,511,026</u> |
| Total liabilities | <u>1,709,796</u> | <u>6,816,269</u> | <u>7,015,039</u> | <u>1,511,026</u> |
| NET ASSETS | <u>\$ —</u> | | | <u>\$ —</u> |
| | | | | |
| | Balance <u>July 1, 2003</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2004</u> |
| IPSS | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 171,508 | \$ 325,092 | \$ 265,449 | \$ 231,151 |
| Accounts receivable | 118,282 | 191,824 | 310,106 | — |
| Interest receivable | <u>644</u> | <u>1,224</u> | <u>—</u> | <u>1,868</u> |
| Total assets | <u>290,434</u> | <u>518,140</u> | <u>575,555</u> | <u>233,019</u> |
| LIABILITIES | | | | |
| Deposits | <u>290,434</u> | <u>518,140</u> | <u>575,555</u> | <u>233,019</u> |
| Total liabilities | <u>290,434</u> | <u>518,140</u> | <u>575,555</u> | <u>233,019</u> |
| NET ASSETS | <u>\$ —</u> | | | <u>\$ —</u> |
| | | | | |
| | Balance <u>July 1, 2003</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2004</u> |
| TOTAL | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,832,118 | \$ 5,003,461 | \$ 5,130,706 | \$ 1,704,873 |
| Accounts receivable | 143,103 | 641,519 | 778,062 | 6,560 |
| Interest receivable | <u>25,009</u> | <u>7,603</u> | <u>—</u> | <u>32,612</u> |
| Total assets | <u>2,000,230</u> | <u>5,652,583</u> | <u>5,908,768</u> | <u>1,744,045</u> |
| LIABILITIES | | | | |
| Deposits | <u>2,000,230</u> | <u>7,334,409</u> | <u>7,590,594</u> | <u>1,744,045</u> |
| Total liabilities | <u>2,000,230</u> | <u>7,334,409</u> | <u>7,590,594</u> | <u>1,744,045</u> |
| NET ASSETS | <u>\$ —</u> | | | <u>\$ —</u> |

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BUDGETARY COMPARISON SCHEDULES

CITY OF REDDING
 General Capital Projects Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|--|------------------------------|------------------------------|---|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental revenue | \$ — | \$ 2,345,200 | \$ 4,346,384 | \$ 2,001,184 |
| Investment revenue | 380,800 | 380,800 | 221,783 | (159,017) |
| Other | <u>1,870,670</u> | <u>2,250,500</u> | <u>4,230,505</u> | <u>1,980,005</u> |
| Total revenues | <u>2,251,470</u> | <u>4,976,500</u> | <u>8,798,672</u> | <u>3,822,172</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 1,263,030 | 1,549,050 | 137,898 | 1,411,152 |
| Public works | 19,740,930 | 19,981,070 | 4,654,792 | 15,326,278 |
| Recreation and culture | 13,597,860 | 17,822,535 | 13,329,556 | 4,492,979 |
| Debt service: | | | | |
| Principal retirement | — | — | 65,940 | (65,940) |
| Interest and fiscal charges | <u>132,600</u> | <u>132,600</u> | <u>15,660</u> | <u>116,940</u> |
| Total expenditures | <u>34,734,420</u> | <u>39,485,255</u> | <u>18,203,846</u> | <u>21,281,409</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(32,482,950)</u> | <u>(34,508,755)</u> | <u>(9,405,174)</u> | <u>25,103,581</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | — | 205,000 | 170,000 | (35,000) |
| Transfers out | <u>—</u> | <u>(13,980)</u> | <u>(64,854)</u> | <u>(50,874)</u> |
| Total other financing sources (uses) | <u>—</u> | <u>191,020</u> | <u>105,146</u> | <u>(85,874)</u> |
| Net change in fund balance | (32,482,950) | (34,317,735) | (9,300,028) | 25,017,707 |
| BUDGETARY FUND BALANCE | | | | |
| beginning of year, | <u>10,003,095</u> | <u>10,003,095</u> | <u>10,003,095</u> | <u>—</u> |
| BUDGETARY FUND BALANCE | | | | |
| end of year | <u><u>\$(22,479,855)</u></u> | <u><u>\$(24,314,640)</u></u> | <u><u>\$ 703,067</u></u> | <u><u>\$25,017,707</u></u> |

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

| | |
|---|--------------------------|
| | \$ 8,109,585 |
| 1. Financial statement only interest income adjustment per GASB 31. | 175,023 |
| 2. The City does not budget for accounts payable adjustments. | (87,082) |
| 3. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance. | (4,194,133) |
| 4. The City does not budget for the transfer of development fees and interest on those fees to the related enterprise funds. | 364,066 |
| 5. The City budgets for grants on a cash basis. | (2,903,699) |
| 6. Timing difference due to GASB 33. | 57,554 |
| 7. The City budgets for principal payments for loans. | (65,940) |
| 8. The City does not budget for transfers. | 3,803 |
| 9. The City does budget for interest on trustee cash interest transferred in. | (3,702) |
| 10. The City does not budget for long term debt proceeds. | <u>(752,408)</u> |
| Budgetary fund balance | <u><u>\$ 703,067</u></u> |

CITY OF REDDING
Special Revenue Parking Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|---|--------------------------------|--------------------------------|---|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Licenses and permits | \$ 65,650 | \$ 65,650 | \$ 78,981 | \$ 13,331 |
| Fines, forfeitures and penalties | 123,000 | 123,000 | 134,216 | 11,216 |
| Interest revenue | <u>22,800</u> | <u>22,800</u> | <u>33,963</u> | <u>11,163</u> |
| Total revenues | <u>211,450</u> | <u>211,450</u> | <u>247,160</u> | <u>35,710</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | 7,000 | 158,510 | 148,999 | 9,511 |
| Public works | 2,000 | 90,620 | 76,398 | 14,222 |
| Debt service: | | | | |
| Interest and fiscal charges | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total expenditures | <u>9,000</u> | <u>249,130</u> | <u>225,397</u> | <u>23,733</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>202,450</u> | <u>(37,680)</u> | <u>21,763</u> | <u>59,443</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total other financing sources (uses) | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Net change in fund balance | 202,450 | (37,680) | 21,763 | 59,443 |
| BUDGETARY FUND BALANCE (DEFICIT), beginning of year | <u>(835,837)</u> | <u>(835,837)</u> | <u>(835,837)</u> | <u>—</u> |
| BUDGETARY FUND BALANCE (DEFICIT), end of year | <u><u>\$ (633,387)</u></u> | <u><u>\$ (873,517)</u></u> | <u><u>\$ (814,074)</u></u> | <u><u>\$ 59,443</u></u> |
| Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance: | | | \$ (826,897) | |
| 1. Financial statement only interest income adjustment per GASB 31. | | | 355 | |
| 2. The City does not budget for accounts payable adjustments. | | | 1,760 | |
| 3. The City does not budget for benefit accruals. | | | 27 | |
| 4. The City budgets for interest on loans on a cash, not accrual basis. | | | <u>10,681</u> | |
| Budgetary fund balance | | | <u><u>\$ (814,074)</u></u> | |

CITY OF REDDING
Special Revenue Street Maintenance Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2004

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance With Final Budget- Positive (Negative)</u> |
|---|-------------------------|---------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Intergovernmental revenue | \$ 3,091,410 | \$ 3,091,410 | \$ 4,101,402 | \$ 1,009,992 |
| Interest revenues | <u>—</u> | <u>—</u> | <u>73,709</u> | <u>73,709</u> |
| Total revenues | <u>3,091,410</u> | <u>3,091,410</u> | <u>4,175,111</u> | <u>1,083,701</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>3,091,410</u> | <u>3,091,410</u> | <u>4,175,111</u> | <u>1,083,701</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers out | <u>(4,306,790)</u> | <u>(4,306,790)</u> | <u>(3,030,303)</u> | <u>1,276,487</u> |
| Total other financing sources (uses) | <u>(4,306,790)</u> | <u>(4,306,790)</u> | <u>(3,030,303)</u> | <u>1,276,487</u> |
| Net change in fund balance | (1,215,380) | (1,215,380) | 1,144,808 | 2,360,188 |
| BUDGETARY FUND BALANCE, beginning of year | <u>2,277,320</u> | <u>2,277,320</u> | <u>2,277,320</u> | <u>—</u> |
| BUDGETARY FUND BALANCE, end of year | <u>\$ 1,061,940</u> | <u>\$ 1,061,940</u> | <u>\$ 3,422,128</u> | <u>\$ 2,360,188</u> |
| Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance: | | | \$ 3,362,057 | |
| 1. Financial statement only interest income adjustment per GASB 31. | | | 47,947 | |
| 2. The City does not budget for revenue accruals. | | | <u>12,124</u> | |
| Budgetary fund balance | | | <u>\$ 3,422,128</u> | |

CITY OF REDDING
Special Revenue Community Development Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|--|----------------------------|----------------------------|---|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental revenue | \$ 7,352,220 | \$ 7,352,220 | \$ 3,096,012 | \$ (4,256,208) |
| Interest revenue | 165,150 | 165,150 | 667,435 | 502,285 |
| Other revenues | <u>480</u> | <u>480</u> | <u>1,016</u> | <u>536</u> |
| Total revenues | <u>7,517,850</u> | <u>7,517,850</u> | <u>3,764,463</u> | <u>(3,753,387)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | <u>2,598,660</u> | <u>10,192,460</u> | <u>3,270,368</u> | <u>6,922,092</u> |
| Total expenditures | <u>2,598,660</u> | <u>10,192,460</u> | <u>3,270,368</u> | <u>6,922,092</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>4,919,190</u> | <u>(2,674,610)</u> | <u>494,095</u> | <u>3,168,705</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers in | 175,000 | 175,000 | 175,000 | — |
| Operating transfers out | <u>(5,000)</u> | <u>(5,000)</u> | <u>(5,000)</u> | — |
| Total other financing sources (uses) | <u>170,000</u> | <u>170,000</u> | <u>170,000</u> | — |
| Net change in fund balance | <u>5,089,190</u> | <u>(2,504,610)</u> | <u>664,095</u> | <u>3,168,705</u> |
| BUDGETARY FUND BALANCE, | | | | |
| beginning of year, | 12,926,870 | 12,926,870 | 12,926,870 | — |
| Prior period adjustment | <u>(237,621)</u> | <u>(237,621)</u> | <u>(237,621)</u> | — |
| BUDGETARY FUND BALANCE, | | | | |
| beginning of year, (as restated) | <u>12,689,249</u> | <u>12,689,249</u> | <u>12,689,249</u> | — |
| BUDGETARY FUND BALANCE, end of year | <u>\$17,778,439</u> | <u>\$10,184,639</u> | <u>\$13,353,344</u> | <u>\$ 3,168,705</u> |

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

| | |
|--|----------------------------|
| | \$13,398,725 |
| 1. Financial statement only interest income adjustment per GASB 31. | 34,543 |
| 2. The City does not budget for accounts payable adjustments. | 14,321 |
| 3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable. | (1,654,788) |
| 4. The City does not budget for the rolling stock fund. | (505) |
| 5. The City does not budget for benefit accruals. | (167) |
| 6. The City budgets for investment income on all funds, including refundable interest to HUD. | 41,074 |
| 7. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable. | 1,199,836 |
| 8. The City budgets for grants on a cash basis. | 505,327 |
| 9. End of year encumbrances are included in actual expenditures, budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance. | <u>(185,022)</u> |
| Budgetary fund balance | <u>\$13,353,344</u> |

CITY OF REDDING
Special Revenue Housing Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|--|---------------------|---------------------|---|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 1,876,520 | \$ 2,003,661 | \$ 2,082,747 | \$ 79,086 |
| Intergovernmental revenue | 6,391,140 | 6,391,140 | 6,393,277 | 2,137 |
| Use of money and property | 320,000 | 722,490 | 744,976 | 22,486 |
| Interest revenue | 245,600 | 480,950 | 493,443 | 12,493 |
| Other revenues | <u>5,600</u> | <u>10,700</u> | <u>47,152</u> | <u>36,452</u> |
| Total revenues | <u>8,838,860</u> | <u>9,608,941</u> | <u>9,761,595</u> | <u>152,654</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 7,918,410 | 15,921,520 | 10,287,538 | 5,633,982 |
| Debt service: | | | | |
| Bond issuance and other costs | — | — | — | — |
| Principal retirement | 280,000 | 280,000 | 280,000 | — |
| Interest and fiscal charges | <u>504,670</u> | <u>504,670</u> | <u>498,860</u> | <u>5,810</u> |
| Total expenditures | <u>8,703,080</u> | <u>16,706,190</u> | <u>11,066,398</u> | <u>5,639,792</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>135,780</u> | <u>(7,097,249)</u> | <u>(1,304,803)</u> | <u>5,792,446</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from sale of property | — | 17,030 | 17,029 | (1) |
| Transfers out | <u>(175,000)</u> | <u>(175,000)</u> | <u>(175,000)</u> | <u>—</u> |
| Total other financing sources (uses) | <u>(175,000)</u> | <u>(157,970)</u> | <u>(157,971)</u> | <u>(1)</u> |
| Net change in fund balance | (39,220) | (7,255,219) | (1,462,774) | 5,792,445 |
| BUDGETARY FUND BALANCE, beginning of year, | <u>9,640,414</u> | <u>9,640,414</u> | <u>9,640,414</u> | <u>—</u> |
| BUDGETARY FUND BALANCE, end of year | <u>\$ 9,601,194</u> | <u>\$ 2,385,195</u> | <u>\$ 8,177,640</u> | <u>\$ 5,792,445</u> |

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

| | |
|---|---------------------|
| | \$ 12,621,898 |
| 1. Financial statement only interest income adjustment per GASB 31. | 15,241 |
| 2. The City does not budget for accounts payable adjustments. | 3,459 |
| 3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable. | (259,634) |
| 4. The City does not budget for benefit accruals. | 49 |
| 5. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable. | 745,041 |
| 6. The City does not budget for rolling stock. | (58) |
| 7. The City budgets for grants on a cash basis. | 13,801 |
| 8. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance. | (2,900,959) |
| 9. The City does not budget for transfers in from the Special Projects Fund. | (2,169,184) |
| 10. The City budgets for amounts held in deposit for the purchase of land and relocation payments. | 122,395 |
| 11. The City budgets for the sale of assets held for resale, but adjusts the revenue to reduce Assets Held for Resale Account and the gain/loss on the sale. | <u>(14,409)</u> |
| Budgetary fund balance | <u>\$ 8,177,640</u> |

CITY OF REDDING
Special Revenue Special Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|---|---------------------|---------------------|---|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment revenue | \$ <u>180,000</u> | \$ <u>180,000</u> | \$ <u>110,686</u> | \$ <u>(69,314)</u> |
| Total revenues | <u>180,000</u> | <u>180,000</u> | <u>110,686</u> | <u>(69,314)</u> |
| BUDGETARY FUND BALANCE, beginning of year | <u>8,866,528</u> | <u>8,866,528</u> | <u>8,866,528</u> | <u>—</u> |
| BUDGETARY FUND BALANCE end of year | <u>\$ 9,046,528</u> | <u>\$ 9,046,528</u> | <u>\$ 8,977,214</u> | <u>\$ (69,314)</u> |
| Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance: | | | \$ 6,772,055 | |
| 1. Financial statement only interest income adjustment per GASB 31. | | | 35,975 | |
| 2. The City does not budget for transfers to the Housing Fund. | | | <u>2,169,184</u> | |
| Budgetary fund balance | | | <u>\$ 8,977,214</u> | |

CITY OF REDDING
Special Revenue General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|---|-------------------|-------------------|---|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Sales tax | \$ <u>273,520</u> | \$ <u>273,520</u> | \$ <u>272,517</u> | \$ <u>(1,003)</u> |
| Total revenues | <u>273,520</u> | <u>273,520</u> | <u>272,517</u> | <u>(1,003)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>273,520</u> | <u>273,520</u> | <u>272,517</u> | <u>(1,003)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating transfers out | <u>(272,000)</u> | <u>(272,000)</u> | <u>(272,517)</u> | <u>(517)</u> |
| Total other financing sources (uses) | <u>(272,000)</u> | <u>(272,000)</u> | <u>(272,517)</u> | <u>(517)</u> |
| Net change in fund balance | 1,520 | 1,520 | — | (1,520) |
| BUDGETARY FUND BALANCE, beginning of year | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| FUND BALANCE, end of year | <u>\$ 1,520</u> | <u>\$ 1,520</u> | <u>\$ —</u> | <u>\$ (1,520)</u> |
| Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance: | | | \$ — | |
| Budgetary fund balance | | | <u>\$ —</u> | |

CITY OF REDDING
 Canby-Hilltop-Cypress Capital Project Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|--|-------------------------|-------------------------|---|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 1,415,750 | \$ 4,210,960 | \$ 4,175,379 | \$ (35,581) |
| Use of money and property | 30,000 | 30,000 | 30,000 | — |
| Investment revenue | 129,250 | 129,250 | 161,834 | 32,584 |
| Other revenue | <u>—</u> | <u>—</u> | <u>10,444</u> | <u>10,444</u> |
| Total revenues | <u>1,575,000</u> | <u>4,370,210</u> | <u>4,377,657</u> | <u>7,447</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 1,344,340 | 3,068,920 | 2,507,248 | 561,672 |
| Capital outlay | <u>6,607,130</u> | <u>6,989,110</u> | <u>2,002,347</u> | <u>4,986,763</u> |
| Total expenditures | <u>7,951,470</u> | <u>10,058,030</u> | <u>4,509,595</u> | <u>5,548,435</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(6,376,470)</u> | <u>(5,687,820)</u> | <u>(131,938)</u> | <u>5,555,882</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from sale of land | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total other financing sources (uses) | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Net change in fund balance | (6,376,470) | (5,687,820) | (131,938) | 5,555,882 |
| BUDGETARY FUND BALANCE, beginning of year | <u>7,925,310</u> | <u>7,925,310</u> | <u>7,925,310</u> | <u>—</u> |
| BUDGETARY FUND BALANCE, end of year | <u>\$ 1,548,840</u> | <u>\$ 2,237,490</u> | <u>\$ 7,793,372</u> | <u>\$ 5,555,882</u> |

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

| | |
|--|-------------------------|
| | \$ 8,304,821 |
| 1. Financial statement only interest income adjustment per GASB 31. | 36,933 |
| 2. The City budgets for and records principal payments in the revenue accounts, but adjusts the actual payment to loans receivable. | 3,703 |
| 3. Excess funds from debt service transferred to capital projects. | (414,331) |
| 4. The City does not budget for accounts payable adjustments. | (45,874) |
| 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. | <u>(91,880)</u> |
| Budgetary fund balance | <u>\$ 7,793,372</u> |

CITY OF REDDING
Market Street Capital Project Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|---|------------------|--------------|---|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 977,700 | \$ 1,685,970 | \$ 1,736,064 | \$ 50,094 |
| Intergovernmental revenue | — | 160,000 | 18,060 | (141,940) |
| Investment revenue | 35,000 | 35,000 | 37,536 | 2,536 |
| Other revenue | — | 500 | 5,121 | 4,621 |
| Total revenues | 1,012,700 | 1,881,470 | 1,796,781 | (84,689) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 712,150 | 1,323,240 | 1,010,020 | 313,220 |
| Capital outlay | 972,090 | 1,406,590 | 812,882 | 593,708 |
| Debt Service: | | | | |
| Principal retirement | — | — | — | — |
| Interest | — | — | — | — |
| Total expenditures | 1,684,240 | 2,729,830 | 1,822,902 | 906,928 |
| Excess (deficiency) of revenues over (under) expenditures | (671,540) | (848,360) | (26,121) | 822,239 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Financing proceeds | — | — | — | — |
| Total other financing sources (uses) | — | — | — | — |
| Net change in fund balance | (671,540) | (848,360) | (26,121) | 822,239 |
| BUDGETARY FUND BALANCE, beginning of year | 1,665,598 | 1,665,598 | 1,665,598 | — |
| BUDGETARY FUND BALANCE, end of year | \$ 994,058 | \$ 817,238 | \$ 1,639,477 | \$ 822,239 |
| Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance: | | | \$ 1,929,848 | |
| 1. Financial statement only interest income adjustment per GASB 31. | | | 8,083 | |
| 2. Excess funds from debt service transferred to capital projects. | | | (15,310) | |
| 3. The City does not budget for accounts payable adjustments. | | | 12,713 | |
| 4. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable. | | | (5,000) | |
| 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. | | | (290,857) | |
| Budgetary fund balance | | | \$ 1,639,477 | |

CITY OF REDDING
 Buckeye Capital Project Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2004

| | <u>Budgeted Amounts</u> | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|---|-------------------------|--------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Property taxes | \$ 58,130 | \$ 98,214 | \$ 105,091 | \$ 6,877 |
| Investment revenue | 500 | 500 | 1,362 | 862 |
| Other revenue | <u>—</u> | <u>—</u> | <u>167</u> | <u>167</u> |
| Total revenues | <u>58,630</u> | <u>98,714</u> | <u>106,620</u> | <u>7,906</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 14,780 | 29,670 | 21,133 | 8,537 |
| Debt service: | | | | |
| Principal retirement | 30,000 | 30,000 | 30,000 | — |
| Interest | <u>4,500</u> | <u>4,500</u> | <u>2,167</u> | <u>2,333</u> |
| Total expenditures | <u>49,280</u> | <u>64,170</u> | <u>53,300</u> | <u>10,870</u> |
| Excess (deficiency) of revenues over (under) expenditures | 9,350 | 34,544 | 53,320 | 18,776 |
| BUDGETARY FUND BALANCE, beginning of year | <u>(117,053)</u> | <u>(117,053)</u> | <u>(117,053)</u> | <u>—</u> |
| BUDGETARY FUND BALANCE, end of year | <u>\$ (107,703)</u> | <u>\$ (82,509)</u> | <u>\$ (63,733)</u> | <u>\$ 18,776</u> |
| Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance: | | | \$ (33,929) | |
| 1. Financial statement only interest income adjustment per GASB 31. | | | 196 | |
| 2. The City budgets for and records payments on loans in the expenditure accounts, but adjusts the actual loan to advances payable to other funds. | | | <u>(30,000)</u> | |
| Budgetary fund balance | | | <u>\$ (63,733)</u> | |

CITY OF REDDING
SHASTECCAPITAL Project Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|---|--------------------|----------------------|---|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 664,140 | \$ 819,830 | \$ 881,973 | \$ 62,143 |
| Intergovernmental revenue | 2,879,790 | 1,861,077 | 1,861,077 | — |
| Investment revenue | 20,000 | 20,000 | 24,165 | 4,165 |
| Other revenue | — | — | 67,520 | 67,520 |
| Total revenues | <u>3,563,930</u> | <u>2,700,907</u> | <u>2,834,735</u> | <u>133,828</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 232,990 | 288,750 | 213,397 | 75,353 |
| Capital outlay | 5,587,610 | 8,646,299 | 6,175,091 | 2,471,208 |
| Total expenditures | <u>5,820,600</u> | <u>8,935,049</u> | <u>6,388,488</u> | <u>2,546,561</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,256,670)</u> | <u>(6,234,142)</u> | <u>(3,553,753)</u> | <u>2,680,389</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Loan proceeds | 2,000,000 | 859,000 | 859,000 | — |
| Total other financing sources (uses) | <u>2,000,000</u> | <u>859,000</u> | <u>859,000</u> | — |
| Net change in fund balance | <u>(256,670)</u> | <u>(5,375,142)</u> | <u>(2,694,753)</u> | <u>2,680,389</u> |
| BUDGETARY FUND BALANCE, beginning of year | <u>491,038</u> | <u>491,038</u> | <u>491,038</u> | — |
| BUDGETARY FUND BALANCE, end of year | <u>\$ 234,368</u> | <u>\$(4,884,104)</u> | <u>\$(2,203,715)</u> | <u>\$ 2,680,389</u> |
| Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance: | | | \$ (288,852) | |
| 1. Financial statement only interest income adjustment per GASB 31. | | | 5,803 | |
| 2. The City does not budget for accounts payable adjustments. | | | 712,174 | |
| 3. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance. | | | (3,514,340) | |
| 4. The City budgets for interest expense on loans on a cash basis only. | | | 22,500 | |
| 4. The City budgets for advances on the Risk Management Loan, but adjust the revenue to intergovernmental payables. | | | 859,000 | |
| Budgetary fund balance | | | <u>\$ (2,203,715)</u> | |

CITY OF REDDING
Midtown Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|---|------------------|--------------|---|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 25,000 | \$ 19,500 | \$ 19,244 | \$ (256) |
| Investment revenue | — | — | 198 | 198 |
| Other revenue | — | — | 59 | 59 |
| | 25,000 | 19,500 | 19,501 | 1 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 4,400 | 2,020 | 2,018 | 2 |
| Debt Service: | | | | |
| Bond administration costs | — | — | — | — |
| Principal retirement | — | — | — | — |
| Interest and fiscal charges | 20,600 | 33,200 | 31,713 | 1,487 |
| | 25,000 | 35,220 | 33,731 | 1,489 |
| Excess (deficiency) of revenues over (under) expenditures | — | (15,720) | (14,230) | 1,490 |
| BUDGETARY FUND BALANCE (DEFICIT), beginning of year | (983,317) | (983,317) | (983,317) | — |
| BUDGETARY FUND BALANCE (DEFICIT), end of year | \$(983,317) | \$ (999,037) | \$ (997,547) | \$ 1,490 |
| Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance: | | | \$ (995,295) | |
| 1. The City budgets for interest on loans on a cash, not accrual basis. | | | (2,252) | |
| Budgetary fund balance | | | \$ (997,547) | |

CITY OF REDDING
 Canby-Hilltop-Cypress Debt Service Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|--|---------------------|---------------------|---|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 1,992,130 | \$ 1,047,950 | \$ 1,156,610 | \$ 108,660 |
| Investment revenue | <u>100,000</u> | <u>200,000</u> | <u>238,061</u> | <u>38,061</u> |
| Total revenues | <u>2,092,130</u> | <u>1,247,950</u> | <u>1,394,671</u> | <u>146,721</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 130,000 | 130,000 | 106,663 | 23,337 |
| Debt Service: | | | | |
| Bond administration costs | — | 694,260 | 679,606 | 14,654 |
| Principal retirement | 540,000 | — | — | — |
| Interest and fiscal charges | <u>1,014,270</u> | <u>1,117,950</u> | <u>1,108,239</u> | <u>9,711</u> |
| Total expenditures | <u>1,684,270</u> | <u>1,942,210</u> | <u>1,894,508</u> | <u>47,702</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>407,860</u> | <u>(694,260)</u> | <u>(499,837)</u> | <u>194,423</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-term debt issued | — | 28,935,000 | 28,935,000 | — |
| Premium on bonds issued | <u>—</u> | <u>75,580</u> | <u>75,576</u> | <u>(4)</u> |
| Total other financing sources (uses) | <u>—</u> | <u>29,010,580</u> | <u>29,010,576</u> | <u>(4)</u> |
| Net change in fund balance | 407,860 | 28,316,320 | 28,510,739 | 194,419 |
| BUDGETARY FUND BALANCE, beginning of year | <u>3,153,867</u> | <u>3,153,867</u> | <u>3,153,867</u> | <u>—</u> |
| BUDGETARY FUND BALANCE, end of year | <u>\$ 3,561,727</u> | <u>\$31,470,187</u> | <u>\$31,664,606</u> | <u>\$ 194,419</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 Balance: | | | \$11,407,109 | |
| 1. Financial statement only interest income adjustment per GASB 31. | | | 145,695 | |
| 2. Excess funds from debt service transferred to capital projects. | | | 414,331 | |
| 3. The City does not budget for accounts payable adjustments. | | | (1,350) | |
| 4. The City does not budget for payments to refunding bonds escrow agent | | | <u>19,698,821</u> | |
| Budgetary fund balance | | | <u>\$31,664,606</u> | |

CITY OF REDDING
Market Street Debt Service Funds
Budgetary Comparison Schedule
For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|---|-------------------|---------------------|---|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 230,160 | \$ 253,990 | \$ 275,871 | \$ 21,881 |
| Investment revenue | <u>2,000</u> | <u>35,000</u> | <u>38,340</u> | <u>3,340</u> |
| Total revenues | <u>232,160</u> | <u>288,990</u> | <u>314,211</u> | <u>25,221</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 45,000 | 45,000 | 39,989 | 5,011 |
| Debt Service: | | | | |
| Bond administration costs | — | 54,490 | 54,546 | (56) |
| Principal retirement | 45,000 | — | — | — |
| Interest and fiscal charges | <u>140,160</u> | <u>197,950</u> | <u>196,011</u> | <u>1,939</u> |
| Total expenditures | <u>230,160</u> | <u>297,440</u> | <u>290,546</u> | <u>6,894</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,000</u> | <u>(8,450)</u> | <u>23,665</u> | <u>32,115</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-term debt issued | — | 5,185,000 | 5,185,000 | — |
| Bond discount | <u>—</u> | <u>(51,350)</u> | <u>(51,342)</u> | <u>8</u> |
| Total other financing sources (uses) | <u>—</u> | <u>5,133,650</u> | <u>5,133,658</u> | <u>8</u> |
| Net change in fund balance | 2,000 | 5,125,200 | 5,157,323 | 32,123 |
| BUDGETARY FUND BALANCE, beginning of year | <u>217,484</u> | <u>217,484</u> | <u>217,484</u> | <u>—</u> |
| BUDGETARY FUND BALANCE, end of year | <u>\$ 219,484</u> | <u>\$ 5,342,684</u> | <u>\$ 5,374,807</u> | <u>\$ 32,123</u> |
| Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance: | | | \$ 3,218,038 | |
| 1. Financial statement only interest income adjustment per GASB 31. | | | 3,373 | |
| 2. Excess funds from debt service transferred to capital projects. | | | 15,310 | |
| 3. The City does not budget for payments to refunding bonds agent escrow. | | | <u>2,138,086</u> | |
| Budgetary fund balance | | | <u>\$ 5,374,807</u> | |

CITY OF REDDING
 General Debt Service Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2004

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget- Positive (Negative) |
|---|---------------------|---------------------|---|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ — | \$ — | \$ — | \$ — |
| Investment revenue | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total revenues | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | — | — | — | — |
| Debt Service: | | | | |
| Interest | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total expenditures | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| BUDGETARY FUND BALANCE, beginning of year | <u>12,056,704</u> | <u>12,056,704</u> | <u>12,056,704</u> | <u>—</u> |
| BUDGETARY FUND BALANCE, end of year | <u>\$12,056,704</u> | <u>\$12,056,704</u> | <u>\$12,056,704</u> | <u>\$ —</u> |
| Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance: | | | \$12,056,704 | |
| 1. The City does not budget for transfers. | | | <u>(12,056,704)</u> | |
| Budgetary fund balance | | | <u>\$ —</u> | |

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**SUPPLEMENTAL HISTORICAL
INFORMATION**

CITY OF REDDING

AIRPORTS

Redding Municipal Airport

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

There are 38 permanently assigned tie-downs, 95 more aircraft and eight helicopter tie-downs for transients, and 102 T-hangars maintained and leased out by the City of Redding. All T-hangars are occupied, and vacancies are filled on an immediate basis. Last fiscal year, a total of approximately 77,168 operations were recorded during the FAA Control Tower operating hours from 6:30 a.m. to 9:30 p.m.

The Airport features a 22,000 square foot terminal to serve the traveling public. It also features a full-service restaurant and lounge, as well as full services for all business tenants. There is a 333 space public automobile parking lot as well as 64 spaces for rental cars adjacent to the terminal. The passenger terminal aircraft parking ramp is capable of receiving six medium-size jet aircraft at one time. During the 2003 calendar year, over 107,752 passengers traveled through the terminal building. The airport property includes a total of 1,809 acres.

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

Benton Airpark

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

ELECTRIC UTILITY SYSTEM

History

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

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

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

Distribution Service

The City's Electric Utility currently provides service to its customers in an area approximately 60 square miles in size, with 67.3 miles of 115-kV transmission lines and 599 miles of overhead and underground 12-kV distribution lines. The City is proud of its record over the past five years of 99.99 percent electric service availability to its customers.

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

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

Power Supply

The City presently purchases most of its power from Western. Western's power is generated at Shasta Dam and other facilities, which are a part of the Central Valley Project (CVP). Redding also relies on the City's existing generation resources and other power-purchase and exchange contracts, as well as short-term firm purchases to provide low-cost service to all of the City's customers.

In order to accommodate anticipated growth, the City has developed several projects to generate power. The City's Whiskeytown Hydroelectric Project became operational on September 3, 1986. In August 1991, the City purchased a 28 MW steam turbine generation project located within the City's limits. Three combustion turbine generators totaling 70 MW were added in 1994. In June 2002, the City commissioned its newest unit (Unit 5), a 43 MW highly efficient combined cycle gas turbine with heat recovery steam generator bringing total on site generation to 141 MW. In addition, to its own generation, the City has acquired several other sources of electric power through long-term, purchase-power contracts and through its membership in a joint powers agency consisting of Modesto Irrigation District, City of Santa Clara, and City of Redding (M-S-R). On June 1, 1994, the City began scheduling and dispatching the power produced by these various resources. The scheduling and dispatching operations allow Redding to take advantage of relatively inexpensive energy, which becomes available from time to time in the short-term wholesale power market.

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

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

Customer Base

The table below shows a five-year history of the growth in electric system customer accounts. Customer accounts do not represent the actual number of connections to the system.

| Fiscal Year Ending June 30 | *Number of Customer Accounts | | |
|-------------------------------|------------------------------|-----------------|--------|
| | Residential | Non-Residential | Total |
| 2000 | 32,956 | 6,136 | 39,092 |
| 2001 | 33,504 | 6,136 | 39,640 |
| 2002 | 34,144 | 6,320 | 40,464 |
| 2003 | 34,978 | 6,363 | 41,341 |
| 2004 | 36,257 | 5,949 | 42,206 |

*Includes all active meters as of the last month of the fiscal year

Source: Utility Billing System Marketing Report of Quarterly NAICS Usage

The total number of electric system customer accounts increased 8 percent during the last five years. The number of residential accounts increased 10 percent, while non-residential accounts decreased 3 percent.

In 2003, the City of Redding began reclassifying non-residential customers using the North American Industry classification system (NAICS) rather than the historic Standard Industrial Classification (SIC) code classification system. The result of this process is a shift of some non-residential accounts, namely multiple-unit dwellings that were classified as commercial accounts, into the residential customer classification. The reclassification process did not eliminate any customers, but simply shifted customers from one classification to another. Therefore, the total number of customers was not affected.

WASTEWATER UTILITY SYSTEM

History

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

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

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

Existing Facilities

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

Clear Creek Wastewater Treatment Plant. The plant, designated as the Clear Creek Wastewater Treatment Plant, is located at the confluence of Clear Creek and the Sacramento River. The plant was designed to have a dry weather daily flow capacity of 8.8 million gallons per day (MGD) and a peak day flow capacity of 16.2 MGD. The plant was designed to serve 29,333 Household Equivalents (as defined under "The Wastewater System – Rate Policies and Collection Procedures") (based upon 300 gallons per day per Household Equivalent). The unit processes utilized at the plant include, among other things, the Clear Creek Lift Station, with an estimated effective pump capacity of 35 MGD, primary and secondary clarification, gravity filtration, chlorination for disinfection and sulfonation for dechlorination prior to discharge into the Sacramento River outfall. In addition, a series of nine flow equalization ponds provide raw sewage and/or primary effluent temporary flow storage should the influent flow exceed the capacity of the secondary treatment and filtration processes. This plant is currently at 89% of capacity and the next plant expansion is scheduled for 2008. This next plant upgrade is expected to be funded by a combination of new connection fee revenue and monthly service charges.

Stillwater Regional Wastewater Treatment Plant. The plant, designated the Stillwater Regional Wastewater Treatment Plant, is located on an approximately 300-acre site along Airport Road at the Sacramento River. Initially, the plant was designed for an average dry weather flow of 4 MGD and a peak wet weather flow of 12 MGD. Future expansions of the plant, projected to occur in two subsequent phases in 2013 and 2023, respectively, will result in the expansion of the plant's average dry weather flow capacity to 8 MGD and its peak wet weather flow capacity to 24 MGD. It is anticipated that these future expansions will be financed by a combination of connection fee revenues and monthly service charges.

Environmental Compliance

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

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

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

Service Area

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

Historical Operations

The following table shows the historical number of residential customer household equivalents and the combined commercial and industrial customer household equivalents for the five fiscal years ending June 30, 2004. One household equivalent (HE) is the quantity of wastewater produced in the City of Redding by a average single-family residential household which is 300 gallons per day (GPD). Since customer fees and charges are based on the HE for each customer, the revenue amounts are proportional to these HE counts.

Historical Residential and Commercial/Industrial Household Equivalents

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---------------------------|-----------|---------|---------|---------|---------|
| Residential HEs | 24,783 | 25,252 | 25,698 | 26,296 | 26,840 |
| Commercial/Industrial HEs | 10,415 | 10,493 | 10,642 | 10,903 | 11,316 |
| Total System HEs | 35,198 | 35,745 | 36,340 | 37,199 | 38,156 |
| Annual System Growth | 1.88% | 1.55% | 1.67% | 2.36% | 2.57% |

The Wastewater System currently has an average dry weather daily design flow capacity of 12.8 MGD. The actual average dry weather daily flow of the Wastewater System for the five fiscal years ended June 30, 2004 is shown below.

**Average Dry Weather Daily Flow
Fiscal Years Ended June 30,**

| | <u>1999-2000</u> | <u>2000-01</u> | <u>2001-02</u> | <u>2002-03</u> | <u>2003-04</u> |
|-------------------------|------------------|----------------|----------------|----------------|----------------|
| Clear Creek Plant | 6.96 | 7.33 | 7.70 | 7.83 | 7.81 |
| Stillwater Plant | 2.70 | 2.80 | 2.70 | 2.60 | 2.70 |
| Total Wastewater System | <u>9.66</u> | <u>10.13</u> | <u>10.40</u> | <u>10.43</u> | <u>10.51</u> |

WATER UTILITY SYSTEM

History

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

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

Since 1939 when the City of Redding assumed control and operation of the water system, the City's population has grown from approximately 7,500 to 85,700. This growth included two large increases in 1976 and 1977, when Redding annexed the Cascade Community Services District (serving approximately 4,450 residents) and the Enterprise Public Utility District (serving approximately 13,500 residents). In addition, the City assumed operation of a system serving about 1,500 residents outside the City in 1967, primarily in the Buckeye community.

A 1966 contract with the Bureau of Reclamation was renegotiated in May of 2004, with the Bureau of Reclamation extending the contract for an additional 40 years, details Redding's principal rights to the Sacramento River. The contract permits renegotiation at any time for more or less water subject to need and availability of water in the river. Water to be diverted consists of "base supply" and "project water supply."

The Base Supply is now 85 percent of the total. The Project Water Supply is now 15 percent of the river water supply. Project water under the new contract will be charged to the City at \$23.11 per acre-foot. The 2003 total entitlement is 21,000 acre-feet.

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

In 1967 the City of Redding took over Buckeye County Water District facilities and the rights to a 1964 USBR contract. In February 1971, the City executed a new USBR contract to serve the Buckeye service area. This contract with the Bureau of Reclamation, which runs through 2009, allows Redding to obtain up to 6,140 acre-feet of water per year. Redding, along with 111 other Central Valley Project (CVP) water contractors, renegotiated their CVP water contract early, which is not in the Public Comment Period. The 2003 delivery from that contract was 4,805 acre-feet. Water charges under this contract

total \$49.57 per acre-foot (\$19.61 water cost, \$15.38 restoration fee and \$14.58 foregone power charge). The City, in November of 1994 amended this contract with the Bureau of Reclamation to add the Spring Creek Conduit as a point of diversion for the new Buckeye Water Treatment Plant.

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

The table shows the five-year history of growth in water customer accounts (customer accounts do not reflect the actual number of connections to the system):

| | Fiscal Year 1999-00 | Fiscal Year 2000-01 | Fiscal Year 2001-02 | Fiscal Year 2002-03 | Fiscal Year 2003-04 |
|-------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Residential and Commercial | 24,889 | 25,308 | 26,015 | 26,324 | 26,668 |

Current System

Buckeye Zone

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

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

Foothill and Hill 900 Zones

Construction of Redding's Foothill Water Treatment Plant was completed in September 1981. The treatment plant consists of chemical treatment followed by flocculation, sedimentation, chlorination, and filtration. River water from Pump Plant No. 1 located on the south side of the Sacramento River, west

of the Diestlehorst Bridge enters the treatment plant through a 36-inch main. Chlorine is added for disinfection and odor control. Polymer and aluminum sulfate are injected, and the water passes into a flocculation basin which is integrally constructed within a large 2 MG sedimentation basin, where it is allowed to settle and clarify. After clarification, water flows through dual media filtration and is post-chlorinated prior to entering a 6MG covered storage reservoir.

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

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

Enterprise Zone

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

The system was served originally by five wells; however, in 1978, the Cross Town Main, a large pipeline, was constructed which enabled the City to serve the Enterprise and Cascade areas with water from the Foothill treatment plant. In 1985 approximately five miles of 12-, 16-, and 24-inch transmission mains were constructed from our Enterprise well fields on Goodwater Avenue to serve the U.S. Forest Service and Municipal Airport off Airport Road. In August 1986 three new 2 MGD capacity wells were added to the Enterprise Zone. In 1988 a 24-inch transmission main was constructed from Goodwater Avenue along Rancho Road westerly via South Bonnyview Road to the Cascade Zone. In December 2002, 2.5 miles of 24-inch transmission main was constructed from Rancho Road north along airport road in the Enterprise Zone to maximize the production of the groundwater wells. In July 1991 another 2 MGD-capacity well was added to the Enterprise Zone. Two additional 2MGD wells were added during 2003.

Groundwater is treated with orthopholy phosphate for iron and manganese annoyances and chlorine is used for disinfection.

The main storage reservoirs are located near the northwestern boundary of the zone--two steel, ground-level storage tanks having a capacity of 3.5 and 6.0 MG with a high water surface of 706 feet. Both reservoirs are located at the same site above the Quail Ridge Subdivision off Canby Road. During periods of peak demand, these tanks and the well field, at the southwestern boundary of the zone, and treated water from the Foothill Water Treatment Plant through the cross-town water main, supply the entire system from three directions.

Hilltop-Dana Zone

The Hilltop-Dana pressure zone is located north of Highway 44 and east of Interstate 5 and is supplied by Pump Station No. 5. This pump station boosts water from the Enterprise Pressure Zone and has been relocated to the existing Enterprise Reservoir site. The construction of the new, larger Pump Station No. 5, constructed in 1993, and an additional Pump Station No. 7 constructed in 2003 at the southeastern corner of the pressure zone which also pumps water from the Enterprise Pressure Zone, helps meet the higher demands due to the increased development in the Hilltop-Dana Zone.

Cascade Zone

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

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

Condition of System

The City of Redding maintains a well-trained and well-equipped work force. Its primary function is to operate the system, make systematic inspections as part of the preventive maintenance program, and plan and construct replacements. City forces will replace approximately 6,000 polybutylene (PB) water services, which are leaking because of premature pipe material failure, through a fifteen-year replacement program. City forces have replaced approximately 3,960 services or 66 percent. Service replacement by City forces is cost effective. Undersized and old lines are being replaced when maintenance costs indicate that they should be replaced or additional capacities are needed. The City of Redding maintains a Master Water Plan; revisions to the system will be programmed, designed, and installed in accordance with this plan.

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

STORM DRAINAGE UTILITY

History

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

Service Area and Customers

The service area encompasses storm drainage facilities within the City limits. The storm drainage network consists of 5,883 catch basins, 158 miles of drainage conveyance facilities which include 68 miles of earthen channel, 32 miles of natural streams, 46 miles of open channels and 12 miles of concrete channels. The Storm Drainage Utility charge is based on impervious area. An impervious area is one that prohibits the natural drainage of rainwater into the ground (i.e., building, parking lot, etc.).

Condition of System

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

The Storm Drain Utility staff consists of one working supervisor, one heavy equipment operator and two maintenance men. Also there is one street sweeper operator.

In 2003, the City applied for a National Pollution discharge Elimination System (NPDES Phase II) permit that will be implemented over the next five years

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STATISTICAL SECTION

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

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

CITY OF REDDING
Changes in Net Assets
Last Ten Fiscal Years
 (accrual basis of accounting)

| | Fiscal Year | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Expenses | | | | |
| Governmental Activities | | | | |
| General government | \$ 4,879,222 | \$ 5,614,465 | \$ 6,355,591 | \$ 6,460,999 |
| Police | 16,188,282 | 17,233,269 | 18,636,632 | 21,554,360 |
| Fire | 8,557,370 | 9,031,551 | 11,674,640 | 12,568,277 |
| Public Works | 8,554,010 | 9,238,103 | 9,227,910 | 12,765,727 |
| Planning | 3,357,226 | 3,196,894 | 3,468,665 | 4,202,068 |
| Recreation and culture | 3,665,398 | 8,534,432 | 7,237,374 | 5,732,598 |
| Community development | 8,227,515 | 8,479,611 | 8,829,726 | 8,558,057 |
| Pass throughs to other agencies | - | - | - | - |
| Interest on long-term debt | 3,318,874 | 3,229,379 | 3,452,316 | 3,976,239 |
| Total governmental activities expenses | <u>56,747,897</u> | <u>64,557,704</u> | <u>68,882,854</u> | <u>75,816,325</u> |
| Business-Type Activities | | | | |
| Electric | 208,374,716 | 102,382,759 | 101,853,586 | 118,023,084 |
| Water | 8,744,949 | 9,291,738 | 9,424,821 | 10,447,116 |
| Wastewater | 9,415,315 | 9,805,825 | 10,023,354 | 11,743,540 |
| Storm drainage | 1,405,689 | 1,509,788 | 1,523,000 | 1,765,074 |
| Solid waste | 10,393,622 | 11,674,164 | 12,125,868 | 15,880,622 |
| Transportation | 6,504,218 | 6,901,577 | 7,680,703 | 8,214,988 |
| Convention center | 1,957,669 | 2,042,346 | 2,059,258 | 2,680,425 |
| Total business-type activities expenses | <u>246,796,178</u> | <u>143,608,197</u> | <u>144,690,588</u> | <u>168,754,849</u> |
| Total primary government expenses | <u>\$ 303,544,075</u> | <u>\$ 208,165,901</u> | <u>\$ 213,573,442</u> | <u>\$ 244,573,174</u> |
| Program Revenues | | | | |
| Governmental Activities | | | | |
| Charges for services: | | | | |
| General government | \$ 1,697,088 | \$ 1,934,680 | \$ 2,014,549 | \$ 2,105,485 |
| Public works | 1,093,682 | 1,192,243 | 1,141,885 | 936,885 |
| Planning | 2,045,050 | 2,194,468 | 2,594,993 | 2,575,763 |
| Other activities | 1,590,604 | 1,842,303 | 1,803,948 | 2,319,156 |
| Operating grants and contributions | 14,110,520 | 14,410,025 | 13,883,419 | 14,347,489 |
| Capital grants and contributions | 7,120,128 | 8,608,113 | 14,922,344 | 39,516,056 |
| Total governmental activities program revenues | <u>27,657,072</u> | <u>30,181,833</u> | <u>36,361,138</u> | <u>61,800,834</u> |
| Program Revenues | | | | |
| Business-type activities | | | | |
| Charges for services: | | | | |
| Electric | 238,633,524 | 104,470,688 | 91,766,907 | 124,669,322 |
| Water | 9,049,847 | 10,312,159 | 11,314,044 | 12,174,497 |
| Wastewater | 8,254,528 | 9,039,453 | 9,492,114 | 10,459,146 |
| Solid waste | 13,172,232 | 14,343,371 | 14,858,534 | 15,727,879 |
| Transportation | 2,016,152 | 2,248,135 | 2,116,890 | 2,063,966 |

| | | | | |
|--|-----------------------|------------------------|------------------------|-----------------------|
| Other activities | 1,227,424 | 1,421,133 | 1,353,358 | 1,706,783 |
| Operating grants and contributions | 2,597,050 | 2,959,025 | 3,235,428 | 3,594,562 |
| Capital grants and contributions | 9,830,668 | 13,140,958 | 10,186,180 | 10,080,012 |
| Total business-type activities program revenues | <u>284,781,425</u> | <u>157,934,922</u> | <u>144,323,455</u> | <u>180,476,167</u> |
| Total primary government program revenues | \$ 312,438,497 | \$ 188,116,755 | \$ 180,684,593 | \$ 242,277,001 |
| Net (Expense)/Revenue | | | | |
| Governmental activities | \$ (29,090,825) | \$ (34,375,871) | \$ (32,521,716) | \$ (14,017,491) |
| Business-type activities | 37,985,247 | 14,326,725 | (367,133) | 11,721,318 |
| Total primary government | <u>\$ 8,894,422</u> | <u>\$ (20,049,146)</u> | <u>\$ (32,888,849)</u> | <u>\$ (2,296,173)</u> |
| General Revenue and Other Changes in Net Assets | | | | |
| Governmental Activities | | | | |
| Taxes | | | | |
| Sales taxes | \$ 16,781,979 | \$ 18,004,770 | \$ 19,327,138 | \$ 20,297,843 |
| Property taxes | 11,018,519 | 12,055,646 | 13,275,953 | 16,965,869 |
| In lieu | 3,776,210 | 4,765,460 | 5,047,821 | 5,753,770 |
| Transient and occupancy taxes | 2,766,956 | 3,027,116 | 3,178,073 | 3,275,325 |
| Motor vehicle in-lieu taxes | 4,251,566 | 4,619,185 | 4,833,438 | 3,960,686 |
| Franchise taxes | 842,605 | 826,600 | 794,739 | 828,940 |
| Other taxes | 685,730 | 924,976 | 1,037,862 | 1,129,334 |
| Investment earnings | 4,449,915 | 3,572,026 | 3,276,758 | 2,031,348 |
| Gain on sale of property | 180,625 | 2,066,225 | 231,587 | (337,650) |
| Miscellaneous | 139,454 | 18,116 | 25,597 | 68,789 |
| Transfers | (1,170,596) | (4,273,590) | (2,852,381) | (4,180,250) |
| Other items | (72,105) | - | - | - |
| Total governmental activities | <u>43,650,858</u> | <u>45,606,530</u> | <u>48,176,585</u> | <u>49,794,004</u> |
| Business-type activities | | | | |
| Investment earnings | 6,106,628 | 5,752,313 | 3,940,608 | 1,866,949 |
| Gain on sale of property | 848,775 | (883,213) | (430,458) | (42,005) |
| Miscellaneous | - | - | 250 | - |
| Transfers | 1,170,596 | 4,273,590 | 2,852,381 | 4,180,250 |
| Other items | - | - | - | (150,684) |
| Total business activities | <u>8,125,999</u> | <u>9,142,690</u> | <u>6,362,781</u> | <u>5,854,510</u> |
| Total primary government | <u>\$ 51,776,857</u> | <u>\$ 54,749,220</u> | <u>\$ 54,539,366</u> | <u>\$ 55,648,514</u> |
| Change in Net Assets | | | | |
| Governmental activities | \$ 14,560,033 | \$ 11,230,659 | \$ 15,654,869 | \$ 35,776,513 |
| Adjustments | 6,514,300 | (7) | (7) | (237,621) |
| Total governmental activities | <u>21,074,333</u> | <u>11,230,652</u> | <u>15,654,862</u> | <u>35,538,892</u> |
| Business-type activities | 46,111,246 | 23,469,415 | 5,995,648 | 17,575,828 |
| Adjustments - business activities | (4,150,541) | (1,554,377) | 1,935,651 | 17,575,828 |
| Total business activities | <u>41,960,705</u> | <u>21,915,038</u> | <u>7,931,299</u> | <u>17,575,828</u> |
| Total changes in net assets - primary government | <u>\$ 63,035,038</u> | <u>\$ 33,145,690</u> | <u>\$ 23,586,161</u> | <u>\$ 53,114,720</u> |

CITY OF REDDING

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

(In thousands)

| Fiscal Year | Property | Transient | Sales | Other | Total |
|-------------|---------------|------------------|---------------|------------|---------------|
| | Tax | Occupancy Tax | Tax | Taxes | |
| 2000-2001 | \$ 19,046,295 | \$ 2,766,956 | \$ 16,781,979 | \$ 685,730 | \$ 39,280,960 |
| 2001-2002 | 21,440,291 | 3,027,116 | 18,004,770 | 1,751,576 | 44,223,753 |
| 2002-2003 | 23,157,212 | 3,178,073 | 19,327,138 | 1,832,601 | 47,495,024 |
| 2003-2004 | 26,680,325 | 3,275,325 | 20,297,843 | 1,958,274 | 52,211,767 |

Source: City of Redding Comprehensive Annual Financial Report

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

| | Fiscal Year | | | | | | | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| General Fund | | | | | | | | | | |
| Reserved | \$ 4,592,517 | \$ 5,294,224 | \$ 5,645,498 | \$ 6,077,839 | \$ 6,193,987 | \$ 6,516,680 | \$ 6,393,645 | \$ 7,903,327 | \$ 6,338,973 | \$ 7,721,530 |
| Unreserved | 3,688,947 | 5,689,549 | 5,559,027 | 3,735,941 | 2,738,664 | 2,918,212 | 10,063,249 | 13,815,076 | 8,758,504 | 18,792,062 |
| Total general fund | <u>8,281,464</u> | <u>10,983,773</u> | <u>11,104,525</u> | <u>9,813,780</u> | <u>8,932,651</u> | <u>9,434,892</u> | <u>16,456,894</u> | <u>21,718,403</u> | <u>15,097,477</u> | <u>26,513,592</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 26,519,696 | \$ 32,758,508 | \$ 29,235,866 | \$ 38,012,395 | \$ 28,492,273 | \$ 38,578,582 | \$ 19,154,946 | \$ 41,943,504 | \$ 51,170,987 | \$ 52,149,308 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 6,051,413 | (1,943,055) | 1,480,126 | 4,601,523 | 6,833,985 | 7,657,444 | 20,877,784 | 4,283,923 | 2,548,815 | 3,130,866 |
| Capital projects funds | 15,533,852 | 15,462,779 | 24,987,356 | 11,283,726 | 13,905,745 | (8,110) | 15,502,175 | 13,694,358 | 8,615,503 | 979,528 |
| Debt service funds | (505,471) | (539,598) | (563,390) | (616,676) | (680,352) | (744,057) | (810,260) | (895,768) | 9,101,693 | 14,874,603 |
| Total all other governmental funds | <u>\$ 47,559,490</u> | <u>\$ 45,738,632</u> | <u>\$ 55,119,658</u> | <u>\$ 53,280,968</u> | <u>\$ 48,551,651</u> | <u>\$ 45,483,659</u> | <u>\$ 54,724,645</u> | <u>\$ 59,026,017</u> | <u>\$ 71,436,988</u> | <u>\$ 70,934,303</u> |

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

| | Fiscal Year | | | | | | | | | |
|---|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 22,897,102 | \$ 23,377,690 | \$ 24,783,924 | \$ 25,486,122 | \$ 26,542,009 | \$ 29,362,518 | \$ 31,678,833 | \$ 34,765,295 | \$ 37,607,285 | \$ 42,463,395 |
| Licenses and permits | 2,202,334 | 1,502,518 | 1,919,286 | 1,794,482 | 2,610,906 | 3,124,541 | 3,371,388 | 1,657,421 | 1,822,042 | 1,868,324 |
| Intergovernmental revenues | 13,647,649 | 14,007,785 | 18,346,812 | 16,222,439 | 15,077,974 | 20,735,492 | 19,664,597 | 20,029,676 | 24,465,420 | 26,857,196 |
| Charges for services | 1,088,530 | 1,026,137 | 883,586 | 1,082,683 | 1,110,241 | 1,507,658 | 1,426,356 | 1,906,412 | 2,128,300 | 2,343,447 |
| Fines | 304,625 | 320,484 | 332,941 | 415,407 | 518,247 | 546,628 | 659,359 | 812,678 | 852,813 | 985,786 |
| Use of money and property | 4,724,520 | 5,051,915 | 5,249,615 | 6,191,930 | 5,999,432 | 6,315,439 | 6,658,522 | 7,772,780 | 8,212,771 | 9,255,389 |
| Interest revenue | 2,778,426 | 2,743,460 | 2,784,931 | 2,968,091 | 2,853,283 | 2,750,493 | 3,978,977 | 3,140,148 | 2,922,392 | 1,833,241 |
| Special assessments | 3,131,320 | 3,580,281 | 2,796,707 | 2,298,998 | 1,374,892 | 1,862,667 | 1,703,404 | 1,348,315 | 1,599,284 | 1,522,665 |
| Miscellaneous | 686,282 | 1,384,349 | 1,047,271 | 2,336,023 | 1,149,903 | 1,485,756 | 2,454,392 | 4,297,662 | 3,845,229 | 5,197,696 |
| Total revenues | 51,460,788 | 52,994,619 | 58,145,073 | 58,797,175 | 57,236,887 | 67,681,192 | 71,595,828 | 75,730,407 | 83,455,536 | 92,327,139 |
| Expenditures | | | | | | | | | | |
| Community development | 6,589,070 | 7,081,714 | 7,545,005 | 7,906,280 | 8,079,937 | 8,445,784 | 9,258,838 | 8,802,958 | 10,888,839 | 12,439,346 |
| General government | 3,867,026 | 3,733,207 | 3,948,415 | 4,662,769 | 4,174,803 | 4,792,570 | 5,060,328 | 5,675,997 | 6,339,169 | 6,403,628 |
| Public safety | 18,238,001 | 17,307,260 | 18,842,180 | 20,106,337 | 21,125,577 | 22,319,512 | 23,725,083 | 25,128,752 | 29,378,432 | 31,269,917 |
| Public works | 2,839,763 | 3,973,585 | 3,213,060 | 4,235,843 | 3,545,643 | 3,605,805 | 4,509,068 | 4,430,424 | 4,184,655 | 4,750,685 |
| Planning | 2,676,103 | 2,465,533 | 2,555,384 | 2,780,089 | 2,734,804 | 2,876,760 | 3,242,427 | 3,134,055 | 3,409,124 | 4,031,899 |
| Recreation and culture | 2,889,402 | 2,900,115 | 2,777,106 | 2,909,702 | 2,787,764 | 2,722,836 | 2,950,432 | 3,742,962 | 3,661,822 | 4,459,732 |
| Midtown Mall | 110,280 | 105,803 | 110,270 | 186,432 | 103,769 | 114,543 | - | - | - | - |
| Capital outlay | 11,360,048 | 8,939,384 | 12,884,813 | 10,734,672 | 14,151,069 | 18,747,635 | 6,643,923 | 17,094,408 | 16,912,493 | 21,921,650 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 2,645,006 | 2,993,632 | 3,599,004 | 3,873,081 | 2,112,349 | 2,358,643 | 2,363,166 | 1,962,251 | 2,770,161 | 2,016,759 |
| Interest and fiscal charges | 3,971,740 | 3,960,774 | 3,467,328 | 3,521,128 | 3,627,101 | 3,439,789 | 3,667,726 | 3,517,467 | 3,490,765 | 4,076,484 |
| Bond issuance costs | 29,397 | 45,234 | 245,479 | 17,865 | 22,398 | 13,530 | 11,480 | - | 248,818 | 982,578 |
| Total expenditures | 55,215,836 | 53,506,241 | 59,188,044 | 60,936,208 | 62,465,214 | 69,437,407 | 61,432,471 | 73,489,274 | 81,282,278 | 92,352,688 |
| Excess of revenues over (under) expenditures | (3,755,048) | (511,622) | (1,042,971) | (2,139,033) | (5,228,327) | (1,746,215) | 10,163,357 | 2,241,133 | 2,173,258 | (25,549) |

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

| | Fiscal Year | | | | | | | | | |
|--|----------------|---------------|---------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|
| | 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Sale of capital asset | 19,750 | 997,004 | 637,563 | 276,117 | 733,606 | 251,012 | 260,698 | 1,083,768 | 280,637 | 77,735 |
| Financing proceeds | 395,671 | - | - | - | - | 190,000 | 111,356 | 1,094,430 | 235,193 | - |
| Long-term debt issued | - | 116,970 | 11,025,641 | - | 416,500 | - | - | 9,500,000 | 7,977,616 | 44,430,000 |
| Bond discount | - | - | - | - | - | - | - | (92,860) | (40,250) | (51,342) |
| Premium on bonds issued | - | - | - | - | - | - | - | - | 17,271 | 365,639 |
| Proceeds of refunding bonds | - | - | - | 8,500,000 | - | - | - | - | - | - |
| Payment to refunding bond escrow agent | - | - | - | (7,700,887) | - | - | - | - | (2,001,298) | (29,465,181) |
| Transfers in | 4,296,233 | 5,681,177 | 6,248,432 | 6,294,061 | 5,423,851 | 8,381,064 | 5,104,909 | 4,956,979 | 15,910,603 | 18,368,202 |
| Transfers out | (4,571,478) | (5,681,177) | (7,366,587) | (7,390,614) | (6,630,755) | (9,646,968) | (6,275,505) | (9,230,569) | (18,762,985) | (22,548,453) |
| Total other financing sources (uses) | 140,176 | 1,113,874 | 10,545,049 | (2,1323) | (56,798) | (624,892) | (798,542) | 7,321,748 | 3,616,787 | 11,176,600 |
| Net change in fund balances | \$ (3,614,872) | \$ 602,352 | \$ 9,502,078 | \$ (2,160,356) | \$ (5,285,125) | \$ (2,571,107) | \$ 9,364,815 | \$ 9,562,881 | \$ 5,790,045 | \$ 11,151,051 |
| Fund Balances (deficit), beginning of year, as originally stated | \$ 57,804,818 | \$ 55,890,954 | \$ 56,722,405 | \$ 66,224,463 | \$ 63,094,748 | \$ 57,484,302 | \$ 54,918,751 | \$ 71,181,539 | \$ 80,744,420 | \$ 86,534,465 |
| Prior period adjustment | 1,701,008 | 229,099 | - | (1,009,040) | (325,321) | 3,762 | 1,712,194 | - | - | (237,621) |
| Change in accounting principal | - | - | - | 39,661 | - | - | 5,185,779 | - | - | - |
| Fund Balances (deficit), beginning of year, as restated | 59,505,826 | 56,120,053 | 56,722,405 | 65,255,104 | 62,769,427 | 57,488,064 | 61,816,724 | 71,181,539 | 80,744,420 | 86,296,844 |
| Residual equity transfer in | - | - | - | - | - | 1,794 | - | - | - | - |
| Fund balances (deficit), end of year | \$ 55,890,954 | \$ 56,722,405 | \$ 66,224,483 | \$ 63,094,748 | \$ 57,484,302 | \$ 54,918,751 | \$ 71,181,539 | \$ 80,744,420 | \$ 86,534,465 | \$ 97,447,895 |
| Debt service as a percentage of noncapital expenditures | 15% | 16% | 15% | 15% | 12% | 11% | 11% | 10% | 10% | 9% |

CITY OF REDDING

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

(In thousands)

| Fiscal Year | Property | | | Transient | | Sales | | Other | | Total |
|-------------|----------|-----------|-------|-----------|-------|-------|-------|-------|--------|-------|
| | Tax | Occupancy | Tax | Occupancy | Tax | Tax | Taxes | Taxes | | |
| 1994-1995 | 8,662 | 1,096 | 1,096 | 11,869 | 1,266 | | | | 22,893 | |
| 1995-1996 | 8,747 | 1,074 | 1,074 | 12,294 | 1,263 | | | | 23,378 | |
| 1996-1997 | 8,533 | 2,235 | 2,235 | 12,770 | 1,246 | | | | 24,784 | |
| 1997-1998 | 9,141 | 2,178 | 2,178 | 12,909 | 1,258 | | | | 25,486 | |
| 1998-1999 | 9,622 | 2,414 | 2,414 | 13,208 | 1,298 | | | | 26,542 | |
| 1999-2000 | 9,927 | 2,632 | 2,632 | 15,442 | 1,362 | | | | 29,363 | |
| 2000-2001 | 11,014 | 2,741 | 2,741 | 16,370 | 1,554 | | | | 31,679 | |
| 2001-2002 | 11,982 | 2,981 | 2,981 | 18,005 | 1,798 | | | | 34,766 | |
| 2002-2003 | 13,269 | 3,240 | 3,240 | 19,327 | 1,771 | | | | 37,607 | |
| 2003-2004 | 16,932 | 3,230 | 3,230 | 20,298 | 2,004 | | | | 42,464 | |

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

General Government Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (In thousands)

| <u>Fiscal Year</u> | <u>Taxes</u> | <u>Licenses and Permits</u> | <u>Inter-Governmental</u> | <u>Charges for Services</u> | <u>Fines, Forfeitures, and Penalties</u> | <u>Interest & Use of Money & Property</u> | <u>Miscellaneous</u> | <u>Total</u> |
|--------------------|--------------|-----------------------------|---------------------------|-----------------------------|--|---|----------------------|--------------|
| 1994-1995 | 22,899 | 2,203 | 13,647 | 1,089 | 304 | 7,503 | 3,815 | 51,460 |
| 1995-1996 | 23,378 | 1,502 | 14,008 | 1,026 | 321 | 7,796 | 4,964 | 52,995 |
| 1996-1997 | 24,784 | 1,919 | 18,346 | 884 | 333 | 8,034 | 3,844 | 58,144 |
| 1997-1998 | 25,486 | 1,794 | 16,223 | 1,083 | 415 | 9,161 | 4,635 | 58,797 |
| 1998-1999 | 26,543 | 2,611 | 15,078 | 1,110 | 518 | 8,852 | 2,524 | 57,236 |
| 1999-2000 | 29,362 | 3,125 | 20,735 | 1,508 | 547 | 9,065 | 3,349 | 67,691 |
| 2000-2001 | 31,679 | 3,371 | 19,665 | 1,426 | 659 | 10,638 | 4,158 | 71,596 |
| 2001-2002 | 34,766 | 1,657 | 20,030 | 1,906 | 812 | 10,913 | 5,646 | 75,730 |
| 2002-2003 | 37,607 | 1,822 | 24,465 | 2,128 | 853 | 11,135 | 5,446 | 83,456 |
| 2003-2004 | 42,464 | 1,868 | 26,857 | 2,343 | 986 | 11,088 | 6,721 | 92,327 |

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

General Government Expenditures by Function
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (In thousands)

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Planning</u> | <u>Recreation and Culture</u> | <u>Community Development and Other</u> | <u>Capital Outlay</u> | <u>Debt Service</u> | <u>Total</u> |
|--------------------|---------------------------|----------------------|---------------------|-----------------|-------------------------------|--|-----------------------|---------------------|--------------|
| 1994-1995 | 4,222 | 18,239 | 2,840 | 2,676 | 2,890 | 6,345 | 11,359 | 6,646 | 55,217 |
| 1995-1996 | 3,733 | 17,307 | 3,974 | 2,466 | 2,900 | 7,188 | 8,939 | 6,999 | 53,506 |
| 1996-1997 | 3,948 | 18,842 | 3,213 | 2,555 | 2,777 | 7,655 | 12,885 | 7,313 | 59,188 |
| 1997-1998 | 4,663 | 20,108 | 4,236 | 2,780 | 2,910 | 8,092 | 10,735 | 7,412 | 60,936 |
| 1998-1999 | 4,175 | 21,126 | 3,545 | 2,735 | 2,788 | 8,184 | 14,152 | 5,760 | 62,465 |
| 1999-2000 | 4,792 | 22,320 | 3,605 | 2,877 | 2,723 | 8,561 | 18,747 | 5,812 | 69,437 |
| 2000-2001 | 5,060 | 23,725 | 4,509 | 3,242 | 2,950 | 9,259 | 6,644 | 6,043 | 61,432 |
| 2001-2002 | 5,676 | 25,129 | 4,430 | 3,134 | 3,743 | 8,763 | 17,134 | 5,480 | 73,489 |
| 2002-2003 | 6,339 | 29,379 | 4,185 | 3,409 | 3,662 | 10,889 | 16,912 | 6,507 | 81,282 |
| 2003-2004 | 6,404 | 31,270 | 4,751 | 4,032 | 4,460 | 12,439 | 21,922 | 7,075 | 92,353 |

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

Principal Property Taxpayers
Current Year and Nine Years Ago
June 30, 2004

| Taxpayer | 2004 | | | 1995 | | |
|---|----------------------|------|--|----------------------|------|--|
| | 2003 Valuation | Rank | Percentage of City Taxable Total Assessed Valuation | 1992 Valuation | Rank | Percentage of City Taxable Total Assessed Valuation |
| Shasta Regional Medical Center | \$76,163,783 | 1 | 1.35% | | | |
| Mt Shasta Mall Associates | 29,472,895 | 2 | 0.52% | | | |
| McConnell Foundation | 27,120,769 | 3 | 0.48% | 25,897,179 | 2 | 0.79% |
| Safeway Inc. | 24,261,689 | 4 | 0.43% | | | |
| Shasta Enterprises | 18,931,906 | 5 | 0.34% | 19,405,126 | 4 | 0.59% |
| California Physicians Service | 14,828,745 | 6 | 0.26% | | | |
| WRI Golden State LLC | 14,254,631 | 7 | 0.25% | | | |
| Wal-Mart | 14,044,757 | 8 | 0.25% | | | |
| Vidovich John T., et al. | 13,655,110 | 9 | 0.24% | | | |
| Macys West Inc | 11,465,927 | 10 | 0.20% | | | |
| National Medical Enterprises Hospitals, Inc | | | | 32,255,857 | 1 | 0.99% |
| Cordano, James Co., et al | | | | 19,610,611 | 3 | 0.60% |
| SAVI-Bradford | | | | 12,798,064 | 5 | 0.39% |
| C.H. and Marlene Marx | | | | 11,546,461 | 6 | 0.35% |
| Meyer Motels, Ltd. | | | | 10,350,412 | 7 | 0.31% |
| Gary and Patsy Knighten | | | | 10,046,169 | 8 | 0.31% |
| Red Lion Motels, Inc. | | | | 9,930,488 | 9 | 0.31% |
| Shasta Associates, Ltd. | | | | 9,880,263 | 10 | 0.30% |
| Total | \$244,200,212 | | 4.32% | \$161,720,630 | | 4.94% |

Source: City of Redding Development Services Department

CITY OF REDDING

Property Tax Levies and Collections
Last Ten Fiscal Years

| Fiscal Year | Total Tax Levy | Current Tax Collections | Percent of | | Total Tax Collections | Delinquent Tax Collections | Total Tax Collections | Ratio of Total Tax Collections to Total Tax Levy | Outstanding Delinquent Taxes | Ratio of Delinquent Taxes to Total Tax Levy |
|-------------|-------------------|----------------------------|----------------------------|-------------------------------|--------------------------|-------------------------------|--------------------------|---|------------------------------------|--|
| | | | Current Taxes Collected | Delinquent Tax Collections | | | | | | |
| 1994-1995 | 4,330,650 | 4,682,915 | 108.13% | 503,702 | 5,186,617 | 119.77 | 412,536 | 9.53 | | |
| 1995-1996 | 4,469,037 | 4,644,760 | 103.93% | 198,072 | 4,842,832 | 108.36 | 461,260 | 10.32 | | |
| 1996-1997 | 4,858,795 | 4,731,899 | 97.39% | 212,539 | 4,944,438 | 101.76 | 478,405 | 9.85 | | |
| 1997-1998 | 5,016,714 | 4,751,141 | 94.71% | 228,124 | 4,979,265 | 99.25 | 471,825 | 9.41 | | |
| 1998-1999 | 5,113,006 | 4,830,876 | 94.48% | 217,106 | 5,047,982 | 98.73 | 464,549 | 9.09 | | |
| 1999-2000 | 5,623,985 | 4,960,840 | 88.21% | 207,724 | 5,168,564 | 91.90 | 581,527 | 10.34 | | |
| 2000-2001 | 5,451,122 | 5,271,739 | 96.71% | 284,621 | 5,556,359 | 101.93 | 805,706 | 14.78 | | |
| 2001-2002 | 5,724,886 | 5,587,276 | 97.60% | 236,650 | 5,823,926 | 101.73 | 727,926 | 12.72 | | |
| 2002-2003 | 6,087,163 | 5,966,905 | 98.02% | 249,499 | 6,216,404 | 102.12 | 671,296 | 11.03 | | |
| 2003-2004 | 6,586,127 | 6,392,661 | 97.06% | 273,171 | 6,665,832 | 101.21 | 659,503 | 10.01 | | |

Note: Basis for property tax rates is \$100 per assessed valuation.

Source: Shasta County Auditor-Controller records, and City of Redding Finance Division.

CITY OF REDDING

Property Tax Rates
All Direct and Overlapping Governments
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Basic County, City, School Levy</u> | <u>School Districts</u> | <u>Bella Vista Water District</u> | <u>Community Services District</u> | <u>Total</u> |
|--------------------|--|-------------------------|---------------------------------------|--|--------------|
| 1994-1995 | 1.0000 | 0.2912 | 0.3245 | 0.0313 | 1.6470 |
| 1995-1996 | 1.0000 | 0.2097 | 0.3483 | 0.0373 | 1.5953 |
| 1996-1997 | 1.0000 | 0.3930 | 0.3368 | 0.1348 | 1.8646 |
| 1997-1998 | 1.0000 | 0.4722 | 0.3698 | 0.0104 | 1.8524 |
| 1998-1999 | 1.0000 | 0.3728 | 0.3613 | 0.0000 | 1.7341 |
| 1999-2000 | 1.0000 | 0.5187 | 0.3423 | 0.0000 | 1.8610 |
| 2000-2001 | 1.0000 | 0.5187 | 0.3584 | 0.0083 | 1.8854 |
| 2001-2002 | 1.0000 | 0.4997 | 0.3634 | 0.0070 | 1.8701 |
| 2002-2003 | 1.0000 | 0.4907 | 0.3631 | 0.0760 | 1.9298 |
| 2003-2004 | 1.0000 | 0.4761 | 0.3360 | 0.0058 | 1.8179 |

Note: Basis for property tax rates is per \$100 assessed valuation.

Source: Shasta County Auditor-Controller's records
Shasta County Tax Rate Schedule

CITY OF REDDING

Assessed and Estimated
Actual Value of Taxable Property
Last Ten Fiscal Years

| Fiscal Year | Secured Roll | | Unsecured Roll | | Totals | |
|-------------|----------------|------------------------|----------------|------------------------|----------------|------------------------|
| | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value |
| 1994-1995 | 3,172,853,816 | 3,172,853,816 | 223,396,454 | 223,396,454 | 3,396,250,270 | 3,396,250,270 |
| 1995-1996 | 3,300,071,400 | 3,300,071,400 | 232,842,350 | 232,842,350 | 3,532,913,750 | 3,532,913,750 |
| 1996-1997 | 3,385,930,691 | 3,385,930,691 | 238,155,257 | 238,155,257 | 3,624,085,948 | 3,624,085,948 |
| 1997-1998 | 3,507,189,433 | 3,507,189,433 | 238,787,667 | 238,787,667 | 3,745,977,100 | 3,745,977,100 |
| 1998-1999 | 3,623,250,735 | 3,623,250,735 | 245,805,257 | 245,805,257 | 3,869,055,992 | 3,869,055,992 |
| 1999-2000 | 3,744,112,951 | 3,744,112,951 | 251,498,117 | 251,498,117 | 3,995,611,068 | 3,995,611,068 |
| 2000-2001 | 3,905,735,452 | 3,905,735,452 | 266,183,048 | 266,183,048 | 4,171,918,500 | 4,171,918,500 |
| 2001-2002 | 4,129,979,651 | 4,129,979,651 | 293,079,965 | 293,079,965 | 4,423,059,616 | 4,423,059,616 |
| 2002-2003 | 4,467,089,267 | 4,467,089,267 | 296,341,763 | 296,341,763 | 4,763,431,030 | 4,763,431,030 |
| 2003-2004 | 4,851,709,632 | 4,851,709,632 | 314,151,499 | 314,151,499 | 5,165,861,131 | 5,165,861,131 |

Note: Property values include supplemental tax rolls.

Source: Shasta County Assessor's Office

CITY OF REDDING

Special Assessment Billings and Collections
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Special Assessment Billings Due (1)</u> | <u>Special Assessment Collected (2)</u> |
|--------------------|--|---|
| 1994-1995 | 1,364,993 | 1,163,465 |
| 1995-1996 | 1,426,284 | 1,295,710 |
| 1996-1997 | 1,404,089 | 1,440,014 |
| 1997-1998 | 1,301,879 | 1,372,179 |
| 1998-1999 | 1,231,026 | 1,277,394 |
| 1999-2000 | 949,849 | 981,955 |
| 2000-2001 | 910,304 | 981,955 |
| 2001-2002 | 888,218 | 875,088 |
| 2002-2003 | 968,085 | 1,010,555 |
| 2003-2004 | 992,329 | 994,902 |

(1) Principal only

(2) Includes prepayments

Source: City of Redding Finance Division

CITY OF REDDING

Property Value, Construction, and Bank Deposits
Last Ten Fiscal Years

| <u>Fiscal Year</u> | Commerical Construction (1) | | Residential Construction (1) | | Bank (2) <u>Deposits</u> (in Thousands) | Property Value (3) <u>Net of Exemptions</u> |
|--------------------|--------------------------------|--------------|---------------------------------|--------------|---|--|
| | <u>Number of Permits</u> | <u>Value</u> | <u>Number of Permits</u> | <u>Value</u> | | |
| 1994-1995 | 37 | 16,416,571 | 438 | 48,135,407 | 919,550 | 3,396,250,270 |
| 1995-1996 | 41 | 18,651,672 | 445 | 41,389,865 | 989,752 | 3,532,913,750 |
| 1996-1997 | 38 | 23,088,365 | 348 | 43,713,864 | 1,215,695 | 3,624,085,948 |
| 1997-1998 | 44 | 15,102,753 | 299 | 38,160,866 | 1,227,618 | 3,745,977,100 |
| 1998-1999 | 39 | 18,173,791 | 412 | 53,853,459 | 1,237,740 | 3,869,055,992 |
| 1999-2000 | 48 | 16,881,795 | 436 | 66,752,009 | 1,367,764 | 3,995,611,068 |
| 2000-2001 | 60 | 30,887,531 | 493 | 76,887,447 | 1,481,148 | 4,171,918,500 |
| 2001-2002 | 77 | 31,600,773 | 533 | 85,959,447 | 1,703,000 | 4,423,059,616 |
| 2002-2003 | 67 | 41,508,110 | 542 | 92,342,906 | 1,774,000 | 4,763,431,030 |
| 2003-2004 | 90 | 26,719,045 | 398 | 75,553,921 | * | 5,165,861,131 |

Note: Assessed valuations include supplemental tax rolls.
Residential and commercial construction reflect new building activity only.

Source: (1) City of Redding Development Services Department
(2) State Chartered Banks Information * June 2004 information not available at this time.
(3) Shasta County Assessor's Office

CITY OF REDDING

Computation of Direct and Overlapping Debt
Last Ten Fiscal Years

| <u>Jurisdiction</u> | <u>Net Debt Outstanding</u> | <u>Percentage Applicable to City of Redding (3)</u> | <u>Amount Applicable to City of Redding</u> |
|---|---------------------------------|---|---|
| Direct: | | | |
| City of Redding: (1) | | | |
| City of Redding | \$350,000 | 100.000% | \$350,000 |
| City of Redding 1915 Act Bonds | 9,140,000 | 100.000% | 9,140,000 |
| Total direct debt | <u>9,490,000</u> | | <u>9,490,000</u> |
| Overlapping: (2) | | | |
| Redding Redevelopment Agency | 42,925,000 | 100.000% | 42,925,000 |
| County of Shasta: | | | |
| Shasta Joint Powers Financing Authority | 59,570,000 | 50.515% | 30,091,786 |
| Fire Protection Service Area 1 | 0 | 45.346% | 0 |
| Western Shasta RCD | 0 | 3.042% | 0 |
| Shasta County Schools: | | | |
| Anderson Union H/S District | 8,692,163 | 17.224% | 1,497,138 |
| Enterprise School District | 19,385,320 | 98.941% | 19,180,029 |
| Shasta Union High | 18,254,739 | 68.867% | 12,571,491 |
| Gateway School | 9,998,161 | 39.152% | 3,914,480 |
| Redding School District | 23,300,000 | 99.302% | 23,137,366 |
| Columbia School District | 4,805,000 | 73.975% | 3,554,499 |
| Shasta College | 10,500,000 | 51.002% | 5,355,210 |
| Junction School | 1,688,932 | 0.656% | 11,079 |
| Centerville | 185,508 | 21.994% | 40,801 |
| Bella Vista Water | 4,530,150 | 44.480% | 2,015,011 |
| Total overlapping debt | <u>203,834,973</u> | | <u>144,293,890</u> |
| Total direct and overlapping debt | <u>\$213,324,973</u> | | <u>\$153,783,890</u> |

Source: (1) City of Redding
(2) Shasta County Auditor-Controller's Office
(3) Percentages from Statement of Direct and Overlapping Debt Calculated using the Shasta County valuations by taxing district for fiscal year 2002-03.

CITY OF REDDING

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

| | Fiscal Year | | | | | | | | | |
|---|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
| Debt Limit | \$ 132,484 | \$ 135,903 | \$ 140,474 | \$ 145,090 | \$ 149,835 | \$ 149,835 | \$ 156,447 | \$ 165,865 | \$ 178,629 | \$ 193,720 |
| Total net debt applicable to limit | 5,473 | 4,341 | 3,350 | 2,920 | 2,624 | 2,302 | 1,979 | 1,629 | 700 | 350 |
| Legal debt margin | \$ 127,011 | \$ 131,562 | \$ 137,124 | \$ 142,170 | \$ 147,211 | \$ 147,533 | \$ 154,468 | \$ 164,236 | \$ 177,929 | \$ 193,370 |
| Total net debt applicable to the limit as a percentage of debt limit | 4.13% | 3.19% | 2.38% | 2.01% | 1.75% | 1.54% | 1.26% | 0.98% | 0.39% | 0.18% |

Legal Debt Margin Calculation for Fiscal Year 2004

| | |
|--|--------------|
| Assessed Value (1) | \$ 5,165,861 |
| Debt Limit - 3.75% of Total Assessed Value | \$ 193,720 |
| Amount of Debt Applicable to the Limit | 350 |
| Legal Debt Margin | \$ 193,370 |

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

Ratio of Annual Debt Service
For General Obligation Debt to Total General Expenditures (1)
Last Ten Fiscal Years

(In Thousands)

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> | <u>Total General Expenditures</u> | <u>Ratio of Debt to General Expenditures</u> |
|--------------------|------------------|-----------------|-------------------------------|---------------------------------------|--|
| 1994-1995 | 581 | 954 | 1,535 | 55,217 | 2.78 |
| 1995-1996 | 1,103 | 810 | 1,913 | 53,506 | 3.58 |
| 1996-1997 | 494 | 609 | 1,103 | 59,188 | 1.86 |
| 1997-1998 | 512 | 1,172 | 1,684 | 60,936 | 2.76 |
| 1998-1999 | 480 | 1,281 | 1,761 | 62,465 | 2.82 |
| 1999-2000 | 426 | 1,314 | 1,740 | 69,437 | 2.51 |
| 2000-2001 | 569 | 1,422 | 1,991 | 61,432 | 3.24 |
| 2001-2002 | 519 | 1,205 | 1,724 | 73,489 | 2.35 |
| 2002-2003 | 817 | 1,209 | 2,026 | 81,282 | 2.49 |
| 2003-2004 | 833 | 1,773 | 2,606 | 92,353 | 2.82 |

Note: (1) General obligation bonds and capital leases served by the General Fund.

Source: City of Redding Comprehensive Annual Financial Report - Combined Statement of Revenues, Expenditures, and Changes in Fund Balance

CITY OF REDDING

Schedule of Debt Ratios
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Population (1)</u> | <u>Assessed Value (2)</u> | <u>Net General Bonded Debt (3)</u> | <u>Ratio of Debt to Assessed Value</u> | <u>Debt per Capita</u> |
|--------------------|-----------------------|---------------------------|------------------------------------|--|------------------------|
| 1994-1995 | 75,770 | 3,396,250,270 | 5,472,970 | 0.16 | 72.23 |
| 1995-1996 | 76,690 | 3,532,913,750 | 4,341,131 | 0.12 | 56.61 |
| 1996-1997 | 77,353 | 3,624,085,948 | 3,350,234 | 0.09 | 43.31 |
| 1997-1998 | 78,084 | 3,745,977,100 | 2,920,170 | 0.08 | 37.40 |
| 1998-1999 | 78,675 | 3,869,055,992 | 2,624,102 | 0.07 | 33.35 |
| 1999-2000 | 79,593 | 3,995,611,068 | 2,301,980 | 0.06 | 28.92 |
| 2000-2001 | 82,543 | 4,171,918,500 | 1,978,753 | 0.05 | 23.97 |
| 2001-2002 | 84,560 | 4,423,059,616 | 1,629,364 | 0.04 | 19.27 |
| 2002-2003 | 85,703 | 4,763,431,030 | 700,000 | 0.01 | 8.17 |
| 2003-2004 | 87,280 | 5,165,861,131 | 350,000 | 0.01 | 4.01 |

Note: Assessed values include supplemental tax rolls.

Source: (1) State of California
(2) Shasta County Assessor's Office
(3) City of Redding Finance Division

CITY OF REDDING

Wastewater Revenue Bond Coverage
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Gross Revenue (1)</u> | <u>Direct Operating Expense (2)</u> | <u>Net Revenue Available for Debt Service</u> | <u>Debt Service Requirements</u> | | | <u>Coverage (3)</u> |
|--------------------|--------------------------|-------------------------------------|---|----------------------------------|-----------------|--------------|---------------------|
| | | | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 1994-1995 | 7,307,001 | 4,246,901 | 3,060,100 | 120,000 | 1,584,007 | 1,704,007 | 1.8 |
| 1995-1996 | 7,344,438 | 4,481,648 | 2,862,790 | 688,138 | 1,570,251 | 2,258,389 | 1.3 |
| 1996-1997 | 7,750,905 | 4,479,194 | 3,271,711 | 619,488 | 1,544,116 | 2,163,604 | 1.5 |
| 1997-1998 | 7,773,067 | 4,926,067 | 2,847,000 | 645,838 | 1,515,269 | 2,161,107 | 1.3 |
| 1998-1999 | 8,646,873 | 4,586,062 | 4,060,811 | 677,863 | 1,483,758 | 2,161,621 | 1.9 |
| 1999-2000 | 9,340,189 | 4,840,824 | 4,499,365 | 714,550 | 1,449,187 | 2,163,737 | 2.1 |
| 2000-2001 | 9,919,006 | 5,037,879 | 4,881,127 | 751,575 | 1,411,535 | 2,163,110 | 2.3 |
| 2001-2002 | 10,992,011 | 5,493,584 | 5,498,427 | 793,938 | 1,370,702 | 2,164,639 | 2.5 |
| 2002-2003 | 12,108,010 | 5,652,752 | 6,455,258 | 836,300 | 1,212,968 | 2,049,268 | 3.2 |
| 2003-2004 | 13,006,901 | 6,667,698 | 6,339,203 | 1,786,673 | 1,311,479 | 3,098,152 | 2.0 |

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

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

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

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

Water Revenue Bond Coverage
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Gross Revenue (1)</u> | <u>Direct Operating Expense (2)</u> | <u>Net Revenue Available for Debt Service</u> | <u>Debt Service Requirements</u> | | | <u>Coverage (3)</u> |
|--------------------|--------------------------|-------------------------------------|---|----------------------------------|-----------------|--------------|---------------------|
| | | | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 1994-1995 | 6,762,136 | 5,179,343 | 1,582,793 | 410,000 | 1,033,286 | 1,443,286 | 1.1 |
| 1995-1996 | 6,737,519 | 4,355,796 | 2,381,723 | 467,601 | 1,018,936 | 1,486,537 | 1.6 |
| 1996-1997 | 7,047,447 | 4,985,995 | 2,061,452 | 764,109 | 1,007,238 | 1,771,347 | 1.2 |
| 1997-1998 | 6,427,277 | 5,252,466 | 1,174,811 | 745,617 | 971,954 | 1,717,571 | 0.7 |
| 1998-1999 | 7,636,404 | 4,915,050 | 2,721,354 | 782,879 | 940,265 | 1,723,144 | 1.6 |
| 1999-2000 | 8,907,376 | 5,722,270 | 3,185,106 | 789,764 | 906,506 | 1,696,270 | 1.9 |
| 2000-2001 | 10,136,223 | 5,955,067 | 4,181,156 | 827,026 | 870,904 | 1,697,930 | 2.5 |
| 2001-2002 | 11,676,817 | 6,508,257 | 5,168,560 | 854,054 | 863,833 | 1,717,887 | 3.0 |
| 2002-2003 | 13,198,500 | 6,767,439 | 6,431,061 | 847,304 | 676,510 | 1,523,814 | 4.2 |
| 2003-2004 | 13,681,482 | 7,398,993 | 6,282,489 | 920,000 | 733,981 | 1,653,981 | 3.8 |

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

Source: City of Redding Comprehensive Annual Financial Report

CITY OF REDDING

Demographic Statistics
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Square Miles (1)</u> | <u>Population (1)</u> | <u>Median Income(4)</u> | <u>School Enrollment (3)</u> | <u>Unemployment Rates (2)</u> |
|--------------------|-------------------------|-----------------------|-------------------------|------------------------------|-------------------------------|
| 1994-1995 | 59.90 | 75,770 | * | 12,942 | 11.00 |
| 1995-1996 | 60.00 | 76,690 | 34,800 | 12,999 | 9.60 |
| 1996-1997 | 60.00 | 77,353 | 36,100 | 13,734 | 8.70 |
| 1997-1998 | 60.00 | 78,084 | 37,100 | 14,224 | 8.80 |
| 1998-1999 | 60.00 | 78,675 | 37,500 | 14,640 | 7.40 |
| 1999-2000 | 60.00 | 79,593 | 37,700 | 14,266 | 6.60 |
| 2000-2001 | 60.00 | 82,543 | 38,800 | 14,928 | 6.10 |
| 2001-2002 | 60.00 | 84,560 | 39,200 | 14,934 | 7.00 |
| 2002-2003 | 59.76 | 85,703 | 45,400 | 14,595 | 7.60 |
| 2003-2004 | 59.76 | 87,280 | 49,100 | 14,477 | 7.90 |

Note: Assessed values include supplemental tax rolls.

- Source:
- (1) State of California
 - (2) Shasta County Assessor's Office
 - (3) City of Redding Finance Division
 - (4) City of Redding Housing Division - Median for a family of four.
- * Information unavailable

CITY OF REDDING

Principal Employers in the Greater Redding Metropolitan Area
Current Year and Nine Years Ago
June 30, 2004

| <u>Employer</u> | 2004 | | | 1995 | | |
|--------------------------------|------------------|-------------|--|------------------|-------------|--|
| | <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> |
| Mercy Medical Center | 1,562 | 1 | 1.86% | 1,140 | 1 | 1.57% |
| Holiday Markets | 1,050 | 2 | 1.25% | | | |
| Shasta Regional Medical Center | 850 | 3 | 1.01% | | | |
| Sierra Pacific Industries | 690 | 4 | 0.82% | 160 | 10 | 0.22% |
| Redding Rancheria | 612 | 5 | 0.73% | | | |
| Blue Shield of California | 600 | 6 | 0.71% | | | |
| J & A Food Service | 600 | 7 | 0.71% | | | |
| Shasta Nursery | 600 | 8 | 0.71% | | | |
| Wal Mart | 456 | 9 | 0.54% | | | |
| Pacific Gas and Electric | 275 | 10 | 0.33% | 330 | 5 | 0.46% |
| Redding Medical Center | | | | 740 | 2 | 1.02% |
| Shasta Community College | | | | 650 | 3 | 0.90% |
| Simpson Paper Company | | | | 620 | 4 | 0.86% |
| United States Post Office | | | | 325 | 6 | 0.45% |
| Loralie Originals | | | | 230 | 7 | 0.32% |
| CH2M Hill | | | | 225 | 8 | 0.31% |
| Meyer Motels | | | | 220 | 9 | 0.30% |
| Total | 7,295 | | | 4,640 | | |

Source: Greater Redding Chamber of Commerce

CITY OF REDDING

Miscellaneous Statistics
June 30, 2004

| | | | | | |
|--|-----------------|--|-----------|-----------------------------|-----------------|
| Date of Incorporation | October 4, 1887 | Culture and Recreation: | | Solid Waste Operations: | |
| Population | 87,280 | Convention Center | 1 | Residential | 26,577 |
| Number of Registered Voters | 43,288 | Museums | 3 | Commercial | 3,541 |
| Area in square miles | 59.76 | Trails (maintained miles) | 48 | City waste buried | 96,858 tons |
| Form of Government | Council/Manager | Parks developed | 64 | City waste diverted | 32,650 tons |
| Employees: | | Parks acreage (improved) | 580 | Trips to Transfer Station | 90,611 vehicles |
| Full-time | 816 | Parks acreage (unimproved) | 405 | | |
| Part-time | 333 | Swimming pools | 2 | Storm Drainage System: | |
| | | Tennis courts | 18 | Residential | 35,112 |
| | | Fire Protection: | | Commercial and Other | 2,825 |
| | | Number of stations | 7 | Length of system | 296 miles |
| | | Number of firefighters | 77 | Catch Basins | 5,883 |
| <u>City of Redding Facilities/Services</u> | | Police Protection: | | Water System: | |
| Miles of Streets | 448 | Number of stations | 1 | Number of connections | 26,668 |
| Number of street lights | 6,805 | Number of police officers | 112 | Average daily consumption | 26.10 MGD |
| Traffic signs: | | Electric: | | Length of water mains | 469 miles |
| Regulatory | 3,659 | Number of Connections | | Water delivered | 29,186 |
| Warning | 2,118 | Residential | 36257 | | |
| Guide and services | 485 | Commercial and Other | 5949 | Wastewater System: | |
| | | Length of transmission lines and distribution system | 666 miles | Number of house equivalents | 38,156 |
| | | | | Length of sewer lines | 393 miles |
| | | | | Effluent treated | 10.51 MG |

Source: City of Redding

CITY OF REDDING

Miscellaneous Statistics
June 30, 2004

Facilities/Services Not Included
in the Reporting Entity

| | |
|------------------------|---------|
| Education: | |
| Elementary schools | 24 |
| Classrooms | 310 |
| Teachers | 340 |
| Students | 6,616 |
| Junior high schools | 8 |
| Classrooms | 111 |
| Teachers | 114 |
| Students | 2,279 |
| High schools | 8 |
| Classrooms | 249 |
| Teachers | 271 |
| Students | 5,582 |
| Hospitals: | |
| Number of hospitals | 2 |
| Number of patient beds | 513 |
| Library: | |
| Number | 1 |
| Number of books | 138,033 |

Source: School Districts, Hospitals and the Library.