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# Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011

# City of Redding

Redding, California



*Comprehensive Annual Financial Report*

*For the Year ended June 30, 2011*

ISSUED BY FINANCE DIVISION

STEPHEN W. STRONG  
DIRECTOR OF FINANCE



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**Comprehensive Annual Financial Reports**  
**For the year ended June 30, 2011**  
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# **INTRODUCTORY SECTION**





# CITY OF REDDING

## ADMINISTRATIVE SERVICES DEPARTMENT

FINANCE DIVISION

777 Cypress Avenue, Redding, CA 96001-2718

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

530.225.4079 FAX 530.225-4324

December 9, 2011

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, 2011. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and result of operations of the City in accordance with generally accepted accounting principles; and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been made.

D. H. Scott & Company, a firm of licensed certified public accountants has issued an unqualified ("clean") opinion on the City of Redding's financial statements for fiscal year ended June 30, 2011.

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

## PROFILE OF THE CITY

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

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

Redding is the county seat for Shasta County and is located on the Sacramento River approximately 160 miles north of Sacramento, the state capital, and 150 miles east of the Pacific Ocean at the northernmost end of the Sacramento Valley. The City has an estimated population of 90,250 and encompasses approximately 60 square miles within the corporate limits. Extracting timber and the processing of wood by products along with agriculture, tourism and government have historically been the pillars of the local economy. Over the past few decades, there has been a general shift toward a service-based economy.

### **REPORTING ENTITY AND ITS SERVICES**

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

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

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

### **LOCAL ECONOMY**

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

**Population Characteristics** - The City was one of the fastest growing cities in California between 1970 and 1990, growing to 66,462 residents in 1990 from 16,659 in 1970. However, lately the City's population growth has slowed. From 2000 to 2010 the City's population grew by an average of 1.11 percent. During the last year the City's population growth was .41 percent. The City's population of 90,250 has increased 11.6% 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 2011:

Year	City of Redding		Shasta County	
	Population	Annualized Percent Change over Interval	Population	Annualized Percent Change over Interval
1970	16,659	---	77,640	---
1980	41,995	9.69%	119,449	4.40%
1990	66,432	4.69%	147,036	2.10%
2000	80,865	1.99%	163,256	1.05%
2010	89,878	1.11%	177,248	0.85%
2011	90,250	0.41%	177,924	0.38%

Source: 1970-2010 data from U.S. Census; 2011 data from the California State Department of Finance as of January 1

The City's population, over the next 10 years, is projected to grow by approximately 7,306 an increase of approximately 8.1%. 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 2011:

Region	Median Home Price
Redding	\$175,500
Sacramento	\$165,000
Los Angeles	\$301,300
Orange County	\$534,680
San Francisco	\$695,910

Source: California Association of Realtors and Shasta Association of Realtors

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

The major non-local government employers in the City and the County include those in medical services, and retail services. Major employers in the City of Redding, their products or services, and the approximate number of their respective full time employees as of June 2011 are listed in the following table:

<u>Employer</u>	<u>Product/Services</u>	<u>Employees</u>
Shasta County (*)	County Services	1,769
Mercy Medical Center	Medical Facilities/Services	1,600
City of Redding (**)	City Services	790
Shasta Regional Medical Center	Medical Facilities/Services	700
Shasta Community College	Education	650
Walmart	Retail	500
Blue Shield of California	Health Care Insurance	470
Redding Rancheria	Casino/Redding Rancheria	310
United States Post Office	Postal Service	300
Shascade	Special Needs Services	250

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

(\*\*) Full-time budgeted positions. In 2010-11 there were 709 full-time and 360 part-time/temporary positions filled.

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

According to the State Employment Development Department, the unemployment rate of the City's metropolitan area was 15.0 percent on June 30, 2011. The following table sets forth the number and rate (expressed as a percentage) of unemployed persons living within the City's metropolitan area for the month of June 2001 through June 2011:

Fiscal Year Ending June	Unemployment		
	Labor Force	Number	Rate
2001	77,300	4,400	5.7%
2002	82,600	5,700	6.9%
2003	84,000	6,300	7.5%
2004	84,000	6,300	7.5%
2005	83,100	5,900	7.1%
2006	84,000	5,300	6.3%
2007	83,900	5,900	7.0%
2008	83,500	7,700	9.2%
2009 *	85,300	12,400	14.5%
2010 *	84,300	13,000	15.4%
2011	83,200	12,500	15.0%

Source: State Department of Employment (\*Years 2009-2010 Revised)

**Construction Activity** - For the past ten calendar years ending December 2010, the City issued building permits valued at a total of \$1,390,512,462. New construction over the ten-year period represents 71.07% of the total construction activity. For the 2010 calendar year 1,256 building permits were issued, with a total permit valuation of \$33,648,870. Over the past four years permit activity has declined. Following overall statewide trends, year 2010 saw another downturn in permit and related construction activity. These trends are expected to continue in the current calendar year.

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

	2007	2008	2009	2010
Value Single Family*	\$41,725,144	\$38,725,138	\$17,937,903	\$9,037,810
Number of Permits	204	190	94	44
Value Multi-dwellings	\$15,488,613	\$9,401,692	\$1,455,742	\$2,321,578
Number of Permits(1)	22	5	8	30
Number of Units	195	214	21	21
Value Business	\$31,378,290	\$21,086,685	\$19,730,416	\$10,595,061
Number of Permits	50	31	17	12
Value Total all Permits	\$124,086,638	\$103,108,670	\$58,940,655	\$33,648,870
Total Permits**	3,380	3,146	2,665	1,256

\* Value of new construction only.

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

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

Source: City of Redding Development Services Department

**Commerce** - The City is a regional center of commerce for several Northern California counties. This is evidenced by its many shopping centers and malls. Support for retail sales is derived from a retail trade area population of approximately 181,000 in the primary trade area and approximately 250,000 in the secondary trade area. The primary trade area consists of the metropolitan urban area, including the cities of Redding, Shasta Lake, and Anderson. The secondary trade area consists of Shasta, Trinity, and Tehama counties.

Taxable transactions in the City were approximately \$1.6 billion in calendar year 2010, a .7% increase over the same period for 2009.

Year	Taxable Transactions (In Thousands)	Taxable Transactions Percentage Increase (Decrease)
2001	1,561,842	7.5%
2002	1,652,064	5.8%
2003	1,748,793	5.9%
2004	1,898,286	8.5%
2005	2,046,597	7.8%
2006	2,104,055	2.8%
2007	1,983,496	-5.7%
2008	1,835,601	-7.5%
2009	1,603,079	-12.7%
2010	1,614,631	0.7%

**Source: California State Board of Equalization**

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

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

Redding Area Bus Authority (RABA) is the City's multi-bus transportation system and offers thirteen different fixed routes, rural service and demand response (curb-to-curb) services. RABA had an average total monthly ridership of approximately 60,590 for fiscal year 2010-11.

Utilities - Electricity, solid waste collection and disposal, water, storm drainage, and wastewater services are provided by enterprise operations owned and operated by the City. Natural gas is provided by Pacific Gas and Electric Company (PG&E); basic telephone service by AT&T.

**Community Services** - Youth in the area attend school at one of 41 elementary schools, 9 middle/junior high schools, 12 charter schools, 2 regional occupation programs and 16 high schools. There are several higher educational institutions in the immediate area

offering bachelor and master's degrees: Chico State University Center for Regional and Continuing Education (located in the Health Science & University Center, downtown Redding), National University, Simpson University, and Shasta Bible College & Graduate School. Shasta Community College, a two-year institution, offers both day and evening courses to over 14,000 students. In addition, there are several Vocational & Technical schools offering a diverse range of programs.

The City's parks system includes 67 developed parks, encompassing over 590 developed acres. Included in this total acreage are 198 acres of natural area parks (improved open space), and 62 miles of trails. In addition, the City has 15 special purpose facilities, including the Redding Convention Center, which hosts cultural/performing arts programs, conferences, and conventions; the Redding Aquatic Center; the Redding Big League Dreams Sports Park; the Redding Soccer Park; the Senior Citizens Center; the Benton Dog Park; 3 boat ramp facilities that provide access to the Sacramento River; and various community centers and special event venues such as the Martin Luther King, Jr. Center, and the Caldwell Recreation Center.

The City serves as the primary medical center for Northern California. The City's two general care hospitals serve approximately 360,000 people in Shasta, Tehama, Trinity, Siskiyou, and Lassen counties. The two largest hospitals have a total of 510 beds and employ approximately 2,200 staff members. In addition, the City also has several specialized hospitals.

## **LONG-TERM FINANCIAL PLANNING**

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

City plans include the development of Stillwater Business Park, currently under construction. The Stillwater Business Park is a large parcel business park necessary to support the economic development goals of the City of Redding and the region. The core facility will consist of 687 acres, of which approximately 340 acres will be developed and more than 300 acres set aside as preserve. The Business Park design will allow for various uses which include Light Industrial, General Industrial and Professional Offices. The project is designed to accommodate as many as 7,500 employees and an estimated 4,400,000 square feet of floor area.

The recent construction of the first phase of the Oasis Road Interchange (funded with Citywide Traffic Impact Fees and Federal American Recovery and Reinvestment Act funds) resulted in additional capacity for future growth in the Oasis Regional Specific Plan area. Should additional development being contemplated actually occur, some infrastructure will need to be completed potentially including realignment of Twin View Boulevard, widening of Oasis Road near the interchange, and various intersection improvements. At this time none of these improvements have been budgeted.

Other major projects that the City is involved with included the expansion of both the Clear Creek Wastewater Treatment Plant and the Stillwater Wastewater Treatment Plant.

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

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

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

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

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

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

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

## **FEDERAL GRANTS SINGLE AUDIT APPROACH**

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

As a recipient of Federal, State, and County financial assistance, the City of Redding is responsible for implementing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. The results of the City of Redding's single audit for the fiscal year ended June 30, 2011 provided no instances of material weaknesses in the internal control structure or significant violation of applicable laws and regulations.

## **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redding for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the 27th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## ACKNOWLEDGMENTS

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

Stephen W. Strong  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redding  
California

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

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



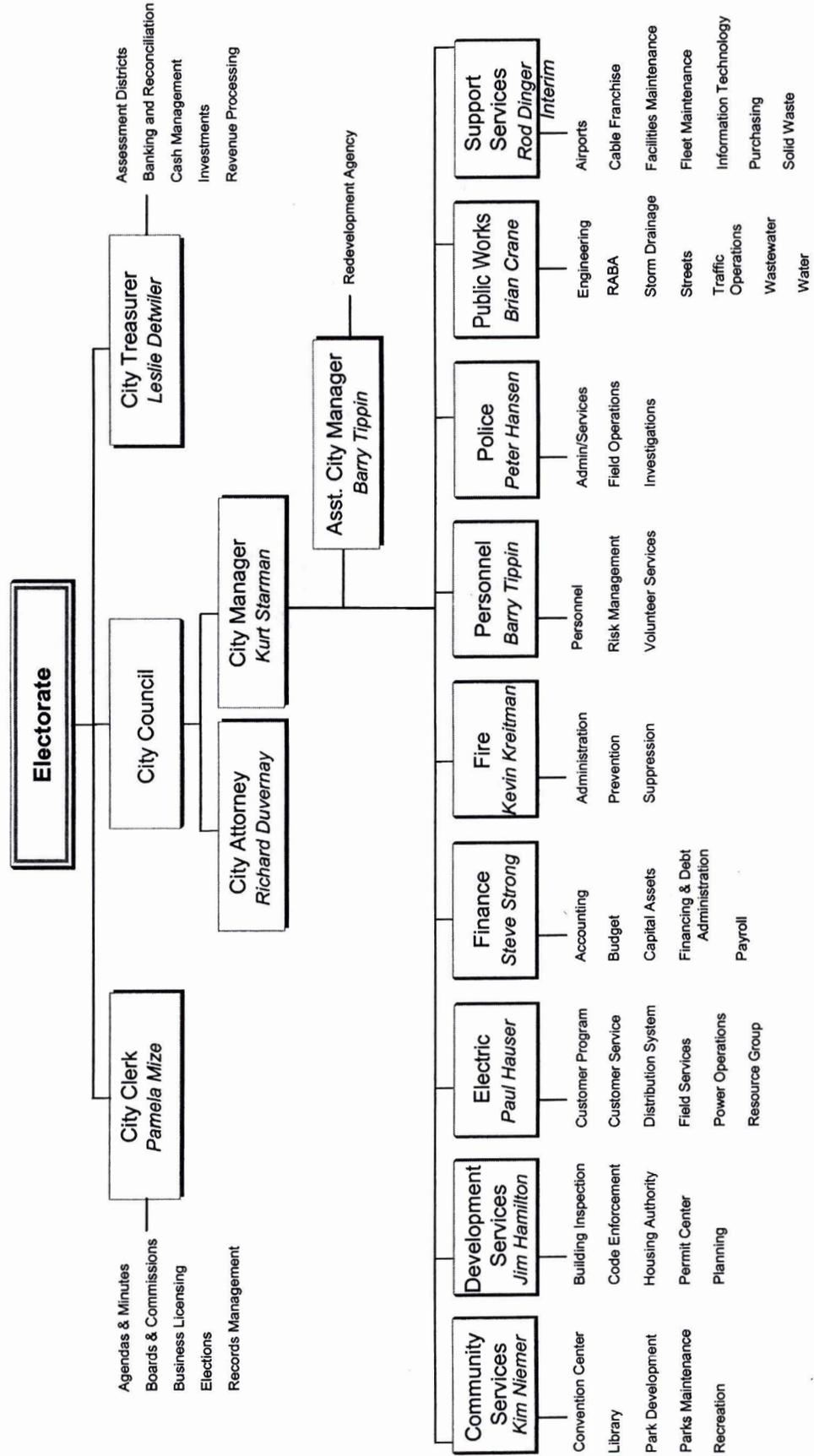
*Linda C. Davison*

President

*Jeffrey R. Emmer*

Executive Director

# City of Redding Organization Chart



## MUNICIPAL OFFICIALS

### City Council

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

### Administrative Personnel

City Manager..... Kurt Starman  
Assistant City Manager..... Barry Tippin  
City Attorney..... Richard Duvernay  
City Clerk..... Pam Mize  
City Treasurer ..... Leslie Detwiler  
Director of Community Services..... Kim Niemer  
Director of Development Services..... Bill Nagel (Interim)  
Director of Electric ..... Paul Hauser  
Director of Finance ..... Steve Strong  
Director of Personnel ..... Barry Tippin  
Director of Public Works..... Brian Crane  
Director of Support Services..... Rod Dinger (Interim)  
Fire Chief ..... Kevin Kreitman  
Police Chief ..... Peter Hansen

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# **FINANCIAL SECTION**



REPORT OF INDEPENDENT AUDITORS

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

---

Gerald R. Tadina, CPA

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redding, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City 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 also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, effective July 1, 2010, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 21 through 39 and 133 through 135 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*W. N. Scott & Company LLP*

Redding, California  
December 9, 2011

## 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, 2011. The management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address future challenges), (d) identify any material deviations from the financial plan (approved budget), and (e) identify individual fund issues or concerns.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (beginning on page 3) and the financial statements (beginning on page 41).

### FINANCIAL HIGHLIGHTS

- The City's net assets increased by \$22.6 million. The governmental net assets increased by \$16.1 million and the business-type net assets decreased by \$6.5 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$110 million, an increase of \$4.0 million in comparison with the prior year. Only 2.6% of this total amount, \$2.8 million, is unassigned.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$4.8 million, or 7.6% of the total General Fund expenditures. The total General Fund balance at the end of the current fiscal year was \$9.8 million, or 15.6% of total General Fund expenditures. This is a \$1.4 million decrease from the prior year.
- The City's total debt decreased by \$5.4 million (net of bond premiums, discounts and unamortized losses on defeased debt) during the year ending June 30, 2011. The decrease is primarily due to \$15 million in regular scheduled debt payments. The City also incurred \$3 million in a capital lease to purchase a solar farm at the municipal airport and issued \$6.6 million in State loans for wastewater treatment plant upgrades. In addition, \$0.8 million of bond premiums, discounts, and losses on defeased debt were amortized.

### USING THIS FINANCIAL REPORT/OVERVIEW OF REPORT

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

## Government-wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 44-47 of this report.

## Fund Financial Statements

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

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

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

The City maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and General Capital Project Fund, which are considered to be major funds. Data from the other seventeen governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 51-57 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 59-69 of this report.

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

The basic fiduciary fund financial statement can be found on page 73 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 75-129 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 2011, net assets changed as follows (all amounts are in thousands):

	Government Activities	Business Activities	Total
Beginning Net Assets	\$342,967	\$358,489	\$701,456
Increase Net Assets	16,146	6,518	\$22,664
Ending Net Assets	<u>\$359,113</u>	<u>\$365,007</u>	<u>\$724,120</u>

The City’s total net assets increased by 3.2% from a year ago, increasing from \$701 million to \$724 million. Net assets from governmental activities increased by 4.5% and net assets from business activities increased by 1.8%. The \$16.1 million increase in net assets from governmental activities is primarily due to revenues earned that are restricted and can only be used for capital assets.

Therefore, these revenues do not have an offsetting expense in the current year government-wide financial statements.

The \$6.5 million increase in net assets from business-type activities is primarily due to the better than expected results in Electric due to the availability of hydro power and funds being accumulated for current and future capital projects in other funds.

The following schedule displays a summary breakdown of the City's net assets as of June 30, 2011 and 2010:

	Net Assets (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010 Restated	2011	2010 Restated	2011	2010 Restated
Current and Other Assets	\$154,430	\$156,427	\$145,583	\$165,352	\$300,013	\$321,779
Capital Assets, net	340,480	327,389	500,577	476,264	841,057	803,653
<b>Total Assets</b>	<b>494,910</b>	<b>483,816</b>	<b>646,160</b>	<b>641,616</b>	<b>1,141,070</b>	<b>1,125,432</b>
Current Liabilities	17,031	26,457	25,507	39,886	42,538	66,343
Long Term Liabilities	118,766	114,392	255,646	243,241	374,412	357,633
<b>Total Liabilities</b>	<b>135,797</b>	<b>140,849</b>	<b>281,153</b>	<b>283,127</b>	<b>416,950</b>	<b>423,976</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	303,838	288,329	266,570	267,710	570,408	556,039
Restricted	53,687	49,613	17,363	11,982	71,050	61,595
Unrestricted	1,588	5,025	81,074	78,797	82,662	83,822
<b>Total Net Assets</b>	<b>\$359,113</b>	<b>\$342,967</b>	<b>\$365,007</b>	<b>\$358,489</b>	<b>\$724,120</b>	<b>\$701,456</b>

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 \$724 million at the June 30, 2011. Most of the City's net assets (79%) 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, (10%) represent resources that are subject to external restrictions as to how they may be used. The remaining balance of \$82.7 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 \$1.6 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	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for service	\$ 10,978	\$ 11,338	\$ 225,938	\$ 207,600	\$ 236,916	\$ 218,938
Operating grants	19,757	17,731	5,182	5,319	24,939	23,050
Capital grants and contributions	19,709	20,955	9,369	10,686	29,078	31,641
<b>General Revenues</b>						
Sales Tax	19,158	18,481			19,158	18,481
Property Tax	30,583	33,540			30,583	33,540
Investment earnings	1,102	1,285	1,150	3,399	2,252	4,684
Other	5,997	5,762	1	-	5,998	5,762
Total Revenues	<u>107,284</u>	<u>109,092</u>	<u>241,640</u>	<u>227,004</u>	<u>348,924</u>	<u>336,096</u>
<b>Expenses:</b>						
General Government	5,279	6,383			5,279	6,383
Police	26,270	27,497			26,270	27,497
Fire	16,236	17,077			16,236	17,077
Public Works	9,639	10,448			9,639	10,448
Planning	3,689	4,435			3,689	4,435
Recreation and Culture	10,744	11,470			10,744	11,470
Community Development	18,534	24,738			18,534	24,738
Interest on Long-Term Debt	4,900	4,761			4,900	4,761
Electric			165,228	161,101	165,228	161,101
Water			14,575	14,575	14,575	14,575
Wastewater			16,889	15,075	16,889	15,075
Storm Drainage			2,492	2,355	2,492	2,355
Solid Waste			18,877	18,497	18,877	18,497
Transportation			10,451	10,037	10,451	10,037
Convention Center			2,457	3,132	2,457	3,132
Total Expenses	<u>95,291</u>	<u>106,809</u>	<u>230,969</u>	<u>224,772</u>	<u>326,260</u>	<u>331,581</u>
Increase in net assets before transfers	11,993	2,283	10,671	2,232	22,664	4,515
Transfers	4,153	4,535	(4,153)	(4,535)		
Increase in net assets	16,146	6,818	6,518	(2,303)	22,664	4,515
Net assets July 1	342,967	336,149	358,489	360,792	701,456	696,941
Net assets June 30	<u>\$ 359,113</u>	<u>\$ 342,967</u>	<u>\$ 365,007</u>	<u>\$ 358,489</u>	<u>\$ 724,120</u>	<u>\$ 701,456</u>

## **Governmental Activities**

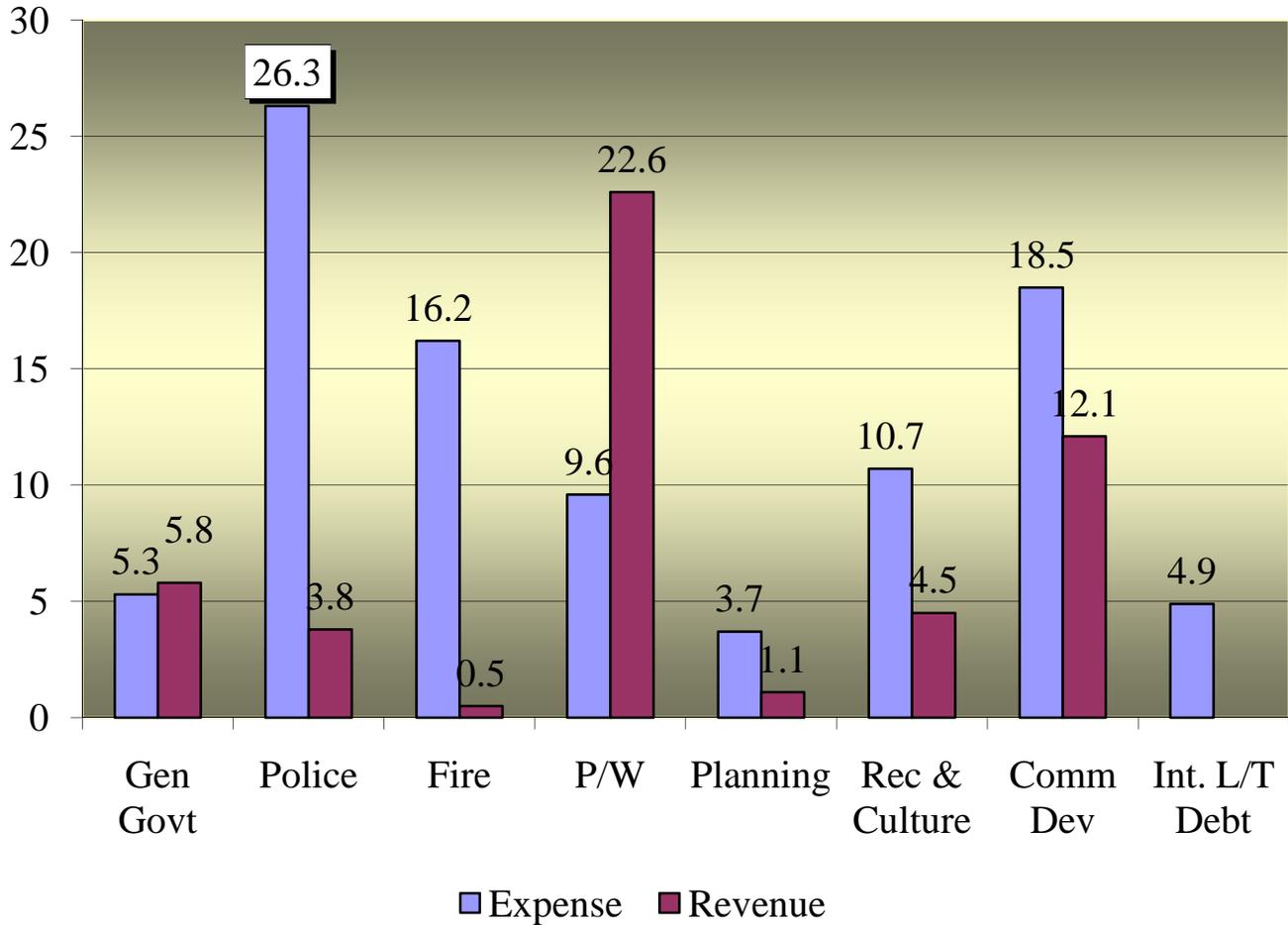
The governmental activities program expenses exceed program revenues by \$44.9 million; however, general revenues and transfers were \$61 million resulting in an increase in governmental activities net assets of \$16.1 million. This increase accounted for 71% of the total growth in the net assets of the City.

Taxes decreased by 3.1% from the prior year. This decrease is due to a decrease in the overall tax value (as determined by California law) of real property. Tax rates were not changed during the year.

Governmental Activity expenses in fiscal year ended (FYE) 2011 decreased from FYE 2010 amounts. The primary reason for the decrease is the poor economy and lower revenues in FYE 2011 than in FYE 2010. In addition, many of the reductions made due to the poor economy in FYE 2010 took full effect in FYE 2011.

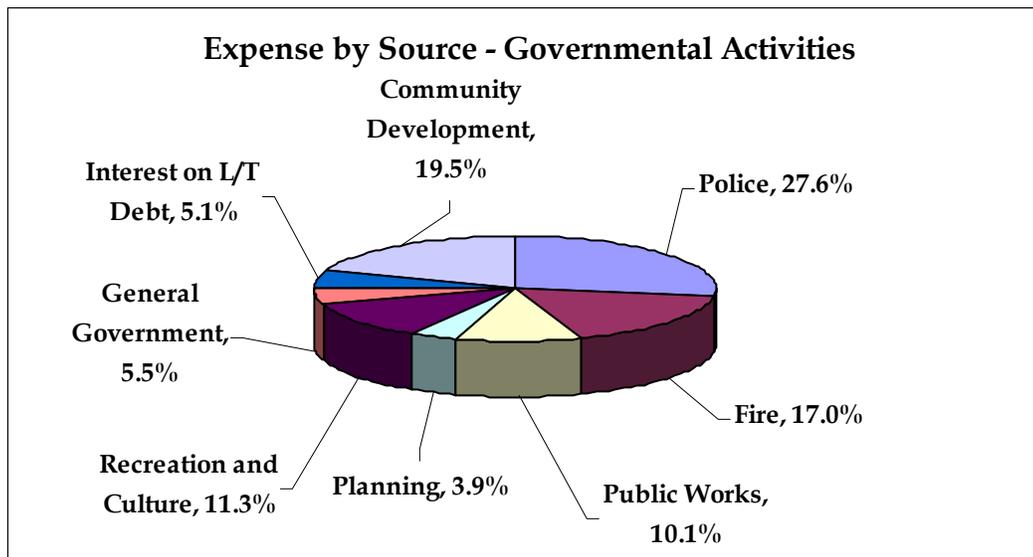
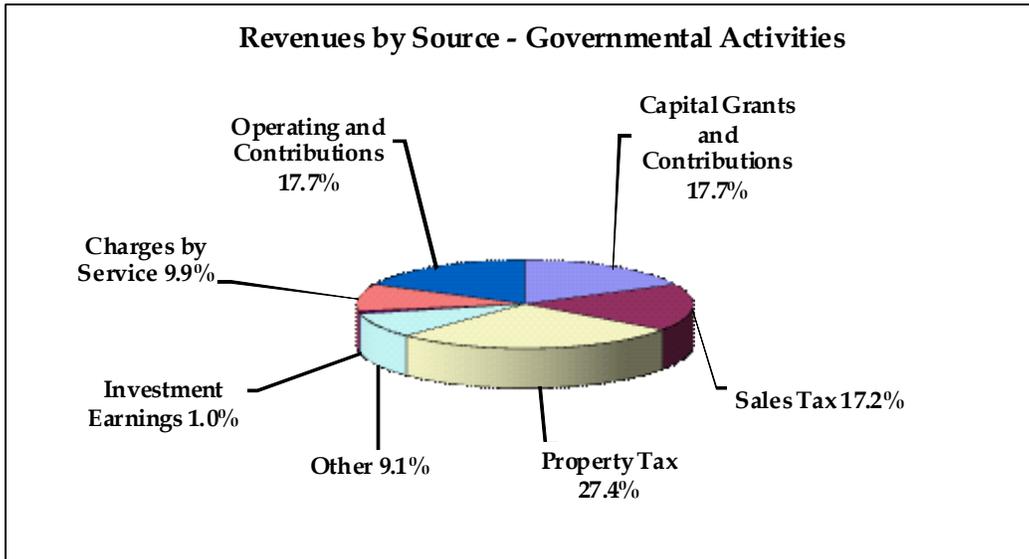
The largest decrease in expenses was in the community development category, which decreased by \$6.2 million. The decrease in community development was due to lower pass-through amounts from the Redding Redevelopment Agency, a component unit of the City of Redding. The pass-through amounts were lower due to lower property tax revenues and lower amounts mandated by the State to be passed-through to the State's Supplemental Education Revenue Augmentation Fund maintained by the County of Shasta.

## Expenses and Program Revenues - Governmental Activities (in millions)



As shown in the expenses and program revenue graph above, Public Works revenues exceeded program expenses by \$13.0 million. The reason for revenues exceeding expenses is that program revenues from Public Works include \$17.5 million in capital grants and contributions. The capital grants and contributions were used for capital assets as they could not be used to cover operating expenses.

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



## Business-Type Activities

Business-type activities increase the City's net assets by \$6.5 million. Key elements of this increase are as follows:

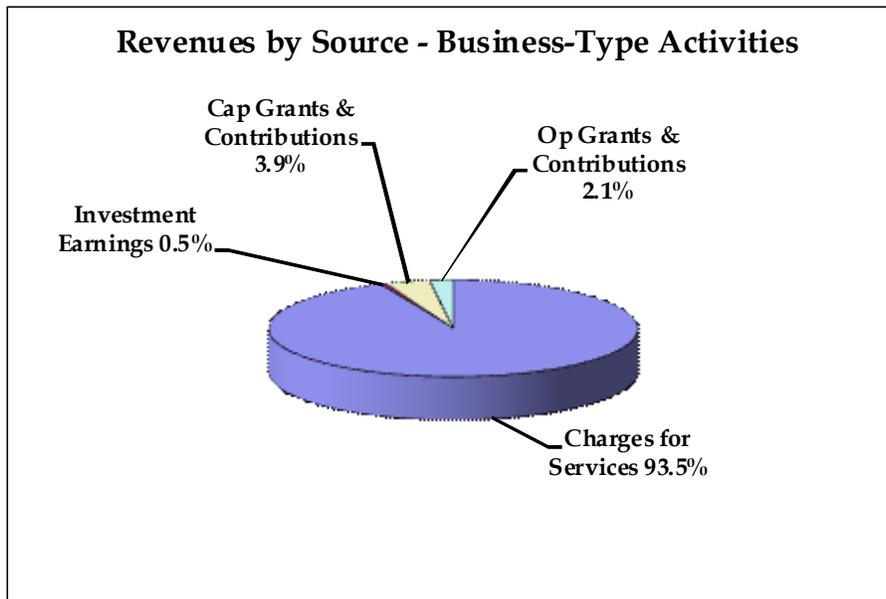
- Revenues exceed expenses for water and wastewater as funds are being accumulated for current and future capital projects. Electric revenues exceeded expenses due to favorable weather conditions which resulted in higher use of hydro power (which is less expensive than other forms of power available)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

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

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

	Revenue		Expense		Changes in net assets	
	2011	2010	2011	2010	2011	2010
Electric	\$169,161	\$153,878	\$165,227	\$161,101	\$3,934	(\$7,223)
Water	16,154	15,758	14,575	14,575	1,579	1,183
Wastewater	21,142	22,446	16,889	15,075	4,253	7,371
Storm Drainage	1,577	1,741	2,492	2,355	(915)	(614)
Solid Waste	19,106	17,874	18,877	18,497	229	(623)
Transportation	12,743	11,154	10,451	10,037	2,292	1,117
Convention Center	604	754	2,457	3,132	(1,853)	(2,378)
Investment Earnings	1,150	3,399	-	-	1,150	3,399
Transfers	(4,153)	(4,535)	-	-	(4,153)	(4,535)
Other	1	-	-	-	1	-
<b>Total</b>	<b>237,485</b>	<b>222,469</b>	<b>230,968</b>	<b>224,772</b>	<b>6,517</b>	<b>(2,303)</b>

The Electric Utility change in net assets increased \$11.2 million from the prior year primarily due to a rate increase of 7.84% which resulted in a 7.4% increase in retail electric sales even though retail sales were lower than projected, primarily due to mild weather which reduced the electric load need.



Typically business-type activities charge customers for the services provided and the related necessary capital costs. As can be seen from the above graph, charges for services make up the vast majority (93.5%) 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the fiscal year ended June 30, 2011, the City's governmental funds reported combined ending fund balances of \$110 million, an increase of \$4 million in comparison to June 30, 2010. Only 2.6% of this total (\$2.8 million) is considered unassigned fund balance, which is available for spending at the government's discretion, without changing any current planned expenditures. The remainder of fund balance is nonspendable (\$2.4 million), restricted by outside sources (\$103.3 million) or already intended to be used by the City for a specific purpose (assigned fund balance, \$1.9 million).

The General Fund is the chief operating fund of the City. At June 30, 2011, unassigned fund balance was \$4.8 million. As a measure of the General Fund's liquidity, it may be useful to

compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 7.6% of the total General Fund expenditures, while total fund balance represents 15.6% of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$1.4 million during the year ended June 30, 2011.

General Fund revenues increased \$2.4 million, while expenditures decreased by \$3.1 million from FYE 2010 to 2011. The increase in revenue was due primarily to an increase in sales taxes of \$1.4 million (7.8%) due to higher sales taxes from increases in fuel costs and a slight improvement in the economy. Tax rates were not changed during the year. Intergovernmental revenue increased by \$1.2 million due to increase in public safety and public works grants.

The \$3.1 million decrease in expenditures is due to the City reducing costs. Due to the weak economy the City was forced to make reductions to the General Fund. The reductions included furloughs, outsourcing, eliminating positions, union concessions and reductions in operating costs. The reductions affected all the General Fund and Internal Service Fund departments.

Other financing sources decreased by \$8.1 million. The decrease is due primarily to a decrease in property sales (\$1.6 million) and a decrease in transfers in of \$6.7 million. In the prior year the General Fund received a catch-up transfer for past unpaid pass-through from the redevelopment fund and a larger than normal transfer from the City's gas tax fund.

The Capital Project Fund accounts for the financing and construction activities of the City. At June 30, 2011, the restricted fund balance was \$21.3 million. Restricted fund balance represents 92.3% of the total Capital Project Funds expenditures, while total fund balance represents 92.9% of the total Capital Project Fund expenditures.

The fund balance of the City's Capital Project Fund increased \$0.7 million during the year ended June 30, 2011.

Capital Project Fund revenues increased \$10.1 million and expenditures increased \$0.8 million. The increase in revenue was due to increased revenues from grants.

**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, 2010	Changes in Net Assets	Net Assets June 30, 2011
Electric Utility	\$109,009	(1,885)	\$107,124
Water Utility	\$76,969	1,778	\$78,747
Wastewater Utility	\$101,510	4,614	\$106,124
Solid Waste Collection/Disposal	\$30,646	782	\$31,428

Net Assets - Restricted and Unrestricted  
Major Proprietary Funds as of June 30, 2011  
(in thousands)

	Invested in Capital Assets, Net of Related Debt	Restricted Net Assets	Unrestricted Net Assets	Total Net Assets
Electric Utility	\$53,171	-	53,953	\$107,124
Water Utility	\$61,821	97	16,829	\$78,747
Wastewater Utility	\$85,842	14,387	5,895	\$106,124
Solid Waste Collection/Disposal	\$18,353	-	13,075	\$31,428

The factors affecting the above changes in net assets and other factors regarding the proprietary funds have already been addressed in the discussion of the City’s business-type activities.

## General Fund Budgetary Highlights

The City adopts two one-year budgets every other year. The fiscal year ending June 30, 2011 was the second year of the two-year budget process. Differences between the original General Fund budget and the amended General Fund budget expenditures are shown below:

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

	Original	Amended	Increase (Decrease)
General Government	\$ 6,346	\$ 5,641	\$ (705)
Public Safety:			
Police	26,491	27,271	780
Fire Safety	17,099	16,459	(640)
Public Works	10,429	10,475	46
Planning	4,978	3,534	(1,444)
Recreation and culture	5,278	4,510	(768)
Principal payments	1,321	1,442	121
Interest payments and bond costs	1,712	1,745	33
Total Expenditures	<u>\$ 73,654</u>	<u>\$ 71,077</u>	<u>\$ (2,577)</u>

As shown in the previous table, the General Fund's original budget was amended down by \$2.6 million or approximately 3.5%. The reasons for this decrease are as follows:

- Due to the slow economy and lower revenues than anticipated, the City reduced its General Fund budget by \$8 million during the year to keep the General Fund Ten Year Plan in balance with a minimum 5% reserve in all years of the Plan. The reductions affected all departments in the General Fund.
- The Police budget increased by \$2.3 million due to grants and grant type agreements approved and received after the budget was originally adopted. It is the City policy not to include grant expenditures in the original adopted budget if grant approval has not been finalized. These grants were for drug enforcement, traffic enforcement, police officers and school resource officers along with other Police related activities.
- Public Works' budget increased by \$1.8 million due to grants and grant type expenditures that were approved after the budget was adopted. The funds were used for street maintenance and improvement.
- Other departments' budgets were increased by \$0.4 million due to grants and grant type agreements approved and received after the budget was originally adopted.
- The City does not include rolling stock appropriations in its original budget. It is a Council policy to maintain a rolling stock fund separate from the General Fund which departments, with the City Manager approval, can transfer funds to the General Fund and amend the adopted budget for the transfers. During the year departments' budgets were increased by \$0.9 million due to these rolling stock transfers.

During the year revenues were less than budgetary, thus requiring the need to draw upon existing fund balances.

## **Capital Asset and Debt Administration**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totaled \$841 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 \$37.4 million (a 4.0% increase for governmental activities and 5.1% for business-type activities).

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

- Developers added an estimated \$1.8 million of water, wastewater, electric, storm drainage improvements, streets, sidewalks and traffic signals.
- Electric Utility spent \$13.6 million in the current year on the new generation plant project.
- The City spent \$16.9 million in the current year on the \$72 million Cypress Bridge Project.
- \$9.1 million was spent on the Clear Creek Wastewater expansion project.
- \$2.1 million was spent on the Oasis Road interchange.

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

Changes in capital assets consist of the following:

**Changes in Capital Assets**  
(in thousands)  
**Governmental Activities**

	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 28,151	\$ 349	\$ (47)	\$ -	\$ 28,453
Construction in process	79,441	23,636	-	(92,454)	10,623
Total capital assets, not being depreciated	107,592	23,985	(47)	(92,454)	39,076
Capital assets, being depreciated:					
Buildings	56,797	-	-	18	56,815
Improvements other than buildings	99,039	-	-	498	99,537
Infrastructure	157,686	475	-	91,738	249,899
Automotive equipment	10,991	269	(692)	31	10,599
Furnishings and equipment	7,893	58	(451)	40	7,540
Assets under capital lease:					
Furnishings and equipment	290	75	-	(40)	325
Automotive equipment	1,080	509	-	(1)	1,588
Total capital assets, being depreciated	333,776	1,386	(1,143)	92,284	426,303
Less accumulated depreciation for:					
Buildings	(19,136)	(1,731)	-	-	(20,867)
Improvements other than buildings	(33,365)	(4,160)	-	-	(37,525)
Infrastructure	(47,844)	(4,496)	-	-	(52,340)
Automotive equipment	(8,184)	(651)	568	(31)	(8,298)
Furnishings and equipment	(4,726)	(660)	451	(33)	(4,968)
Assets under capital lease:					
Furnishings and equipment	(283)	(5)	-	33	(255)
Automotive equipment	(440)	(207)	-	-	(647)
Total accumulated depreciation	(113,978)	(11,910)	1,019	(31)	(124,900)
Total capital assets, being depreciated, net	219,798	(10,524)	(124)	92,253	301,403
<b>Governmental activities capital assets, net</b>	<b>\$ 327,390</b>	<b>\$ 13,461</b>	<b>\$ (171)</b>	<b>\$ (201)</b>	<b>\$ 340,479</b>

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

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

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

**Business-Type Activities:**

Capital assets, not being depreciated:

Land	\$ 17,846	\$ 59	\$ -	\$ -	\$ 17,905
Construction in progress	92,304	37,401	(25)	(18,940)	110,740
Total capital assets, not being depreciated	<u>110,150</u>	<u>37,460</u>	<u>(25)</u>	<u>(18,940)</u>	<u>128,645</u>

Capital assets, being depreciated:

Utility plants	580,951	1,339	(1,606)	15,880	596,564
Buildings	46,786	-	-	1,992	48,778
Improvements other than buildings	39,171	208	-	1,172	40,551
Automotive equipment	30,322	5,888	(2,453)	(31)	33,726
Furnishings and equipment	13,459	375	(204)	95	13,725

Assets under capital lease:

Furnishings and equipment	559	4,176	-	-	4,735
Total capital assets, being depreciated	<u>711,248</u>	<u>11,986</u>	<u>(4,263)</u>	<u>19,108</u>	<u>738,079</u>

Less accumulated depreciation for:

Utility plants	(264,243)	(18,171)	869	-	(281,545)
Buildings	(25,441)	(1,331)	-	-	(26,772)
Improvements other than buildings	(26,504)	(2,087)	-	-	(28,591)
Automotive equipment	(16,938)	(2,309)	2,318	31	(16,898)
Furnishings and equipment	(11,476)	(487)	204	-	(11,759)

Assets under capital lease:

Furnishings and equipment	(532)	(51)	-	1	(582)
---------------------------	-------	------	---	---	-------

Total accumulated depreciation	<u>(345,134)</u>	<u>(24,436)</u>	<u>3,391</u>	<u>32</u>	<u>(366,147)</u>
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Total capital assets, being depreciated, net	<u>366,114</u>	<u>(12,450)</u>	<u>(872)</u>	<u>19,140</u>	<u>371,932</u>
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<b>Business-type activities capital assets, net</b>	<u>\$ 476,264</u>	<u>\$ 25,010</u>	<u>\$ (897)</u>	<u>\$ 200</u>	<u>\$ 500,577</u>
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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, 2010	Additional Transfers	Reductions	Balance June 30, 2011
<b>Governmental Activities:</b>				
Capital leases Payable	\$ 377	\$ 343	\$ 153	\$ 567
Lease Revenue Bonds	45,328	-	2,609	42,719
Redevelopment Bonds	47,460	-	2,100	45,360
Special assessment debt	1,661	-	282	1,379
Loan	401	-	85	316
State Loans	-	-	-	-
Total Government Activities	<u>95,227</u>	<u>343</u>	<u>5,229</u>	<u>90,341</u>
<b>Business-Type Activities</b>				
State Loan Payable	39,709	6,559	1,980	44,288
Revenue Bonds	28,633	-	2,992	25,641
Certificates of participation	183,290	-	5,130	178,160
Capital leases	199	3,084	45	3,238
Total Business-Type Activities	<u>251,831</u>	<u>9,643</u>	<u>10,147</u>	<u>251,327</u>
Total outstanding long-term debt	<u>\$ 347,058</u>	<u>\$ 9,986</u>	<u>\$ 15,376</u>	<u>\$ 341,668</u>

The City's total debt decreased by \$5.4 million during the year ended June 30, 2011. The decrease is due primarily to regular scheduled debt payments. In addition, the City incurred \$3 million in a capital lease to purchase a solar farm and issued \$6.6 million in State loans for wastewater treatment plant upgrades.

Currently, the City's legal debt margin is \$280 million. However, this relates only to general obligation type bonds. Other factors such as available revenues, special assessment pledges, etc. will affect the City's actual capacity to issue future debt.

Additional information on the City's long-term debt can be found in note 9 on pages 104-111 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- The City of Redding has experienced an increase in population since 2006 of less than one percent per year while the unemployment rate has increased from 6.3% in 2006 to 15% in 2011.
- Inflationary trends in the region compare favorably to national indices.
- Overall tax revenue for the City's General Fund increased by 3.7% during the year. This was primarily due to increases in sales within the City, resulting in increased sales taxes. Tax rates were not changed. The City expects sales tax revenue will increase by 3.5% in fiscal year 2011-12. It is expected property tax revenue will decrease slightly in fiscal year 2011-12.
- Building activity in the City continued to decline in fiscal year 2011 and the City expects it to remain below the historical average during the fiscal year 2011-12.
- The economy will remain slow in fiscal year 2012.

All of these factors will be considered in preparing the City's budget for the 2011-12 fiscal year.

During the current fiscal year, fund balance in the General Fund decreased by \$1.4 million to \$9.8 million. The City anticipates increasing the General Fund balance by less than a \$0.1 million in fiscal year ending 2012. This amount, adjusted for certain known factors, has been included in the City's 10-year financial plan and the City continues to maintain a 5% cash reserve in all years.

The utilities all planned for rate increases when their biennial budgets were built. These rate increases are subject to City Council approval.

## **Request for Information**

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

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

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## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**City of Redding**  
**Statement of Net Assets**  
**June 30, 2011**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and investments	\$ 67,010,030	\$ 93,356,463	\$ 160,366,493
Receivables:			
Interest	2,568,440	400,770	2,969,210
Accounts, net	1,102,297	21,227,971	22,330,268
Taxes	5,170,182	-	5,170,182
Current intergovernmental	6,394,106	1,655,199	8,049,305
Notes	34,280,634	-	34,280,634
Special assessments	1,431,200	-	1,431,200
Pacifcorp Energy	-	2,392,976	2,392,976
Other	880,176	-	880,176
Internal balances	9,172,182	(9,172,182)	-
Inventories	303,552	7,596,911	7,900,463
Prepaid items	1,164,635	1,747,134	2,911,769
Deposits	806,465	-	806,465
Assets held for sale	2,275,884	-	2,275,884
Restricted assets:			
Cash and investments	18,979,983	7,326,117	26,306,100
Interest receivable	27,422	233	27,655
Taxes receivable	981,446	-	981,446
Power acquisition costs, net		1,158,032	1,158,032
Prepaid purchase cost		2,480,000	2,480,000
Long-term receivable	235,817	-	235,817
Financing costs, net	1,646,466	705,541	2,352,007
Capital assets:			
Land and construction in progress	39,076,261	128,645,299	167,721,560
Other capital assets, net of depreciation	301,403,249	371,931,455	673,334,704
Investment in JPA	-	1,137,585	1,137,585
Storage base gas	-	13,570,000	13,570,000
<b>Total assets</b>	<b>494,910,427</b>	<b>646,159,504</b>	<b>1,141,069,931</b>

(Continued)

See accompanying Notes to Basic Financial Statements.

**City of Redding**  
**Statement of Net Assets**  
**June 30, 2011**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>LIABILITIES</b>			
Accounts payable	\$ 1,714,664	\$ 6,948,308	\$ 8,662,972
Accrued liabilities	1,030,400	667,033	1,697,433
Intergovernmental payable	3,351,759	4,614,345	7,966,104
Accrued interest payable	1,350,300	1,257,458	2,607,758
Unearned revenue	738,208	5,307,479	6,045,687
Deposits	155,877	4,725,403	4,881,280
Accounts payable from restricted	1,332,691	254,018	1,586,709
Arbitrage payable	32,455	-	32,455
Landfill closing costs, due within one year	-	100,000	100,000
Claims and judgements payable, due within one year	4,148,143	-	4,148,143
Compensated absences, due within one year	3,176,354	1,633,350	4,809,704
Long-term debt, due within one year	5,428,518	9,808,574	15,237,092
Landfill closing costs, due in more than one year	-	1,307,127	1,307,127
Claims and judgements payable, due in more than one year	8,347,017	-	8,347,017
Accrued compensated absences, due in more than one year	7,754,200	4,530,013	12,284,213
Accrued liabilities, due in more than one year	12,962,842	9,924,708	22,887,550
Long-term debt, due in more than one year	84,273,547	230,075,214	314,348,761
<b>Total liabilities</b>	<b>135,796,975</b>	<b>281,153,030</b>	<b>416,950,005</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	303,837,954	266,569,610	570,407,564
Restricted for:			
Capital outlay	-	17,362,637	17,362,637
Debt service	727,559	-	727,559
Housing	29,173,638	-	29,173,638
Community development	20,733,867	-	20,733,867
Public works	3,052,400	-	3,052,400
Unrestricted	1,588,034	81,074,227	82,662,261
<b>Total net assets</b>	<b>\$ 359,113,452</b>	<b>\$ 365,006,474</b>	<b>\$ 724,119,926</b>

(Concluded)

**City of Redding**  
**Statement of Activities and Changes in Net Assets**  
**For the year ended June 30, 2011**

Functions / Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General government	\$ 5,278,782	\$ 5,605,847	\$ 234,730	\$ -	\$ 5,840,577
Police	26,269,521	1,082,491	2,690,366	(6,610)	3,766,247
Fire	16,236,292	150,018	46,000	336,674	532,692
Public works	9,639,403	811,949	4,359,745	17,461,937	22,633,631
Planning	3,689,281	1,060,499	-	-	1,060,499
Recreation and culture	10,744,101	2,212,256	336,411	1,916,993	4,465,660
Community development	18,533,923	54,595	12,089,570	-	12,144,165
Interest on long-term debt	4,899,556	-	-	-	-
Total governmental activities	95,290,859	10,977,655	19,756,822	19,708,994	50,443,471
<b>Business-type activities:</b>					
Electric	165,227,316	168,333,684	580,741	247,134	169,161,559
Water	14,575,101	14,653,288	-	1,500,830	16,154,118
Wastewater	16,889,147	19,503,467	-	1,638,087	21,141,554
Storm drainage	2,492,302	1,245,227	-	332,227	1,577,454
Solid waste	18,876,936	18,395,742	102,187	608,068	19,105,997
Transportation	10,450,822	3,207,076	4,493,643	5,042,467	12,743,186
Convention center	2,457,085	599,205	5,356	-	604,561
Total business-type activities	230,968,709	225,937,689	5,181,927	9,368,813	240,488,429
<b>Total primary government</b>	<b>\$ 326,259,568</b>	<b>\$ 236,915,344</b>	<b>\$ 24,938,749</b>	<b>\$ 29,077,807</b>	<b>\$ 290,931,900</b>

**General Revenues and Transfers:**

Taxes:  
Property taxes, levied for general purpose  
Dedicated property taxes  
Transient occupancy taxes  
Sales taxes  
Motor vehicle taxes  
Franchise taxes  
Other taxes  
Total taxes  
Investment income (loss)  
Other  
Gain on sale of asset  
Transfers

**Total general revenues and transfers**

**Change in net assets**

**Net assets - beginning of year**

**Net assets - end of year**

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 561,795	\$ -	\$ 561,795
(22,503,274)	-	(22,503,274)
(15,703,600)	-	(15,703,600)
12,994,228	-	12,994,228
(2,628,782)	-	(2,628,782)
(6,278,441)	-	(6,278,441)
(6,389,758)	-	(6,389,758)
(4,899,556)	-	(4,899,556)
<u>(44,847,388)</u>	<u>-</u>	<u>(44,847,388)</u>
-	3,934,243	3,934,243
-	1,579,017	1,579,017
-	4,252,407	4,252,407
-	(914,848)	(914,848)
-	229,061	229,061
-	2,292,364	2,292,364
-	(1,852,524)	(1,852,524)
<u>-</u>	<u>9,519,720</u>	<u>9,519,720</u>
<u>(44,847,388)</u>	<u>9,519,720</u>	<u>(35,327,668)</u>
15,142,657	-	15,142,657
15,440,939	-	15,440,939
3,635,090	-	3,635,090
19,157,880	-	19,157,880
293,986	-	293,986
911,180	-	911,180
935,173	-	935,173
<u>55,516,905</u>	<u>-</u>	<u>55,516,905</u>
1,101,518	1,150,239	2,251,757
100,000	945	100,945
122,183	-	122,183
4,153,367	(4,153,367)	-
<u>60,993,973</u>	<u>(3,002,183)</u>	<u>57,991,790</u>
16,146,585	6,517,537	22,664,122
<u>342,966,867</u>	<u>358,488,937</u>	<u>701,455,804</u>
<u>\$ 359,113,452</u>	<u>\$ 365,006,474</u>	<u>\$ 724,119,926</u>

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## **FUND FINANCIAL STATEMENTS**

*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

**City of Redding**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 2,143,538	\$ 14,595,839	\$ 38,722,506	\$ 55,461,883
Interest receivable	21,490	42,622	2,457,743	2,521,855
Accounts receivable, net	877,982	174,071	20,268	1,072,321
Intergovernmental receivable	1,735,126	2,860,766	1,798,214	6,394,106
Taxes receivable	4,772,517	-	633,482	5,405,999
Other receivable	849,996	-	30,180	880,176
Due from other funds	333,147	-	-	333,147
Prepaid items	621,880	45,052	26,826	693,758
Inventories	180,995	-	-	180,995
Restricted assets:				
Cash and investments	2,325,778	6,662,496	9,991,709	18,979,983
Interest receivable	-	274	27,148	27,422
Taxes receivable	-	-	981,446	981,446
Interfund receivable	650,000	231,014	1,371,810	2,252,824
Deposits	-	-	806,465	806,465
Assets held for sale	-	-	2,275,884	2,275,884
Advances to other funds	1,835,800	150,833	1,132,829	3,119,462
Special assessments receivable	-	-	1,431,200	1,431,200
Notes receivable	-	99,000	34,181,634	34,280,634
<b>Total assets</b>	<b>\$ 16,348,249</b>	<b>\$ 24,861,967</b>	<b>\$ 95,889,344</b>	<b>\$ 137,099,560</b>

(Continued)

See accompanying Notes to Basic Financial Statements.

**City of Redding**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 287,228	\$ 767,762	\$ 488,452	\$ 1,543,442
Accrued liabilities	837,435	23,892	38,365	899,692
Intergovernmental payable	817,516	-	1,975,931	2,793,447
Due to other funds	-	-	211,389	211,389
Accounts payable from restricted assets	-	1,332,691	-	1,332,691
Interfund payable	60,182	-	2,230,568	2,290,750
Deferred revenues	4,326,032	1,430,751	6,054,013	11,810,796
Deposits	7,516	290	148,054	155,860
Advances from other funds	193,481	-	5,445,906	5,639,387
<b>Total liabilities</b>	<b>6,529,390</b>	<b>3,555,386</b>	<b>16,592,678</b>	<b>26,677,454</b>
<b>Fund Balances:</b>				
Nonspendable	1,710,364	45,052	595,661	2,351,077
Restricted	1,418,289	21,261,529	80,676,054	103,355,872
Assigned	1,881,098	-	-	1,881,098
Unassigned	4,809,108	-	(1,975,049)	2,834,059
<b>Total fund balances</b>	<b>9,818,859</b>	<b>21,306,581</b>	<b>79,296,666</b>	<b>110,422,106</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,348,249</b>	<b>\$ 24,861,967</b>	<b>\$ 95,889,344</b>	<b>\$ 137,099,560</b>

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**City of Redding**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2011**

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<b>Total Fund Balances - Total Governmental Funds</b>	\$ 110,422,106
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets have not been included as financial resources in governmental fund activity.	449,200,199
Accumulated depreciation has not been included in the governmental fund financial statements.	(114,052,434)
Financing costs net of amortization	1,646,466
Long-term debt that has not been included in the governmental fund activity.	(89,702,065)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(1,350,300)
The net other post employment benefit obligation has not been reported in the governmental funds.	(10,946,755)
Revenue reported as deferred revenue in the governmental funds was recorded as revenue in the statement of activities.	11,075,673
Internal service fund net assets included in the governmental activities on the statement of activities.	12,794,535
Arbitrage payable that has not been included in the governmental funds.	(32,455)
Accrued vacation and other leave not reported in governmental funds, but recorded as expense in the Statement of Activities.	(9,941,518)
<b>Net Assets of Governmental Activities</b>	<u>\$ 359,113,452</u>

See accompanying Notes to Basic Financial Statements.

**City of Redding**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2011**

	General Fund	General Capital Projects Fund	Non Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property taxes	\$ 15,130,162	\$ -	\$ 15,440,939	\$ 30,571,101
Sales and use taxes	19,206,791	-	272,517	19,479,308
Other taxes	5,481,443	-	-	5,481,443
Special assessments	9,616	-	741,710	751,326
Licenses and permits	787,935	-	65,267	853,202
Intergovernmental revenues	3,965,061	21,623,874	15,719,596	41,308,531
Charges for services	1,486,595	-	1,210,750	2,697,345
Fines, forfeitures, and penalties	888,342	-	157,865	1,046,207
Use of money and property	6,306,141	3,480	1,975	6,311,596
Interest revenue	389,788	65,804	545,694	1,001,286
Other	575,168	2,049,066	424,228	3,048,462
<b>Total revenues</b>	<b>54,227,042</b>	<b>23,742,224</b>	<b>34,580,541</b>	<b>112,549,807</b>
<b>EXPENDITURES:</b>				
Current:				
General government	4,945,190	-	257,182	5,202,372
Community development	-	-	18,035,641	18,035,641
Public safety:				
Police	25,727,103	-	112,996	25,840,099
Fire	15,643,563	-	-	15,643,563
Public works	3,845,352	31,431	579,479	4,456,262
Planning	3,485,319	-	-	3,485,319
Recreation and culture	4,205,025	141,981	2,025,863	6,372,869
Capital outlay	1,914,547	20,914,053	1,639,082	24,467,682
Debt service:				
Principal	1,442,162	1,404,882	2,382,000	5,229,044
Interest and fiscal charges	1,749,698	530,963	2,418,132	4,698,793
<b>Total expenditures</b>	<b>62,957,959</b>	<b>23,023,310</b>	<b>27,450,375</b>	<b>113,431,644</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(8,730,917)</b>	<b>718,914</b>	<b>7,130,166</b>	<b>(881,837)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of assets	105,587	46,000	18,085	169,672
Long-term debt issued	343,770	-	-	343,770
Transfers in	9,292,772	-	1,238,749	10,531,521
Transfers out	(2,457,859)	(67,200)	(3,653,095)	(6,178,154)
<b>Total other financing sources (uses)</b>	<b>7,284,270</b>	<b>(21,200)</b>	<b>(2,396,261)</b>	<b>4,866,809</b>
<b>Net change in fund balances</b>	<b>(1,446,647)</b>	<b>697,714</b>	<b>4,733,905</b>	<b>3,984,972</b>
<b>FUND BALANCES:</b>				
Beginning of year	11,265,506	20,608,867	74,562,761	106,437,134
End of year	\$ 9,818,859	\$ 21,306,581	\$ 79,296,666	\$ 110,422,106

See accompanying Notes to Basic Financial Statements.

# City of Redding

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2011

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 3,984,972</b>
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Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Governmental funds reported acquisition of capital assets as part of capital outlay expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period. 24,576,812

In the Statement of Activities, donated assets are reported as a capital contribution. 554,638

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds. (10,839,169)

Disposal of capital assets is reported in the Governmental-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, it is not reported as expenditures in governmental funds.

- Net book value of the assets disposed (47,489)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (5,136,171)

In the Statement of Activities, the net other post employment benefit obligation has been accrued. (2,531,982)

Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets. 5,229,043

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from the prior year. (252,939)

Compensated absences in the Statement of Activities is reported as an expense but is not reported in the governmental funds. 132,521

Loan proceeds provided current financial resources to governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets. (343,770)

Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities. 820,119

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<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 16,146,585</b>
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See accompanying Notes to Basic Financial Statements.

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## PROPRIETARY FUND FINANCIAL STATEMENTS

### **Major Enterprise Funds:**

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

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

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

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

### **Internal Service Funds:**

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

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

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 31,190,382	\$ 16,475,938	\$ 21,013,581
Interest receivable	140,757	72,429	92,950
Accounts receivable, net	15,902,161	1,477,579	1,849,706
Prepaid items	1,517,256	41,328	51,961
Intergovernmental receivable	-	-	-
Inventories	6,843,992	591,914	34,487
Interfund receivable	-	-	90,000
Pacificorp Energy receivable	2,392,976	-	-
Total current assets	<u>57,987,524</u>	<u>18,659,188</u>	<u>23,132,685</u>
Noncurrent assets:			
Restricted assets:			
Cash and investments	5,001,913	1,208,344	-
Interest receivable	233	-	-
Total restricted assets	<u>5,002,146</u>	<u>1,208,344</u>	<u>-</u>
Capital assets:			
Land	4,233,039	468,589	2,828,758
Construction in progress	80,378,398	2,154,503	25,173,432
Utility plants	286,997,851	106,472,841	177,617,928
Buildings	4,585,086	3,637,249	2,613,886
Improvements other than buildings	2,908,952	-	185,670
Automotive equipment	5,228,603	2,031,148	1,578,851
Furnishings and equipment	6,724,165	610,585	1,300,589
Assets under capital lease	-	-	-
Total capital assets	<u>391,056,094</u>	<u>115,374,915</u>	<u>211,299,114</u>
Less: accumulated depreciation	<u>(174,219,432)</u>	<u>(46,430,277)</u>	<u>(69,933,375)</u>
Net capital assets	<u>216,836,662</u>	<u>68,944,638</u>	<u>141,365,739</u>
Other assets:			
Power acquisition costs, net	1,158,032	-	-
Prepaid purchase cost	2,480,000	-	-
Advances to other funds	1,065,578	-	779,065
Financing costs, net	307,274	155,194	157,989
Investment in JPA	1,137,585	-	-
Storage base gas	13,570,000	-	-
Total other assets	<u>19,718,469</u>	<u>155,194</u>	<u>937,054</u>
Total noncurrent assets	<u>241,557,277</u>	<u>70,308,176</u>	<u>142,302,793</u>
<b>Total assets</b>	<u>299,544,801</u>	<u>88,967,364</u>	<u>165,435,478</u>

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental
Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 18,086,587	\$ 6,589,975	\$ 93,356,463	\$ 11,548,147
78,315	16,313	400,764	46,583
1,689,951	308,574	21,227,971	29,976
102,673	33,916	1,747,134	470,877
42,345	1,612,854	1,655,199	-
-	126,518	7,596,911	122,557
-	-	90,000	226,810
-	-	2,392,976	-
19,999,871	8,688,150	128,467,418	12,444,950
908,705	207,155	7,326,117	-
-	-	233	-
908,705	207,155	7,326,350	-
1,571,090	8,803,506	17,904,982	110,810
468,701	2,565,283	110,740,317	-
-	25,475,739	596,564,359	-
14,141,504	23,800,403	48,778,128	-
1,207,065	36,249,040	40,550,727	2,384,243
16,382,290	8,505,214	33,726,106	10,599,555
2,367,564	2,721,942	13,724,845	1,496,861
-	4,735,090	4,735,090	1,588,301
36,138,214	112,856,217	866,724,554	16,179,770
(16,312,864)	(59,251,852)	(366,147,800)	(10,848,025)
19,825,350	53,604,365	500,576,754	5,331,745
-	-	1,158,032	-
-	-	2,480,000	-
-	-	1,844,643	6,914,810
66,120	18,964	705,541	-
-	-	1,137,585	-
-	-	13,570,000	-
66,120	18,964	20,895,801	6,914,810
20,800,175	53,830,484	528,798,905	12,246,555
40,800,046	62,518,634	657,266,323	24,691,505

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

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
<b>LIABILITIES</b>			
Current liabilities (payable from current assets):			
Accounts payable	\$ 3,685,917	\$ 313,237	\$ 1,707,543
Accrued liabilities	387,164	55,284	81,318
Accrued interest payable	694,442	33,300	449,020
Claims and judgements payable	-	-	-
Intergovernmental payable	4,525,747	11,635	6,440
Due to other funds	-	-	-
Interfund payables	20,000	96,586	94,428
Deferred revenues	1,748,934	156,632	-
Deposits	2,717,983	651	-
Accrued compensated absences, due with in one year	948,219	129,879	140,315
Landfill closure costs, due with in one year	-	-	-
Capital leases, due with in one year	-	-	-
Long-term debt, due with in one year	4,867,842	561,539	1,280,124
State loan, due with in one year	-	-	1,958,308
Current liabilities (payable from restricted assets):			
Accounts payable	254,018	-	-
Total current liabilities	<u>19,850,266</u>	<u>1,358,743</u>	<u>5,717,496</u>
Long-term liabilities:			
Accrued compensated absences, due in more than one year	2,567,913	325,546	341,349
Landfill closure costs, due in more than one year	-	-	-
Advances from other funds	9,764	64,667	66,639
Accrued liabilities, due in more than one year	5,964,237	701,434	900,608
Claims and judgements, due in more than one year	-	-	-
Capital leases, due in more than one year	-	-	-
Long-term debt, due in more than one year	164,028,415	7,770,393	10,705,741
State loan, due in more than one year	-	-	41,579,967
Total long-term liabilities	<u>172,570,329</u>	<u>8,862,040</u>	<u>53,594,304</u>
<b>Total liabilities</b>	<u>192,420,595</u>	<u>10,220,783</u>	<u>59,311,800</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	53,171,400	61,821,051	85,841,599
Restricted for:			
Capital projects	-	96,678	14,387,056
Unrestricted	53,952,806	16,828,852	5,895,023
<b>Total net assets</b>	<u>\$ 107,124,206</u>	<u>\$ 78,746,581</u>	<u>\$ 106,123,678</u>

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental Activities	
Solid Waste Collection/Disposal	Non-Major Enterprise Funds	Total	Internal Service Funds	
\$ 327,495	\$ 914,116	\$ 6,948,308	\$ 171,218	
108,092	35,175	667,033	130,708	Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.
63,106	17,590	1,257,458	-	
-	-	-	4,148,143	
57,548	12,975	4,614,345	558,312	
-	121,757	121,757	-	
15,000	95,000	321,014	-	
6,450	3,395,463	5,307,479	3,083	Proprietary Funds total net assets \$ 370,377,441
1,919,149	87,620	4,725,403	17	
322,230	92,707	1,633,350	267,734	Less business-type portion of the Internal Service Fund (5,370,967)
100,000	-	100,000	-	
-	307,221	307,221	-	
737,699	49,292	7,496,496	-	Statement of Activities: Net Assets
-	46,549	2,004,857	-	\$ 365,006,474
-	-	254,018	-	
3,656,769	5,175,465	35,758,739	5,279,215	
1,005,080	290,125	4,530,013	721,302	
1,307,127	-	1,307,127	-	
7,323	5,144,688	5,293,081	904,316	
1,752,702	605,727	9,924,708	2,016,087	
-	-	-	8,347,017	
-	2,930,368	2,930,368	-	
1,643,033	713,529	184,861,111	-	
-	703,768	42,283,735	-	
5,715,265	10,388,205	251,130,143	11,988,722	
9,372,034	15,563,670	286,888,882	17,267,937	
18,353,323	47,382,237	266,569,610	5,331,745	
-	2,878,903	17,362,637	-	
13,074,689	(3,306,176)	86,445,194	2,091,823	
\$ 31,428,012	\$ 46,954,964	\$ 370,377,441	\$ 7,423,568	

(Concluded)

**City of Redding**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2011**

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
<b>OPERATING REVENUES:</b>			
User fees and charges	\$ 97,925,288	\$ 14,405,116	\$ 19,491,295
Wholesale power sales	63,383,136	-	-
Rental charges	-	-	-
Other operating revenue	6,996,861	22,698	1,348
<b>Total operating revenues</b>	<b>168,305,285</b>	<b>14,427,814</b>	<b>19,492,643</b>
<b>OPERATING EXPENSES:</b>			
Cost of power, water, and transportation	85,855,644	454,804	-
Maintenance, operations, and administration	62,110,671	10,402,270	10,379,491
Depreciation and amortization	11,538,719	3,322,769	4,896,408
<b>Total operating expenses</b>	<b>159,505,034</b>	<b>14,179,843</b>	<b>15,275,899</b>
<b>OPERATING INCOME (LOSS)</b>	<b>8,800,251</b>	<b>247,971</b>	<b>4,216,744</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest revenue	503,764	199,863	215,469
Interest expense	(5,429,463)	(420,478)	(1,616,904)
Intergovernmental revenues	558,744	-	-
Gain (loss) on disposal of assets	(647,558)	24,297	2,981
Other non-operating revenues (expenses)	50,397	1,244,192	1,346,565
<b>Total nonoperating revenues (expenses)</b>	<b>(4,964,116)</b>	<b>1,047,874</b>	<b>(51,889)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<b>3,836,135</b>	<b>1,295,845</b>	<b>4,164,855</b>
Capital contributions	247,134	482,112	502,346
Transfers in	-	-	-
Transfers out	(5,968,220)	-	(53,138)
<b>Change in net assets</b>	<b>(1,884,951)</b>	<b>1,777,957</b>	<b>4,614,063</b>
<b>NET ASSETS:</b>			
Beginning of year	109,009,157	76,968,624	101,509,615
End of year	\$ 107,124,206	\$ 78,746,581	\$ 106,123,678

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			Governmental	
Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Total	Internal Service Funds	
\$ 16,595,977	\$ 2,645,696	\$ 151,063,372	\$ 55,632,383	
-	-	63,383,136	-	Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.
-	1,500,626	1,500,626	-	
1,797,886	759,605	9,578,398	25,698	
18,393,863	4,905,927	225,525,532	55,658,081	
				Proprietary Funds change in net assets \$ 6,512,387
-	3,218,795	89,529,243	-	
16,436,152	7,852,777	107,181,361	53,780,830	Add internal Service Funds income - business-type activity
1,784,852	4,196,019	25,738,767	1,070,597	5,150
18,221,004	15,267,591	222,449,371	54,851,427	Statement of Activities: Change in Net Assets
172,859	(10,361,664)	3,076,161	806,654	\$ 6,517,537
188,048	43,091	1,150,235	158,717	
(195,043)	(125,100)	(7,786,988)	(17,962)	
102,187	4,498,998	5,159,929	-	
(19,505)	(15,618)	(655,403)	(78,714)	
(74,913)	322,956	2,889,197	(43,428)	
774	4,724,327	756,970	18,613	
173,633	(5,637,337)	3,833,131	825,267	
608,068	5,192,963	7,032,623	777,626	
346	1,860,991	1,861,337	45,276	
-	(193,346)	(6,214,704)	(45,276)	
782,047	1,223,271	6,512,387	1,602,893	
30,645,965	45,731,693	363,865,054	5,820,675	
\$ 31,428,012	\$ 46,954,964	\$ 370,377,441	\$ 7,423,568	

**City of Redding**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2011**

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 160,869,556	\$ 14,495,517	\$ 19,417,735
Cash paid to suppliers	(137,176,357)	(7,740,600)	(6,495,689)
Cash paid to employees	(23,969,545)	(3,238,239)	(3,842,049)
Other income received	6,996,861	22,698	1,348
<b>Net cash provided (used) by operating activities</b>	<b>6,720,515</b>	<b>3,539,376</b>	<b>9,081,345</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Intergovernmental revenue received	(655,994)	-	-
Advances from other funds	-	-	-
Repayment of advances from other funds	(18,807)	(13,672)	(15,871)
Advances to other funds	(9,243)	-	(16,549)
Repayment of advances to other funds	-	-	90,000
Transfers in	-	-	-
Transfers out	(5,968,220)	-	-
Other revenue	-	225,146	8,469
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(6,652,264)</b>	<b>211,474</b>	<b>66,049</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital grant received	-	-	175,418
Proceeds from sale of assets	114,299	24,297	5,665
Purchase of capital assets	(13,117,365)	(4,082,014)	(16,501,857)
Interest paid	(8,679,999)	(432,626)	(1,499,707)
Proceeds from long-term debt	-	-	6,531,542
Principal paid on long-term debt	(5,130,000)	(785,000)	(3,338,920)
Principal paid on capital leases	-	-	-
Other revenue	-	-	-
Cash collected for future capital outlay	28,400	1,019,046	1,338,096
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(26,784,665)</b>	<b>(4,256,297)</b>	<b>(13,289,763)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment revenue received	546,990	216,000	243,231
<b>Net cash provided (used) by investing activities</b>	<b>546,990</b>	<b>216,000</b>	<b>243,231</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(26,169,424)</b>	<b>(289,447)</b>	<b>(3,899,138)</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	62,361,719	17,973,729	24,912,719
End of year	\$ 36,192,295	\$ 17,684,282	\$ 21,013,581
<b>Reconciliation to statement of net assets</b>			
Cash and cash equivalents	\$ 31,190,382	\$ 16,475,938	\$ 21,013,581
Restricted cash and cash equivalents	5,001,913	1,208,344	-
	\$ 36,192,295	\$ 17,684,282	\$ 21,013,581

Solid Waste Collection/ Disposal	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 19,276,817	\$ 4,840,910	\$ 218,900,535	\$ 55,449,118
(11,247,231)	(8,861,821)	(171,521,698)	(46,019,190)
(7,111,034)	(2,472,265)	(40,633,132)	(7,272,893)
1,797,886	945	8,819,738	-
<u>2,716,438</u>	<u>(6,492,231)</u>	<u>15,565,443</u>	<u>2,157,035</u>
37,990	5,467,577	4,849,573	-
-	1,003,411	1,003,411	-
(3,102)	(29,580)	(81,032)	-
-	-	(25,792)	(956,657)
-	(320,343)	(230,343)	435,401
-	1,807,853	1,807,853	-
-	(193,000)	(6,161,220)	-
1,879	48,720	284,214	-
<u>36,767</u>	<u>7,784,638</u>	<u>1,446,664</u>	<u>(521,256)</u>
-	3,717,904	3,893,322	-
72,977	27,178	244,416	1,561
(3,789,097)	(7,236,723)	(44,727,056)	(39,885)
(160,424)	(120,160)	(10,892,916)	(17,961)
-	3,083,590	9,615,132	-
(740,000)	(107,014)	(10,100,934)	-
-	(45,170)	(45,170)	-
-	192,931	192,931	-
-	81,305	2,466,847	-
<u>(4,616,544)</u>	<u>(406,159)</u>	<u>(49,353,428)</u>	<u>(56,285)</u>
211,964	44,497	1,262,682	156,199
<u>211,964</u>	<u>44,497</u>	<u>1,262,682</u>	<u>156,199</u>
(1,651,375)	930,745	(31,078,639)	1,735,693
<u>20,646,667</u>	<u>5,866,385</u>	<u>131,761,219</u>	<u>9,812,454</u>
<u>\$ 18,995,292</u>	<u>\$ 6,797,130</u>	<u>\$ 100,682,580</u>	<u>\$ 11,548,147</u>
\$ 18,086,587	\$ 6,589,975	\$ 93,356,463	\$ 11,548,147
908,705	207,155	7,326,117	-
<u>\$ 18,995,292</u>	<u>\$ 6,797,130</u>	<u>\$ 100,682,580</u>	<u>\$ 11,548,147</u>

(Continued)

**City of Redding**  
**Statement of Cash Flows**  
**Proprietary Funds, Continued**  
**For the year ended June 30, 2011**

	Enterprise Funds		
	Electric Utility	Water Utility	Waste Water Utility
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 8,800,251	\$ 247,971	\$ 4,216,744
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	11,538,719	3,322,769	4,896,408
(Increase) decrease in accounts receivable	(438,869)	90,401	(73,560)
(Increase) decrease in intergovernmental receivable	-	-	-
(Increase) decrease in inventories	1,021,264	59,680	5,331
(Increase) decrease in prepaid items	(230,133)	(2,195)	(1,159)
(Increase) decrease in investment in JPA	(15,237)	-	-
(Increase) decrease in storage base gas	(13,570,000)	-	-
Increase (decrease) in accounts payable	(1,507,040)	(47,142)	(98,500)
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in accrued liabilities	(796,964)	(127,793)	(147,490)
Increase (decrease) in claims and judgements payable	-	-	-
Increase (decrease) in deposits	203,339	(6,529)	-
Increase (decrease) in intergovernmental payable	148,188	(28,495)	3,992
Increase (decrease) in deferred revenues	(44,703)	-	-
Increase (decrease) in accrued compensated absences	(84,349)	(169,846)	14,441
Increase (decrease) in accrued landfill closure costs	-	-	-
Increase (decrease) in claims and judgements payable long-term	-	-	-
Increase (decrease) in accrued liabilities long-term	1,696,049	200,555	265,138
<b>Total adjustments</b>	<b>(2,079,736)</b>	<b>3,291,405</b>	<b>4,864,601</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 6,720,515</b>	<b>\$ 3,539,376</b>	<b>\$ 9,081,345</b>
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Plant contributed from developers	\$ 247,134	\$ 444,795	\$ 302,346
Capitalized interest	3,743,721	68,350	276,088
Non-cash change in deposits	-	-	-
Equipment transfers	-	-	146,862
<b>Total non-cash capital and related financing activities</b>	<b>\$ 3,990,855</b>	<b>\$ 513,145</b>	<b>\$ 725,296</b>

See accompanying Notes to Basic Financial Statements.

	Enterprise Funds		Governmental
	Solid Waste Collection/ Disposal	Non-Major Enterprise Funds	Internal Service Funds
		Total	
\$ 172,859	\$ (10,361,664)	\$ 3,076,161	\$ 806,654
1,784,852	4,196,019	25,738,767	1,070,597
(39,308)	(56,687)	(518,023)	(8,483)
-	-	-	-
-	1,450	1,087,725	(8,884)
6,207	1,101	(226,179)	(46,256)
-	-	(15,237)	-
-	-	(13,570,000)	-
(49,025)	(168,285)	(1,869,992)	(489,730)
-	-	-	-
(240,412)	(182,256)	(1,494,915)	(287,893)
-	-	-	(606,024)
516,396	(91,279)	621,927	(1,291)
(13,370)	8,530	118,845	546,891
-	(12,560)	(57,263)	(200,479)
170,753	23,812	(45,189)	(81,806)
(99,578)	-	(99,578)	-
-	-	-	967,024
507,064	149,588	2,818,394	496,715
<u>2,543,579</u>	<u>3,869,433</u>	<u>12,489,282</u>	<u>1,350,381</u>
<u>\$ 2,716,438</u>	<u>\$ (6,492,231)</u>	<u>\$ 15,565,443</u>	<u>\$ 2,157,035</u>
\$ -	\$ 332,227	\$ 1,326,502	\$ -
-	-	4,088,159	-
(531,276)	-	(531,276)	734,198
(2,989)	53,138	197,011	-
<u>\$ (534,265)</u>	<u>\$ 385,365</u>	<u>\$ 5,080,396</u>	<u>\$ 734,198</u>

(Concluded)

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## FIDUCIARY FUND FINANCIAL STATEMENTS

### **Agency Funds**

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

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**City of Redding**  
**Statement of Agency Net Assets**  
**Agency Funds**  
**June 30, 2011**

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**ASSETS**

Cash and cash equivalents	\$	1,449,080
Accounts receivable		35,335
Interest receivable		13,214
<b>Total assets</b>	<b>\$</b>	<b>1,497,629</b>

**LIABILITIES**

Deposits	\$	1,497,629
<b>Total liabilities</b>	<b>\$</b>	<b>1,497,629</b>

See accompanying Notes to Basic Financial Statements.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**City of Redding**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

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

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

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*A. Reporting Entity, Continued*

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

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

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

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

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

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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***B. Government-Wide and Fund Financial Statements***

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

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

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

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

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

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

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

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

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

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

*D. Basis of Presentation*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate self-balancing set of accounts for its assets, other debits, liabilities, other credits, equity, revenue and expenditures or expenses, as appropriate.

*Governmental Funds* - Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

The City has elected to follow GASB pronouncements, and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement Number 20.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*D. Basis of Presentation, Continued*

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

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

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

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

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

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

**Fiduciary Funds**

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

The City reports the following major governmental funds:

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

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*D. Basis of Presentation, Continued*

The City reports the following major proprietary funds:

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

**Cash and Investments**

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

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

**General Receivables and Property Taxes Receivable**

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

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

**Inventories**

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

**Capital Assets**

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

**Capital Assets, Continued**

assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

**Pension Plan**

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

**Vacation and Sick Pay**

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

**Vacation and Sick Pay, Continued**

having been employed ten or more years, they have the option to take from 33-1/3% to 60% payoffs, per various Memoranda of Understandings, of their accrued sick pay as additional termination pay and have the remaining accrued sick pay extend their term of service for retirement benefit purposes. Vacation pay and 33-1/3% to 60% of the sick pay of employees with terms of services equal to or exceeding ten years have been accrued in the accompanying government-wide financial statements and the accompanying proprietary fund financial statements.

**Deferred Revenue**

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

In the fund financial statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenues when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which does not materially differ from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

**Fund Equity**

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

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

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

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

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

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

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

**Net Assets**

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

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

**Use of Estimates**

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

*F. New Pronouncements*

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

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

**2. CASH AND INVESTMENTS**

Cash and investments as of June 30, 2011, are as follows:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental Activities	Business Activities	Total	Statement of Net Assets	Total
Cash and investments	\$ 67,010,030	\$ 93,356,463	\$ 160,366,493	\$ 1,449,080	\$ 161,815,573
Restricted cash and investments	\$ 18,979,983	\$ 7,326,117	\$ 26,306,100	\$ -	\$ 26,306,100

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**2. CASH AND INVESTMENTS, Continued**

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

*Deposits* - At June 30, 2011, the carrying amount of the City's deposits was \$19,425,445, of which \$1,247,893 was restricted and \$18,177,552 was unrestricted. The bank balance was \$20,989,009. Of the bank balance, \$300,000 was covered by Federal depository insurance, and \$20,689,009 was covered by collateral held in the pledging bank's trust department. Such collateral is in the City's name.

*Investments* - The City reports its investments in accordance with GASB Statement Number 31. This standard requires that the City's investments be reported at fair value with realized and unrealized gains or losses reported in the statement of operations.

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

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

In accordance with authorized investment laws, LAIF invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2011, 5.01% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**2. CASH AND INVESTMENTS, Continued**

At June 30, 2011, the City's investments and deposits were as follows:

	Cash and Investments		
	Fair Value		Total
	Unrestricted	Restricted	
Deposits	\$ 18,177,552	\$ 1,247,893	\$ 19,425,445
Medium Term Corporate Notes	2,032,200	-	2,032,200
Federal Agency Bonds	92,825,265	936,510	93,761,775
U.S. Treasury Notes	-	-	-
Local Agency Investment Fund	48,551,270	8,828,077	57,379,347
Guaranteed investment agreement	-	-	-
Mutual Funds	229,286	15,293,620	15,522,906
Total Investments	143,638,021	25,058,207	168,696,228
Total Cash and Investments	\$ 161,815,573	\$ 26,306,100	\$ 188,121,673

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**2. CASH AND INVESTMENTS, Continued**

As of June 30, 2011, the City had the following investments and maturities:

Unrestricted:	Investments Maturities (in Years)				
	Fair Value	Less Than 1	1-2	3-4	5
Investment Type					
Medium Term Corporate Notes	\$ 2,032,200	\$ 2,032,200	\$ -	\$ -	\$ -
Federal Agency Bonds	92,825,265	7,117,060	2,094,020	50,709,580	32,904,605
U.S. Treasury Notes	-	-	-	-	-
Investment in State Treasurer's Investment Pool	48,551,270	48,551,270	-	-	-
Guaranteed investment agreement	-	-	-	-	-
Mutual Funds	229,286	229,286	-	-	-
<b>Total</b>	<b>\$ 143,638,021</b>	<b>\$ 57,929,816</b>	<b>\$ 2,094,020</b>	<b>\$ 50,709,580</b>	<b>\$ 32,904,605</b>

Restricted:	Investments Maturities (in Years)			
	Fair Value	Less Than 1	1-5	More Than 5
Investment Type				
Medium Term Corporate Notes	\$ -	\$ -	\$ -	\$ -
Federal Agency Bonds	936,510	936,510	-	-
U.S. Treasury Notes	-	-	-	-
Investment in State Treasurer's Investment Pool	8,828,077	8,828,077	-	-
Guaranteed investment agreement	-	-	-	-
Mutual Funds	15,293,620	15,293,620	-	-
<b>Total</b>	<b>\$ 25,058,207</b>	<b>\$ 25,058,207</b>	<b>\$ -</b>	<b>\$ -</b>

**Credit Risk** - As of June 30, 2011, the City's investments in Federal Agency Bonds were rated Aaa by Moody's Investors Service. The City's investments in Medium Term Corporate Notes were rated Aa2 by Moody's Investors Service. Investments in LAIF are not rated as LAIF is a State sponsored investment pool. The City policy limits the percentage invested in various instruments by category.

The California Government Code and the investment policy of the City authorize the City to invest in obligations, participation, or other instruments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor's Corporation or Moody's Investor Service, Inc., bankers' acceptances, repurchase agreements, mortgage pass-through securities, collateralized

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**2. CASH AND INVESTMENTS, Continued**

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

*Custodial Credit Risk* - All securities are held in the name of the City. As a result, the City had no custodial credit risk at June 30, 2011.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**3. INTERFUND ACTIVITIES**

Due To Other Funds	Due From Other Funds	
	General Fund	Total
Governmental Funds:		
Nonmajor Governmental Funds	\$ 211,390	\$ 211,390
Enterprise funds:		
Nonmajor Enterprise Funds	121,757	121,757
<b>Total</b>	<b>\$ 333,147</b>	<b>\$ 333,147</b>

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

Interfund Payable	Interfund Receivable					Total
	General Fund	Nonmajor Governmental Funds	General Capital Projects Fund	Wastewater Utility Fund	Internal Service Funds	
Governmental Funds:						
General Fund	\$ -	\$ 60,182	\$ -	\$ -	\$ -	\$ 60,182
Nonmajor Governmental Funds	650,000	1,311,628	-	-	226,810	2,188,438
Enterprise Funds:						
Electric Utility	-	-	20,000	-	-	20,000
Water Utility	-	-	96,586	-	-	96,586
Wastewater Utility	-	-	94,428	-	-	94,428
Solid Waste Utility	-	-	15,000	-	-	15,000
Nonmajor Enterprise funds	-	-	5,000	90,000	-	95,000
<b>Total</b>	<b>\$ 650,000</b>	<b>\$ 1,371,810</b>	<b>\$ 231,014</b>	<b>\$ 90,000</b>	<b>\$ 226,810</b>	<b>\$ 2,569,634</b>

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**4. ADVANCES TO AND FROM OTHER FUNDS**

The long-term advances consisted of the following:

Advances from other funds	Advances to other funds						Total
	General Fund	Nonmajor Governmental Funds	General Capital Projects Fund	Electric Utility	Waste Water Utility	Internal Service Funds	
Governmental funds:							
General Fund	\$ -	\$ 193,481	\$ -	\$ -	\$ -	\$ -	\$ 193,481
Nonmajor Governmental Funds	1,835,800	939,346	-	1,065,578	-	1,647,312	5,488,036
Enterprise funds:							
Electric Utility	-	-	9,764	-	-	-	9,764
Water Utility	-	-	64,667	-	-	-	64,667
Wastewater Utility	-	-	66,639	-	-	-	66,639
Solid Waste Utility	-	-	7,323	-	-	-	7,323
Nonmajor Enterprise Funds	-	-	2,441	-	779,065	4,363,182	5,144,688
Internal Service Funds	-	-	-	-	-	904,316	904,316
<b>Total</b>	<b>\$ 1,835,800</b>	<b>\$ 1,132,827</b>	<b>\$ 150,834</b>	<b>\$ 1,065,578</b>	<b>\$ 779,065</b>	<b>\$ 6,914,810</b>	<b>\$ 11,878,914</b>

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**4. ADVANCES TO AND FROM OTHER FUNDS, Continued**

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

The loan from the Electric Utility to the Midtown Project Fund will be repaid from the Agency's property tax increment revenues. Interest of three percent accrues on the outstanding principal balance of the loan. The outstanding balance at year end was \$594,642, which includes accrued interest.

2. The Electric Utility loaned the Parking Fund additional funds for another parking structure at the Downtown Mall. The outstanding balance at year-end was \$470,937.
3. The Agency financed the Midtown Mall Parking structure with lease revenue bonds. Repayment of the lease revenue bonds was to be made from the Redevelopment Agency's property tax increment revenues. However, as the revenue was often less than the annual debt service on the bonds, the Midtown Project fund leased the parking facility to the City of Redding (City) to finance the debt service. A reciprocal agreement between the Midtown Project Fund and the City provided for the reimbursement of the lease payments from property tax increment revenue. Therefore, in substance, the lease revenues paid for the bond debt service (now paid off) while the tax increment revenues reduce the lease liability from the Midtown Project Fund to the City. An advance from the City's Parking Fund to the Midtown Project Fund accounts for the outstanding lease liability to the City. This advance will be paid from the future property tax increment. The year-end balance owed to the Parking Fund was \$568,835, all of which is classified as long-term at year-end. Also, in recent years the General Fund has advanced funds to the Parking Fund to cover advances to the Midtown Project and operating expenditures. This balance has been transferred to the Risk Management Fund and had a balance of \$362,609 at year-end.
4. In recent years the General Fund has advanced \$8,917,054 to the Airport Fund to finance improvements and operating expenses. The balance was transferred to the Risk Management Fund during the 2009-2010 fiscal year. The Airport Fund has repaid \$7,017,670 to date. The remaining balance is \$1,899,384 all of which is classified as long-term.
5. In recent years the General Fund has advanced \$1,110,847 to the Convention Center Fund to finance improvements and operating expenses. The balance was transferred to the Risk Management Fund during the 2009-2010 fiscal year. During 2010-2011 an additional \$650,000 was advanced by the Risk Management Fund for operations. The balance at year-end was \$1,435,007.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**4. ADVANCES TO AND FROM OTHER FUNDS, Continued**

6. Under an agreement, the Wastewater Fund has made payments on the Airport Fund's sewer special assessment. The outstanding balance of the advance, in the amount of \$869,065, is to be repaid including interest at the City's average earnings on its pooled cash accounts. Of this amount, \$779,065 is long-term at year-end.
7. The Risk Management Fund advanced funds to the Airport Fund to acquire property. There was a balance of \$129,300 at year-end.
8. The Risk Management Fund advanced funds to the Convention Center Fund to finance additional improvements. At year-end the balance was \$899,491.
9. The City and the Agency entered into a repayment agreement executed on May 18, 1999, for the SHASTEK Project Area. The City agreed to provide funds in an amount not to exceed \$2,000,000 from its Risk Management Fund for the Clover Creek Drainage Project. The loan will accrue interest at the same rate as the City's pooled cash account. The Agency agreed to make annual payments of principal and interest starting fiscal year 2009-2010. The funding source for such payments will be tax increment revenue or bond proceeds secured by the SHASTEK Redevelopment project. The year-end balance owed was \$1,511,513, of which \$1,284,703 was classified as long-term at year-end.
10. In 2005 the Agency and the Authority each prepaid ten year's rent for use of the Civic Center. These entities have received a discounted rent from the General Fund which is being amortized over the 10 year period. The remaining balance at year-end was \$253,663, of which \$193,481 was classified as long-term.
11. The Risk Management Fund advanced funds to the Equipment Fund to finance the upgrade of the City's 800 megahertz communications system. At year-end the balance was \$904,316.
12. The General Capital Projects Fund financed the acquisition of its new Integrated Land Management System. The majority of the system is being paid for by the City's utilities. The General Capital Projects Fund has recorded a receivable from the utilities to cover their portion of the capital project. At year-end the remaining balance was \$381,847, of which \$150,833 was long-term.
13. In 2009 the City and the Agency entered into reimbursement agreements whereby pass-through payments that the City had previously elected not to receive from the Agency will be paid back over time. The Agency agreed to make annual payments of principal starting in fiscal year 2009-10. The total amount to be repaid is \$4,835,800. The balance at year-end was \$2,485,800 of which \$1,835,800 was classified as long-term.
14. The Canby-Hilltop-Cypress Capital Project Fund advanced funds in the amount of \$1,600,000 to the Market Street Capital Project Fund to finance the Downtown Mall roof removal project. The balance at year-end was \$680,789, of which \$370,512 is long-term.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**4. ADVANCES TO AND FROM OTHER FUNDS, Continued**

15. The Canby-Hilltop-Cypress Capital Project Fund advanced funds in the amount of \$1,000,000 to the Market Street Capital Project Fund to finance the purchase of land for the new Court House. The balance of \$1,001,350 (including accrued interest) is classified as short-term.

**5. CAPITAL ASSETS**

Changes in capital assets consisted of the following:

	Balance July 1, 2010	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2011
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 28,151,327	\$ 349,294	\$ (47,489)	\$ -	\$ 28,453,132
Construction in process	79,441,314	23,636,021	-	(92,454,206)	10,623,129
Total capital assets, not being depreciated	107,592,641	23,985,315	(47,489)	(92,454,206)	39,076,261
Capital assets, being depreciated:					
Buildings	56,796,533	-	-	17,530	56,814,063
Improvements other than buildings	99,038,629	-	-	498,681	99,537,310
Infrastructure	157,685,569	475,280	-	91,737,994	249,898,843
Automotive equipment	10,991,531	268,863	(691,758)	30,919	10,599,555
Furnishings and equipment	7,893,379	58,114	(450,735)	39,878	7,540,636
Assets under capital lease:					
Furnishings and equipment	289,878	75,000	-	(39,878)	325,000
Automotive equipment	1,079,539	508,763	-	(1)	1,588,301
Total capital assets, being depreciated	333,775,058	1,386,020	(1,142,493)	92,285,123	426,303,708
Accumulated depreciation:					
Buildings	(19,135,302)	(1,731,181)	-	-	(20,866,483)
Improvements other than buildings	(33,365,303)	(4,159,637)	-	-	(37,524,940)
Infrastructure	(47,843,816)	(4,495,778)	-	-	(52,339,594)
Automotive equipment	(8,184,957)	(650,963)	568,057	(30,919)	(8,298,782)
Furnishings and equipment	(4,726,152)	(660,179)	450,735	(32,569)	(4,968,165)
Assets under capital lease:					
Furnishings and equipment	(282,569)	(5,000)	-	32,569	(255,000)
Automotive equipment	(440,467)	(207,028)	-	-	(647,495)
Total accumulated depreciation	(113,978,566)	(11,909,766)	1,018,792	(30,919)	(124,900,459)
Total capital assets, being depreciated, net	219,796,492	(10,523,746)	(123,701)	92,254,204	301,403,249
<b>Total governmental activities</b>	<b>\$ 327,389,133</b>	<b>\$ 13,461,569</b>	<b>\$ (171,190)</b>	<b>\$ (200,002)</b>	<b>\$ 340,479,510</b>

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**5. CAPITAL ASSETS, Continued**

Depreciation expense was charged to governmental activities as follows:

Program	Depreciation
General government	\$ 1,463,520
Police	445,202
Fire	364,210
Public works	5,089,336
Recreation and culture	4,484,812
Community development	62,686
Total depreciation - governmental functions	<u>\$ 11,909,766</u>

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

	Balance July 1, 2010	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2011
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 17,845,503	\$ 59,479	\$ -	\$ -	\$ 17,904,982
Construction in progress	92,304,393	37,401,147	(24,890)	(18,940,333)	110,740,317
Total capital assets, not being depreciated	<u>110,149,896</u>	<u>37,460,626</u>	<u>(24,890)</u>	<u>(18,940,333)</u>	<u>128,645,299</u>
Capital assets, being depreciated:					
Utility plants	580,951,889	1,338,930	(1,606,188)	15,879,728	596,564,359
Buildings	46,785,131	-	-	1,992,997	48,778,128
Improvements other than buildings	39,170,645	207,905	-	1,172,177	40,550,727
Automotive equipment	30,321,748	5,888,083	(2,452,805)	(30,920)	33,726,106
Furnishings and equipment	13,458,660	375,193	(204,439)	95,431	13,724,845
Assets under capital lease:					
Furnishings and equipment	559,209	4,175,880	-	1	4,735,090
Total capital assets, being depreciated	<u>711,247,282</u>	<u>11,985,991</u>	<u>(4,263,432)</u>	<u>19,109,414</u>	<u>738,079,255</u>
Less accumulated depreciation for:					
Utility plants	(264,243,102)	(18,170,533)	869,221	-	(281,544,414)
Buildings	(25,441,262)	(1,331,319)	-	154	(26,772,427)
Improvements other than buildings	(26,503,905)	(2,087,467)	-	(154)	(28,591,526)
Automotive equipment	(16,938,520)	(2,308,911)	2,318,196	30,919	(16,898,316)
Furnishings and equipment	(11,475,606)	(487,525)	204,422	-	(11,758,709)
Assets under capital lease:					
Furnishings and equipment	(531,249)	(51,159)	-	-	(582,408)
Total accumulated depreciation	<u>(345,133,644)</u>	<u>(24,436,914)</u>	<u>3,391,839</u>	<u>30,919</u>	<u>(366,147,800)</u>
Total capital assets, being depreciated, net	<u>366,113,638</u>	<u>(12,450,923)</u>	<u>(871,593)</u>	<u>19,140,333</u>	<u>371,931,455</u>
<b>Total business-type activities</b>	<u>\$ 476,263,534</u>	<u>\$ 25,009,703</u>	<u>\$ (896,483)</u>	<u>\$ 200,000</u>	<u>\$ 500,576,754</u>

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**5. CAPITAL ASSETS, Continued**

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

	Depreciation Expense
Electric	\$ 10,290,534
Water	3,309,466
Wastewater	4,871,129
Storm drainage	1,160,341
Solid waste	1,771,403
Transportation	2,896,622
Convention center	137,419
	<hr/>
Total depreciation expense business-type activities	\$ 24,436,914

**6. POWER ACQUISITION COSTS**

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

	June 30, 2011
Power Acquisition Cost	\$ 3,470,314
Less: Amortization	(2,312,282)
	<hr/>
Power Acquisition Cost, Net	\$ 1,158,032

**7. SELF-INSURANCE**

The City administers self-insurance programs for property, general liability, and workers’ compensation. Effective May 1, 2007, the City became part of the California Public Entity Public Insurance Authority, a joint powers authority, which administers the City’s self-insurance for employee health. These insurance activities are accounted for in the Risk Management Fund. The liability for insurance claims is estimated on a case-by-case basis for all pending claims. There has been no significant reduction in any of the insurance coverages from the prior year. Costs in the City’s Risk Management Fund have not exceeded charges to the various funds of the City and its component units.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**7. SELF-INSURANCE, Continued**

Settled claims resulting from these risks have not exceeded co-insurance plan coverage or commercial insurance coverage in any of the past three fiscal years.

*Employee Health Insurance* The City is part of the California Public Entity Public Insurance Authority, a joint powers authority. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged estimated claims expense based on salary. The interfund charges are reported as an expense or expenditure in the at risk fund. The estimated liability for pending and incurred but not reported employee health insurance claims relating to July 1, 2010 and prior at June 30, 2011, has been included as an accrued liability in the risk management internal service fund.

*Workers' Compensation Insurance* is administered as a co-insurance plan. The City is self-insured up to \$750,000 with an insurance company co-insuring claims from \$750,001 to \$50,000,000. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience and salary costs. The interfund charges are reported as an expense or expenditure in the fund at risk. The estimated liability for pending and incurred but not reported claims at June 30, 2011, has been included in the Risk Management Fund's claims payable amount as of June 30, 2011.

*Liability Insurance* is administered as a co-insurance plan. The City is self-insured up to \$500,000 with an insurance company co-insuring claims from \$500,001 to \$40,000,000. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience and salary. The interfund charges are reported as an expense or expenditure in the funds at risk. Incurred but not reported claims liability has been included in the claims payable amount as of June 30, 2011.

*Property Insurance* is administered as a co-insurance plan. The City is self-insured for claims up to \$25,000. An insurance company co-insures claims over \$25,000. Additionally, the City has acquired earthquake and flood coverage for the Redding Power Plant up to \$100,000,000. The deductibles on these policies are 5% of insured value and \$500,000 respectively. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience and salary costs. The interfund charges are reported as an expense or expenditure in the funds at risk. Incurred but not reported claims liability has been included in the claims payable amount as of June 30, 2011.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**7. SELF-INSURANCE, Continued**

The following is a reconciliation of changes in claims liability amounts for fiscal years ended June 30, 2011:

<u>Worker's Compensation</u>					
For the Years Ended June 30,	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30	Claims Due Within One Year
2009	8,506,400	872,542	(1,303,342)	8,075,600	2,753,636
2010	8,075,600	3,012,698	(1,591,098)	9,497,200	2,586,093
2011	9,497,200	2,457,423	(1,830,423)	10,124,200	2,639,200

<u>General Liability</u>					
For the Years Ended June 30,	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30	Claims Due Within One Year
2009	1,298,200	884,083	(528,883)	1,653,400	808,913
2010	1,653,400	1,380,068	(434,018)	2,599,450	2,130,564
2011	2,599,450	113,309	(451,209)	2,261,550	1,399,533

<u>Health and Dental</u>					
For the Years Ended June 30,	Claims Payable July 1	Claims Incurred	Claims Payments	Claims Payable June 30	Claims Due Within One Year
2009	66,899	16,858,537	(16,864,927)	60,509	60,509 (1)
2010	60,509	16,873,310	(16,896,309)	37,510	37,510 (1)
2011	37,510	17,629,805	(17,557,905)	109,410	109,410 (1)

(1) These claims are dental claims only.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**8. JOINT VENTURES**

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

**M-S-R Public Power Agency**

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

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

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

The activities of M-S-R consist of a 28.8% ownership interest in a 498-megawatt coal-fire electricity generating plant located in New Mexico (the "San Juan" plant) and ownership of capacity on the Southwest Transmission Project. The San Juan plant began commercial operation in 1982 and is owned jointly by the Public Service Company of New Mexico (38.5%), M-S-R (28.8%), and four other municipal power entities (32.7%). The Power Agency is also a participant in the Southwest Transmission Project, a 500 kilovolt alternating current transmission project between Central Arizona and Southern California which provides a firm transmission for most of the transmission path between the San Juan plant and the members' distribution systems. The initial activity of MSR was the 28% interest in San Juan.

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**8. JOINT VENTURES, Continued**

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

Summary audited financial information of the M-S-R Public Power Agency as of and for the year ended December 31, 2010, is as follows (in thousands):

Total Assets	\$ 258,444	Total revenues	\$ 132,519
	<u>                    </u>	Total expenses	<u>(123,321)</u>
Total liabilities	\$ 408,971	Net income	9,198
Total members' deficit	<u>(150,527)</u>	Members' deficit, January 1, 2010	(159,725)
	<u>                    </u>	Member distributions	<u>-</u>
Total liabilities & members' deficit	<u>\$ 258,444</u>	Members' deficit, December 31, 2010	<u>\$ (150,527)</u>

The debt of the Power Agency is comprised entirely of revenue bonds totaling \$363 million. These bonds are secured by a pledge and assignment of the net electric revenues of the Power Agency and are supported by take-and-pay commitments of the participants.

The City utilizes the equity method of accounting for M-S-R Public Power Agency. The City has invested \$17.4 million in this joint venture. However, operating losses have caused the City to have a deficit equity in the Power Agency of \$22.58 million at December 31, 2010. Because the City's equity in M-S-R's net loss exceeds its investment, the equity method of accounting for the investment has been suspended. At the time the equity investment value of the Agency becomes a positive amount, the electric utility fund will resume presenting such values in its balance sheet. Under the joint exercise of power agreement, which formed M-S-R, the City is responsible for funding up to 15% of M-S-R's operating cost, to the extent such funding is necessary. During the year ended June 30, 2011, the City made no contributions to fund its share of operating deficits. If there were such contributions, they would be included in operating expenses.

M-S-R Energy Authority

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**8. JOINT VENTURES, Continued**

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

The equity of the M-S-R Energy Authority is split between the members based on the revenues and expenses applicable to each individual member’s Supply Agreement. Redding’s equity in the M-S-R Energy Authority’s net losses exceeds its investment and, therefore, the equity method of accounting has been suspended. As of December 31, 2010, the District’s unrecognized share of member’s deficit of the M-S-R Energy Authority was \$17,868,885.

The long term debt of the M-S-R Energy Authority totaled \$901,620,000 at December 31, 2010. The M-S-R Energy Authority did not make any principal or interest payments in 2010.

**Transmission Agency of Northern California**

The Transmission Agency of Northern California (TANC) is a joint powers agency organized for the principal purpose to provide electric transmission or other facilities for the use of its members. The City has a 8.41% ownership interest in TANC. The first transmission construction project undertaken by TANC was the development of the California-Oregon Transmission Project (COTP). The project is a 339 mile long, 500 kilovolt alternating current transmission project between southern Oregon and central California. In 2009, TANC purchased an additional 121 megawatts (MW) of COTP transfer capability from the City of Vernon. TANC’s new ownership share of COTP transfer capability is 1367 MW and TANC pays 87% of the operating costs. The City’s share of the project is 115 MW.

Also TANC receives from PG&E 300 MW of bi-directional transmission service over PG&E’s system between the Tesla and Midway Substations. The City’s share of this South of Tesla agreement is 10.33% at June 30, 2011.

Summarized financial information of TANC as of and for the year ended June 30, 2011, is as follows (in thousands):

Total assets	<u>\$ 461,614</u>
Total liabilities	\$ 450,343
Total net assets	<u>11,271</u>
Total liabilities and net assets	<u>\$ 461,614</u>
Net increase (decrease) in net assets	<u>\$ 390</u>

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**8. JOINT VENTURES, Continued**

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

**Contingent Liability**

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

	<u>Total Debt</u>	<u>City of Redding's Participating Share</u>	<u>City of Redding's Contingent liability</u>
M-S-R (1):			
Bonds	\$ 362,570,000	15.000%	\$ 54,385,500
TANC (2)			
Bonds (1990A, 1993A)	\$ 19,605,000	8.280%	\$ 1,623,294
Bonds (2002A, 2003A)	\$ 257,890,000	8.346%	\$ 21,523,499
Bonds (2009A & B)	<u>\$ 119,180,000</u>	8.412%	<u>10,025,422</u>
TANC subtotal	<u>\$ 396,675,000</u>		<u>\$ 33,172,215</u>
Total	<u><u>\$ 759,245,000</u></u>		<u><u>\$ 87,557,715</u></u>

(1) As of December 31, 2010

(2) As of June 30, 2011

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**9. LONG-TERM DEBT**

The following is a summary of long-term obligations of the City at June 30, 2011.

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due within One Year
<b>Governmental Activities:</b>					
Long-term debt:					
Redevelopment bonds	\$ 47,460,000	\$ -	\$ 2,100,000	\$ 45,360,000	\$ 2,190,000
Special assessment debt					
with governmental commitment	1,661,000	-	282,000	1,379,000	282,000
Revenue bonds	45,327,588	-	2,608,592	42,718,996	2,696,756
Loan	401,261	-	84,882	316,379	92,599
Capital lease payable	377,128	343,770	153,569	567,329	179,427
Long-term debt before unamortized amounts	95,226,977	343,770	5,229,043	90,341,704	5,440,782
Unamortized loss on defeasance of debt	(944,408)	-	(69,428)	(874,980)	(69,428)
Bond premiums	635,081	-	75,435	559,646	75,435
Bond discount	(342,576)	-	(18,272)	(324,304)	(18,271)
Total governmental activities long-term debt	94,575,074	343,770	5,216,778	89,702,066	5,428,518
<b>Business-type activities:</b>					
Long-term debt:					
Revenue bonds	28,632,412	-	2,991,407	25,641,005	2,918,243
State loans payable	39,709,288	6,558,828	1,979,524	44,288,592	2,004,859
Capital leases payable	199,169	3,083,590	45,170	3,237,589	307,221
Certificates of participation	183,290,000	-	5,130,000	178,160,000	5,380,000
Long-term debt before unamortized amounts	251,830,869	9,642,418	10,146,101	251,327,186	10,610,323
Unamortized deferred loss on defeasance of debt	(19,025,148)	-	(1,163,641)	(17,861,507)	(1,163,642)
Bond premium	6,780,001	-	361,893	6,418,108	361,893
Total business-type activities long-term debt	239,585,722	9,642,418	9,344,353	239,883,787	9,808,574
<b>Total long-term debt</b>	<b>\$ 334,160,796</b>	<b>\$ 9,986,188</b>	<b>\$ 14,561,131</b>	<b>\$ 329,585,853</b>	<b>\$ 15,237,092</b>

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**9. LONG-TERM DEBT, Continued**

	Government Activities	Business-Type Activities
<u>Redevelopment Agency Obligation Bonds</u>		
Tax Allocation Bonds, Series A:		
Interest from 2.61% to 6.4% payable on March 1 and September 1; maturities payable on September 1 in annual redemptions from \$280,000 to \$545,000; final payment September 1, 2016. Original issue: \$6,000,000. Proceeds from the Series A Bonds are used for housing projects. Payable from tax increment of the Canby-Hilltop-Cypress Redevelopment Area.	\$ 2,905,000	\$ -
Tax Allocation Bonds, Series B:		
Interest from 4.5% to 4.875% payable March 1 and September 1; maturities are payable beginning September 1, 2016 in annual redemptions from \$105,000 to \$745,000; final payment September 1, 2021. Original issue: \$3,500,000. Proceeds from the Series B Bond are used for housing projects. Payable from tax increment of the Canby-Hilltop-Cypress Redevelopment Area.	3,500,000	-
Tax Allocation Bonds, Series A 2003:		
Interest from 2.0% to 5.0% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$1,040,000 to \$2,055,000; final payment September 1, 2023. Original issue \$28,935,000. Proceeds from the Series A Bonds 2003 are being used to finance various capital improvements within the Canby-Hilltop-Cypress Redevelopment Area. Payable from tax increment of the Canby-Hilltop-Cypress Redevelopment Area.	21,125,000	-
Tax Allocation Bonds, Series 2003:		
Interest from 2.0% to 5.375%, payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$170,000 to \$305,000; final payment September 1, 2018. Original issue \$5,185,000. Proceeds from the Series 2003 Bonds are being used to finance various capital improvements within the Market Street Redevelopment Area. Payable from tax increment of the Market Street Redevelopment Area.	3,870,000	-
Tax Allocation Bonds, Series 2006:		
Interest from 3.83% to 5.00%, payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$245,000 to \$920,000; final payment September 1, 2036. Original issue \$15,000,000. Proceeds from the Series 2006 Bonds are being used to finance various capital improvements and infrastructure within the SHASTEK Redevelopment Area. Payable from tax increment of the SHASTEK Redevelopment Area.	13,960,000	-
Total Redevelopment Agency Bonds outstanding	<u>\$ 45,360,000</u>	<u>\$ -</u>

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**9. LONG-TERM DEBT, Continued**

	Government Activities	Business-Type Activities
<u>Special Assessment Debt with Governmental Commitment</u>		
1915 Act Assessment District Bonds:		
Interest from 4.70% to 9.25% payable on March 2 and September 2; maturities payable on September 2 in annual redemptions from \$2,000 to \$820,000; final payment September 2, 2019. Original issues totaled \$22,778,150. Payable from annual installments of unpaid special assessments on certain parcels of property within each assessment district.	\$ 1,379,000	\$ -
Total 1915 Act Assessment District Bonds	<u>\$ 1,379,000</u>	<u>\$ -</u>
<u>Revenue Bonds:</u>		
2003 Water Revenue Bonds Series A:		
The 2003 Water Revenue Bonds were issued to refinance the 1993 Water Revenue Bonds. The 1993 Water Revenue Bonds were originally issued to finance capital improvements to the City's water system. Serial Bonds of \$11,135,000 bear interest from 2.0% to 5.0%, payable on December 1 and June 1; maturities are payable June 1 in annual redemptions from \$250,000 to \$1,055,000; final payment due June 1, 2018. Two term bonds totaling \$4,225,000 were issued. The first bond bears interest at 5.0% and matures on June 1, 2021 in the amount of \$2,400,000; and the second bond bears interest at 4.65% and matures on June 1, 2023 in the amount of \$1,825,000. Payable from the operating revenues of the Water Utility Fund.	\$ -	\$ 8,975,000
2002 Wastewater Refunding Revenue Bonds, Series A:		
The 2002 Wastewater refunding revenue bonds were issued to refinance 1993 wastewater debt and wastewater's portion of the corporation yard debt. Serial Bonds of \$23,575,000 bear interest from 2.0% to 4.0%, payable on December 1 and June 1; maturities are payable December 1 in annual redemption amounts ranging from \$1,190,000 to \$1,885,000; final payment due December 1, 2018. Payable from the operating revenues of the Wastewater Utility Fund.	-	13,280,000
2003 Lease Revenue Bond, Series A and Series B:		
Issued to finance the construction of the Redding Aquatic Center, the Sports Complex, and refinance the 1993 Lease Revenue Bonds for Shascom, Convention Center and the Municipal Airport. Payable from the operating revenues of the Redding Aquatic Center, Sports Complex, SHASCOM, Convention Center, and Municipal Airport Funds.		

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**9. LONG-TERM DEBT, Continued**

	Government Activities	Business-Type Activities
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Revenue Bonds, Continued

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

Series A, Serial/Term Bonds:

Serial Bonds interest from 2% to 5% payable on March 1 and September 1; maturities payable annually on March 1 in annual redemptions from \$170,000 to \$290,000; final payment due March 1, 2019. Original issue \$3,535,000. Term Bonds, (1) bear interest at 5.0% maturity payable on March 1, 2023, in the amount of \$1,310,000; (2) bear interest at 4.75%, maturity payable on March 1, 2028, in the amount of \$680,000; (3) bear interest at 4.875% maturity payable on March 1, 2033, in the amount of \$865,000.

	\$ 4,043,996	\$ 806,005
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Series B, Serial/Term Bonds:

Serial Bonds interest from 1.8% to 5.0% payable on March 1 and September 1; maturities payable on March 1 in annual redemptions from \$35,000 to \$60,000; final payment due March 1, 2013. Term Bonds, 5.875% interest, maturity payable on March 1, 2013, in the amount of \$2,280,000.

	2,395,000	-
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2004 Lease Revenue Bonds:

Issued to finance the purchase and renovation of certain public safety and recreation facilities of the City and payable from General Fund revenues.

Series A, Serial/Term Bonds:

Serial Bonds interest from 2.0% to 5.0%, payable on March 1 and September 1, maturities payable annually on March 1 from \$250,000 to \$1,430,000; final payment on March 1, 2023. Original issue: \$17,620,000. Term Bonds bear interest at (1) 4.25% maturity payable March 1, 2018 in the amount of \$865,000; (2) bear interest at 5.0%, maturity payable on March 1, 2020 in the amount of \$1,230,000.

	7,075,000	2,580,000
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Series B, Serial/Term Bonds:

Serial Bonds interest from 3.0% to 5.0%, payable on March 1 and September 1; maturities payable on March 1 from \$430,000 to \$1,305,000; final payment on March 1, 2026. Original issue: \$16,970,000. Term Bonds bear interest at (1) 5.00% maturity payable on March 1, 2022 in the amount of \$1,090,000; (2) bear interest at 5.0% maturity payable on March 1, 2024 in the amount of \$1,200,000; (3) bear interest at 4.625% maturity payable on March 1, 2026 in the amount of \$1,320,000.

	10,830,000	-
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**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**9. LONG-TERM DEBT, Continued**

	Government Activities	Business-Type Activities
<u>Revenue Bonds, Continued</u>		
2007 Lease Revenue Bonds:		
Serial Bonds interest from 3.45% to 5.00%, payable on March 1 and September 1; maturities payable on March 1 in annual redemptions from \$360,000 to \$1,220,000; final payment on March 1, 2037. Original issue: \$21,415,000. Term Bonds bear interest at (1) 4.00% maturity payable on March 1, 2023 in the amount of \$1,580,000; (2) bear interest at 4.25% maturity payable on March 1, 2032 in the amount of \$2,385,000; (3) bear interest at 4.25% maturity payable on March 1, 2037 in the amount of \$2,935,000.	\$ 18,375,000	\$ -
Total Revenue Bonds	<u>\$ 42,718,996</u>	<u>\$ 25,641,005</u>
 <u>Loans</u>		
Development Services - Integrated Land Management System (ILMS)		
Original loan amount was \$662,993. \$200,000 down payment with monthly installments of \$7,717, interest free, maturity payable on November 6, 2014.	\$ 316,379	\$ -
Total Loans	<u>\$ 316,379</u>	<u>\$ -</u>
 <u>State Loans:</u>		
1999 California Airport Loan (Municipal)		
Original loan amount was \$80,746. Annual installments ranging from \$3,690 to \$9,311, including interest at 4.78% payable August 13, maturity payable on August 13, 2012.	\$ -	\$ 9,311
2007 California Airport Loan (Benton)		
Original loan amount was \$842,000. Annual installments are \$75,912, including interest at 5.219% payable June 10, maturity payable on June 10, 2025.	-	741,006

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**9. LONG-TERM DEBT, Continued**

	Government Activities	Business-Type Activities
State Loans (Continued):		
State Water Resources Control Board Interceptor Loan		
Westside Interceptor		
The total loan amount was for \$15,344,784. Annual installments ranging from \$610,061 to \$1,086,907 plus interest at 2.6% payable February 20, maturity payable on February 20, 2023.	\$ -	\$ 11,370,164
Clear Creek Interceptor (Phase I)		
The total loan amount was for \$4,378,396. Annual installments of \$272,605, including interest at 2.2% payable September 30, maturity payable on September 30, 2027.	-	3,831,686
Clear Creek Interceptor (Phase II)		
The total loan was for \$5,021,835. Annual installments of \$319,677, including interest at 2.4% payable October 31, maturity payable on October 31, 2028.	-	4,628,247
Clear Creek Interceptor (Phase III)		
The total loan was for \$18,671,413. In 2011, withdrawals were taken in the amount of \$797,414 to construct Phase III of the Clear Creek Wastewater Interceptor. Annual installments of \$1,208,152, including interest at 2.6% payable March 31, maturing March 31, 2030.	-	17,934,321
Clear Creek Interceptor (Phase VI)		
The total of this loan is unknown at this time. In 2011, withdrawals were taken in the amount of \$5,761,414 to construct Phase VI of the Clear Creek Wastewater Interceptor. Withdrawals will continue to take place as the project progresses. When the project is complete, any accrued interest (currently at 1%) will roll up into the principal amount to obtain the original loan amount. Until the project is completed, no principal or interest payments are due.		5,773,857
Total State Loans	\$ -	\$ 44,288,592
<u>Capital Leases Payable</u>		
The capital leases payable from governmental activities were \$567,329 for fiscal year ended June 30, 2011.	\$ 567,329	\$ -
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, 2011, the capital leases in the enterprise funds were \$3,237,589.	-	3,237,589
Total Capital Leases Payable	\$ 567,329	\$ 3,237,589

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**9. LONG-TERM DEBT, Continued**

	<u>Government Activities</u>	<u>Business-Type Activities</u>
<u>Certificates of Participation</u>		
2005 Electric System Revenue Certificates of Participation -Series 2005:		
\$30,700,000 Bonds due in annual principal installments of \$1,755,000 to \$3,105,000; starting June 30, 2023. Annual interest installments of \$155,250 to \$1,507,475, payable on June 1. Bonds are payable through June 1, 2035, interest accrues at 4.5% to 5%. Original issue of \$30,700,000. Payable from the operating revenues of the Electric Utility.	\$ -	\$ 30,700,000
2008 Electric System Revenue Certificates of Participation -Series 2008:		
\$157,965,000 Bonds due in annual principal installments of \$380,000 to \$10,790,000 payable June 1 and semi-annual interest installments of \$269,750 to \$3,813,557, payable on December 1. Bonds payable through June 1, 2030, interest accrues at 3.0% to 5%. Original issue \$157,965,000. Payable from the operating revenues of the Electric Utility.		<u>147,460,000</u>
Total Certificates of Participation	<u>\$ -</u>	<u>\$ 178,160,000</u>
Summary of Outstanding Debt:		
Total Outstanding Debt	\$ 90,341,704	\$ 251,327,186
Add: Bond Premiums	559,646	6,418,108
Less: Bond Discounts	(324,304)	-
Less: Unamortized deferred loss on defeased debt	<u>(874,980)</u>	<u>(17,861,507)</u>
Total Outstanding Debt, net of premiums, discounts, unamortized deferred loss	<u>\$ 89,702,066</u>	<u>\$ 239,883,787</u>

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**9. LONG-TERM DEBT (Continued)**

Current year amortization expense for bond premiums, discounts and deferred loss on defeased debt was \$12,265 for the governmental activities and \$801,748 for the business-type activities.

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

	Original Amount	2010-2011 Additions	Total Amortization	Net
Governmental Activities	\$ 2,582,156	\$ -	\$ 935,690	\$ 1,646,466
Business-Type Activities	1,194,887	-	489,346	705,541
	<u>\$ 3,777,043</u>	<u>\$ -</u>	<u>\$ 1,425,036</u>	<u>\$ 2,352,007</u>

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

The annual requirements to amortize all debt outstanding as of June 30, 2011, excluding obligations associated with compensated absences and housing set aside, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Government-Wide	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	5,440,782	4,467,631	10,610,323	10,770,354	16,051,105	15,237,985
2013	5,648,700	4,238,918	11,250,496	10,427,111	16,899,196	14,666,029
2014	5,857,042	3,980,332	11,625,662	10,058,019	17,482,704	14,038,351
2015	5,953,805	3,716,942	11,203,201	9,657,867	17,157,006	13,374,809
2016	4,889,799	3,450,564	11,504,056	9,237,160	16,393,855	12,687,724
2017-2021	27,718,655	13,900,639	59,873,196	38,869,996	87,591,851	52,770,635
2022-2026	18,842,921	8,126,754	63,821,474	25,412,064	82,664,395	33,538,818
2027-2031	6,905,000	6,208,901	59,551,986	10,254,934	66,456,986	16,463,835
2032-2036	9,085,000	6,260,353	11,886,792	1,481,250	20,971,792	7,741,603
<b>Total</b>	<u>\$ 90,341,704</u>	<u>\$ 54,351,034</u>	<u>\$ 251,327,186</u>	<u>\$ 126,168,755</u>	<u>\$ 341,668,890</u>	<u>\$ 180,519,789</u>

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**10. LEASES**

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

Fiscal Year Ended June 30,	Capital Leases
2012	\$ 754,023
2013	767,760
2014	683,663
2015	619,301
2016	601,798
2017-2021	835,254
2022-2026	1,005,263
2027-2031	248,896
Total minimum lease payments	5,515,958
Less amount representing interest	(1,711,040)
Present value of minimum lease payments	\$ 3,804,918

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

General	\$ 621,792
Airports	4,725,709
Convention Center	153,355
Electric Utility	15,102
Total debt service	\$ 5,515,958

Assets acquired with the above leases were as follows:

	Government Activities	Business Activities	Total
Asset:			
Furnishings and equipment	\$ 325,000	\$ 4,735,090	\$ 5,060,090
Automotive equipment	1,588,301	-	1,588,301
Less: Accumulated depreciation	(902,495)	(582,408)	(1,484,903)
Net capital assets	\$ 1,010,806	\$ 4,152,682	\$ 5,163,488

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**11. FUND BALANCE**

Fund balance as of June 30, 2011, consists of the following:

	General Fund	Major Capital Project Fund	Other Funds	Total
Fund balances:				
Nonspendable fund balance:				
Nonspendable in form	\$ 802,875	\$ 45,052	\$ 595,661	\$ 1,443,588
Contractually nonspendable	907,489	-	-	907,489
Total nonspendable	<u>1,710,364</u>	<u>45,052</u>	<u>595,661</u>	<u>2,351,077</u>
Restricted fund balance:				
Fiscal agent reserves	1,418,289			1,418,289
Capital projects	-	21,261,529	16,929,641	38,191,170
Debt service	-	-	8,932,159	8,932,159
Special Revenue			54,814,254	54,814,254
Total restricted	<u>1,418,289</u>	<u>21,261,529</u>	<u>80,676,054</u>	<u>103,355,872</u>
Assigned fund balance:				
Encumbrances	911,271			911,271
Rolling stock	796,353			796,353
Capital projects	173,474			173,474
Total assigned	<u>1,881,098</u>	<u>-</u>	<u>-</u>	<u>1,881,098</u>
Unassigned:				
General Fund	4,809,108	-	-	4,809,108
Special Revenue	-	-	(811,965)	(811,965)
Debt Service	-	-	(1,163,084)	(1,163,084)
Total Unassigned	<u>4,809,108</u>	<u>-</u>	<u>(1,975,049)</u>	<u>2,834,059</u>
Total fund balances	<u>\$ 9,818,859</u>	<u>\$ 21,306,581</u>	<u>\$ 79,296,666</u>	<u>\$ 110,422,106</u>

**12. INTEREST COST CAPITALIZED**

Details of interest cost in proprietary funds at June 30, 2011 are as follows:

Interest cost charged to operations	\$ 7,804,950
Interest cost capitalized	<u>4,088,160</u>
Total interest cost incurred	<u>\$ 11,893,110</u>

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**13. PLEDGED REVENUE**

Revenue Pledged	Borrowing Fund/Entity	Bond/Loan	Use of Funds	Year of Loan or Year Repayments and/or Interest Payments Began	Original Issue/Loan Amount	Payments Amortized Thru
Tax Increment	RRA - (Canby-Hilltop-Cypress)	Bond	Housing projects	2001	\$9,500,000	2015
Tax Increment	RRA - (Canby-Hilltop-Cypress)	Bond	Infrastructure	2003	28,935,000	2023
Tax Increment	RRA - (Market Street)	Bond	Infrastructure	2003	5,185,000	2023
Tax Increment	RRA - (SHASTECC)	Bond	Infrastructure	2006	15,000,000	2036
Net Revenues	Water Utility	Bond	Refund prior debt issues.	2003	15,360,000	2023
Net Revenues	Wastewater Utility	Bond	Refund prior debt issues.	2002	23,575,000	2018
Net Revenues	Wastewater Utility	SRF Loan*	Westside Interceptor	2006	17,024,044	2023
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWIP Ph I	2009	4,378,396	2027
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWIP Ph II	2010	5,021,835	2029
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWIP Ph III	2011	18,671,413	2031
Net Revenues	Wastewater Utility	SRF Loan*	Clear Creek WWIP Ph VI	N/A**	5,773,857	2032
Net Revenues Plus Reserves	Electric Utility	COPs***	Infrastructure	2005	30,700,000	2035
Net Revenues Plus Reserves	Electric Utility	COPs***	Refund prior debt and finance Unit 6	2009	157,965,000	2030

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

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

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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Estimated % of Pledged Revenue Required for Debt Service	Estimated % of Pledged Revenue Plus Reserves Required for Debt Service	Remaining Principal & Interest	Current Year Principal & Interest Paid	Current Year Pledged Revenue Available	Reserve Balance
36%		\$8,413,185	\$771,695	\$2,127,661	
26%		28,296,485	2,211,383	8,510,646	
11%		5,368,256	416,808	3,640,848	
45%		24,564,199	944,821	2,121,084	
24%		11,899,166	1,217,625	5,014,795	
18%		15,392,828	1,923,025	10,675,186	
10%		13,382,002	1,115,167	10,675,186	
3%		4,634,286	272,605	10,675,186	
3%		5,754,182	319,677	10,675,186	
11%		22,954,885	1,208,152	10,675,186	
0%		6,399,202	-	10,675,186	
7%	3%	58,997,625	1,507,475	20,338,970	\$31,793,172
60%	24%	228,187,200	12,302,525	20,338,970	31,793,172

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**14. COMPENSATED ABSENCES**

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

The City's changes in compensated absences for the year ended June 30, 2011 were as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due within One Year
Governmental activities	\$ 11,144,881	\$ 4,861,938	\$ 5,076,265	\$ 10,930,554	\$ 3,176,354
Business-type activities	6,208,552	2,968,925	3,014,114	6,163,363	1,633,350
Total compensated absences	<u>\$ 17,353,433</u>	<u>\$ 7,830,863</u>	<u>\$ 8,090,379</u>	<u>\$ 17,093,917</u>	<u>\$ 4,809,704</u>

**15. INDIVIDUAL FUND DISCLOSURES**

Parking Special Revenue Fund - The deficit of \$242,861 in this fund arose from operational losses which have been covered by the General Fund. This project is being financed by parking meter funds, parking fines and property tax increment payments. The deficit will take a number of years to eliminate.

Midtown Project Debt Service Fund - The deficit of \$1,163,084 in this fund arose as a result of Proposition 13 whereby property tax increment revenues in the project area were not increased to the level necessary to make debt service payments. In addition, the deficit also increased due to the advances received in prior years from the Electric Utility Enterprise Fund to construct the bi-level and underground parking structures in downtown Redding.

Convention Center Enterprise Fund - The deficit of \$1,692,575 in this fund is the result of expenses exceeding revenue. The City has adopted a 5 year plan to provide for a positive net income to the fund.

Information Technology - The deficit of \$92,434 in this fund results from the City funding Internal Service Funds on a cash flow basis. Until the City funds the Other Post Employment Benefit (OPEB) this fund will continue to have a deficit balance.

Municipal Utilities Support - The deficit of \$105,106 in this fund results from the City funding Internal Service Funds on a cash flow basis. Until the City funds the Other Post Employment Benefit (OPEB) this fund will continue to have a deficit balance.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**16. RETIREMENT PLANS**

Information for the year ended June 30, 2011, has been used in the following note when possible. However, information provided by the California Public Employees Retirement System (CalPERS) for the year ended June 30, 2011 was not available. Therefore, PERS information has been prepared using information for the year ended June 30, 2010. Public Agency Retirement Services (PARS) has been prepared using information as of July 1, 2010.

**Plan Description**

The City's defined benefit pension plans, Miscellaneous Plan and Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plans are part of the Public Agency portion of the CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through action of the City Council. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, Lincoln Plaza, 400 Q Street, Sacramento, California 95811.

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

**Funding Policy**

*Miscellaneous Plan* - Active plan members are required to contribute 7% of their annual covered salary. 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 2010/11 was 13.794%. The contribution requirements of the plan members are established by State statute and the employer contribution rates are established and may be amended by CalPERS.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**16. RETIREMENT PLANS, Continued**

*Safety Plan* - The funding policy for the Safety Plan is the same as for the Miscellaneous except that active plan members are required to contribute 9% of their annual covered salary and the required employer contribution rate for fiscal year 2010/11 was 30.229%. The required member contribution is paid by the City in accordance with labor agreements.

*REP* - Active plan members from five bargaining units are not required to contribute to the plan to participate. The City is required to make all required contributions to fund the benefits for its members. The required employer contribution rate for fiscal year 2010/11 ranged from 6.86% to 12.7%.

**Annual Pension Cost**

For fiscal year 2010/11 the City's annual pension cost was \$8,254,748 for the Miscellaneous Plan and \$6,580,637 for the Safety Plan. The required contributions for fiscal year 2010/11 were determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. For fiscal year 2010/11 the City's annual pension cost to PARS was \$4,251,628. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members and from 3.55% to 13.15% for safety members, and (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0% and a production growth component of 0.25%. The actuarial assumptions used by PARS are consistent with those used by CalPERS with the exception of a 7.5% investment rate of return.

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**16. RETIREMENT PLANS, Continued**

**THREE-YEAR TREND INFORMATION FOR PERS**  
*Miscellaneous Plan*

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$ 8,832,912	100%	\$ -
6/30/10	8,529,910	100%	-
6/30/11	8,254,748	100%	-

**CALIFORNIA PUBLIC EMPLOYEE RETIREMENT SYSTEM SCHEDULE OF FUNDING  
PROGRESS**  
*Miscellaneous Plan*

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Total Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/10	\$ 287,261,243	\$ 238,247,409	\$ 49,013,834	82.94%	\$ 40,984,400	119.59%

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**16. RETIREMENT PLANS, Continued**

**THREE-YEAR TREND INFORMATION FOR PERS**  
*Safety Plan*

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 6,278,467	100%	\$ -
6/30/10	6,515,938	100%	-
6/30/11	6,580,637	100%	-

**CALIFORNIA PUBLIC EMPLOYEE RETIREMENT SYSTEM SCHEDULE OF FUNDING**  
**PROGRESS**  
*Safety Plan*

<u>Actuarial Valuation Date</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Total Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability as a Percentage of Covered Payroll</u>
6/30/10	\$ 198,111,034	\$ 147,219,413	\$ 50,891,621	74.31%	\$ 17,505,722	290.71%

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**16. RETIREMENT PLANS, Continued**

**THREE-YEAR TREND INFORMATION FOR PARS**  
*Miscellaneous Plan*

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$ 3,882,314	100%	\$ -
6/30/10	4,272,732	100%	-
6/30/11	4,251,628	100%	-

**PUBLIC AGENCY RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS**  
*Miscellaneous Plan*

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Total Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Liability as a Percentage of Covered Payroll
7/1/10	\$ 47,911,219	\$ 13,862,912	\$ 34,048,307	28.93%	\$ 39,487,227	86.23%

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

**17. POSTEMPLOYMENT HEALTHCARE PLAN**

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

*Funding Policy.* The contribution requirements of plan members are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For fiscal year 2011, the City did not prefund any portion of the plan. The cost of current premiums, financed on a pay-as-you-go basis, is shared equally between the City and the retirees. The full cost of current premiums for the fiscal year ended June 30, 2011, was \$5,173,818 of which the retirees contributed \$2,667,908.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**17. POSTEMPLOYMENT HEALTHCARE PLAN, Continued**

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

Annual required contribution	\$ 8,292,000
Interest on net OPEB obligation	809,000
Adjustment to annual required contribution	<u>(748,000)</u>
Annual OPEB cost (expense)	8,353,000
Contributions made	<u>(2,505,910)</u>
Increase in net OPEB obligation	5,847,090
Net OPEB obligation - beginning of year	<u>17,040,460</u>
Net OPEB obligation - end of year	<u><u>\$ 22,887,550</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 is as follows:

<u>For the Years Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 7,937,000	27.7%	\$ 11,635,662
2010	7,685,000	29.7%	17,040,460
2011	8,353,000	30.0%	22,887,550

*Funded Status and Funding Progress.* As of January 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits at June 30, 2011 was projected to be \$125.6 million, and the actuarial value of assets was \$ .1 million, resulting in a projected unfunded actuarial accrued liability (UAAL) of \$125.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$50.3 million, and the ratio of the UAAL to the covered payroll was 249%.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**17. POSTEMPLOYMENT HEALTHCARE PLAN, Continued**

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

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

In the January 1, 2011, actuarial valuation, the Entry Age Normal cost funding method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 3.5 percent. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll. The remaining amortization period at June 30, 2011, was twenty-six years.

**18. POSTCLOSURE CARE COSTS**

State and federal laws and regulations required the City to place a final cover on Benton Landfill, which closed in 1990. The City has completed the final cover and other closure items required. The City is also required under state and federal laws and regulations to perform certain maintenance and monitoring functions at the landfill site for the next 15 years. The remaining estimated liability for landfill postclosure care cost was \$1,407,127 as of June 30, 2011 as shown in the table below. The total estimated cost of the landfill postclosure care is based on the amount that would be paid if all services required to monitor and maintain the landfill were acquired as of June 30, 2011. There is no requirement to currently fund this amount. The cost for postclosure care at the landfill and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) will be covered by charges to Solid Waste rate payers.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**18. POSTCLOSURE CARE COSTS, Continued**

Changes in postclosure care costs for the year ended June 30, 2011, were as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due within One Year
Postclosure care liability	\$ 1,506,705	\$ -	\$ 99,578	\$ 1,407,127	\$ 100,000

**19. COMMITMENTS AND CONTINGENCIES**

- A. A number of construction contracts existed at June 30, 2011. The unexpended authorized amount of \$31,760,030 represents a commitment by the City.
- B. REU is obligated to purchase from M-S-R Public Power Agency on a take-or-pay basis a 15% entitlement share of M-S-R's share in the San Juan generating station, which includes approximately 21.5 MW of capacity and associated energy from M-S-R San Juan Unit No. 4. REU has entered into an exchange agreement with PacifiCorp in the Southwest on a year-round basis. In exchange, PacifiCorp delivers energy (50 MW of capacity) to REU at the California Oregon border during the summer months (May-October). The annual energy amount exchanged is about 115 GWH.

Coal mining operations that provide fuel for San Juan generating station were suspended on September 9, 2011 due to an ignition event in a section of the mine. Because of coal already mined and stored in inventory at the San Juan generating station prior to the ignition event, current operating capability has not been affected. Since the mine is not expected to be back in operation until sometime in 2012, Redding has reduced its portion of the power production to prudently manage the existing coal inventory. It is anticipated that the mine outage will be resolved in a timely manner and should have minimal impact on overall operations of the facility in the 2011-2012 time period.

- C. REU is contractually obligated to purchase 7,500 Dth/dy of natural gas pipeline capacity, connecting the AECO supply hub to the California border, from TransCanada affiliates through 2023. REU is also contractually obligated to purchase 1,000 Dth/dy of natural gas pipeline capacity, connecting the OPAL supply hub to the California Intrastate system at Topock, California, from the Kern River Company through 2017. The annual obligation is approximately \$4 million per year.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**19. COMMITMENTS AND CONTINGENCIES, Continued**

D. REU is contractually committed to purchase natural gas in the 2012 through 2017 time period. The following table provides on a yearly basis the approximate purchase dollar amount and what percentage these purchases cover of the minimum fuel requirements for the expected operating level of the Redding Power facility.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Purchase Cost \$ (million)	\$15.4	\$13.2	\$14.5	\$14.7	\$8.7	\$8.7
% of Expected Yearly Minimum Operating Requirement	80%	80%	80%	80%	75%	75%

E. REU entered into a natural gas storage contract with Wild Goose Gas Storage from April 1, 2008, through March 31, 2011, at an annual cost of approximately \$800,000. REU has the right to store up to 400,000 Dth at one time. In 2010, REU entered into a 28 - year term contract with Gill Ranch Storage. Under the Agreement REU has leased cushion gas to Gill Ranch and Gill Ranch provides REU with Approximately 600,000 Dth of natural gas storage.

F. REU has contractually committed to purchase power from M-S-R Public Power Agency on an as-delivered basis from a Pacific Northwest wind project. Deliveries began October 1, 2006. REU's share of the output from the wind project is approximately 201,000 MWH per year. The twenty-year contract has a \$13,600,000 annual expected expense. The wind based energy from this contract is a major source of eligible renewable energy with the associated environmental attributes available to meet REU's renewable resource portfolio requirements. M-S-R has completed an amendment to the Pacific Northwest Wind Contract which addresses financial responsibility for the Bonneville Power Administration's (BPA) Wind Integration Charge (WIC). M-S-R assumes responsibility for the first \$1.2 per kw-mo, Iberdrola Renewable assumes responsibility for the next \$1.20 per kw-mo. The contract term is extended 5 years with certain adjustments in pricing and delivery. Currently, the WIC is approximately \$1.23 per kw-mo.

G. In addition to the eligible renewable wind based energy covered in the previous item, REU has contractually committed to purchase eligible renewable power from Trinity Public Utilities District (TPUD). Under the agreement Redding will purchase the "excess" energy and subsequent "Renewable Energy Credits" (REC'S) from the upgrade of the Lewiston Dam Hydroelectric generator. This resource is anticipated to begin service in late 2013. The renewable energy from this small hydro project will qualify under California's renewable energy laws.

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**19. COMMITMENTS AND CONTINGENCIES, Continued**

**Conduit Debt**

In 2001 the Agency issued conduit bonds to provide financing for improvements at various school sites for the Redding School District. The bonds do not constitute an obligation of the Agency. The bonds are secured by the land and improvements to Bonnyview Elementary School located at 5080 Bidwell Road, Redding, CA 96001. On June 30, 2011, the total outstanding principal on the bonds was \$4,475,000.

**West Central Landfill**

In 1990 the City entered into an agreement with Shasta County to operate West Central Landfill (the landfill). Under the agreement, the City is obligated to operate the landfill at least until there are no bonds or contracts outstanding. The current 1997 refunding bonds expired July 1, 2010 and the bonds were paid off. The City records the activity and net assets of the operations portion of the landfill in its Solid Waste enterprise fund. Net assets associated with the landfill, recorded on the City's books at June 30, 2011, were \$6,132,626.

**20. TRANSFERS**

The following operating transfers were made during the fiscal year ended June 30, 2011:  
(The reasons for these transfers are set forth below)

Transfers Out	Transfers In				Total
	General Fund	Nonmajor Governmental Funds	Solid Waste	Nonmajor Enterprise funds	
<b>Governmental Funds:</b>					
Major Funds:					
General Fund	\$ -	\$ 650,006	\$ -	\$ 1,807,853	\$ 2,457,859
General Capital Projects Fund	67,200	-	-	-	67,200
Nonmajor Governmental Funds	3,064,352	588,743	-	-	3,653,095
<b>Enterprise Funds</b>					
Major Enterprise Funds:					
Electric	5,968,220	-	-	-	5,968,220
Wastewater	-	-	-	53,138	53,138
Nonmajor Enterprise Funds	193,000	-	346	-	193,346
<b>Total</b>	<b>\$ 9,292,772</b>	<b>\$ 1,238,749</b>	<b>\$ 346</b>	<b>\$ 1,860,991</b>	<b>\$ 12,392,858</b>

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

**20. TRANSFERS, continued**

- The General Fund transferred one half of the transient occupancy tax to the Convention Center per City policy.
- The General Fund transferred funds to the Library for operations.
- The Airports, Electric and Convention Center Enterprise Funds transfer funds to the General Fund in lieu of property tax.
- Within the Nonmajor Governmental Funds, gas taxes and other special revenues are transferred to the General Fund to pay for related expenditures. In addition, funds were transferred from the capital development fund to cover portions of qualified projects. There were also transfers between Nonmajor Governmental Funds. These included moving excess between Agency debt service and Agency capital projects.

**21. ASSETS HELD FOR RESALE**

According to generally accepted accounting principles, assets held for resale are recorded at the lower of cost or net realizable value. Assets held for resale are only revalued when the Redevelopment Agency takes formal action that lowers the net realizable value of an asset held for resale, such as entering into a Disposition and Development Agreement.

Assets held for resale activity for the year ended June 30, 2011, was as follows. The intention is to sell these properties to further the City's affordable housing programs.

Property	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
901 Grange	\$ 225,000	\$ -	\$ -	\$ 225,000
1081 Lake Boulevard	435,000	-	-	435,000
825 Parkview Avenue	49,000	-	-	49,000
815 Parkview Avenue	49,000	-	-	49,000
2955 Leland Avenue	81,700	-	-	81,700
1313 Rose Lane	289,928	-	-	289,928
850 Quartz Hill Road	814,783	-	-	814,783
2968 Leland Avenue	40,000	-	-	40,000
2982 Leland Avenue	40,000	-	-	40,000
2996 Leland Avenue	40,000	-	-	40,000
1613 Pine Street	211,473	-	-	211,473
Total	\$ 2,275,884	\$ -	\$ -	\$ 2,275,884

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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

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

During fiscal year 2010-11, RABA received an additional \$580,445 in PTMISEA Funding. During the year RABA incurred \$391,623 in qualifying expenditures and earned \$4,478 in interest income. The June 30, 2011, unspent balance in PTMISEA funding was \$1,145,704.

**Other Proposition 1B Funds**

During fiscal year 2010-11 RABA received \$153,561 in non PTMISEA Proposition 1B funds. During the fiscal year RABA incurred \$139,075 in qualifying expenditures and earned \$1,413 in interest. The June 30, 2011 balance of non PTMISEA Proposition 1B funds was \$168,444.

**23. PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA**

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

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

**City of Redding**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2011**

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**24. REDEVELOPMENT AGENCIES IN THE STATE OF CALIFORNIA**

In June 2011, the Governor signed two budget trailer bills, ABX1 26 and 27, in conjunction with implementation of the Fiscal Year 2011-12 State budget. These two bills significantly modify the California Community Redevelopment Law under which redevelopment agencies in California operate. Pursuant to ABX1 26 (referred to as the "Dissolution Act"), a complete dissolution of redevelopment agencies would occur on October 1, 2011. However, the companion bill, ABX1 27 (referred to as the "Voluntary Program Act") allows redevelopment agencies to avoid dissolution under the Dissolution Act by opting into an "alternative voluntary redevelopment program" requiring specific substantial annual contributions to local schools and special districts. The State's Department of Finance has stated that the Redding Redevelopment Agency's (Agency) 2011-12 payment under the Voluntary Program is \$5,883,999, split into two payments due on January 15, 2012, and May 15, 2012.

Subsequently, on July 18, 2011, CRA and the League of California Cities filed a petition asking the California Supreme Court to overturn ABX1 26 and 27, as they violate the State's Constitution. It was also requested that a stay be granted to prevent the legislation from going into effect until the Court decides on the lawsuit. On August 18, 2011, the California Supreme Court announced that it would hear the lawsuit, *California Redevelopment Association, et al. versus Ana Matosantos, et al*, with a decision before January 15, 2012, the due date of the first payment under the Voluntary Program. The Court also issued a partial stay regarding the suspension of the effectiveness of ABX1 26 and 27 until it could rule on the constitutionality of these bills. This partial stay has, therefore, temporarily suspended all redevelopment activity, other than activity which the Agency is bound through an enforceable obligation, i.e., contract.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**City of Redding**  
**Required Supplementary Information**  
**For the year ended June 30, 2011**

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**1. BUDGETARY PRINCIPLES**

**Budget Data**

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

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

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

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

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

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

**Budgetary Basis Reconciliation**

Budgets are not adopted for the debt service fund except for the debt service funds of the Redding Redevelopment Agency. Budgets are also not adopted for the Landscape Maintenance Fund and the Asset Seizure Fund.

# City of Redding

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

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 17,550,000	\$ 14,573,000	\$ 15,130,162	\$ 557,162
Sales and use taxes	20,950,000	17,947,000	19,032,591	1,085,591
Other taxes	6,280,000	5,419,120	5,462,058	42,938
Licenses and permits	1,048,500	934,590	787,935	(146,655)
Intergovernmental revenues	2,101,500	5,319,830	3,469,672	(1,850,158)
Charges for services	2,512,600	1,817,490	1,551,799	(265,691)
Fines, forfeitures, and penalties	748,500	1,113,550	888,342	(225,208)
Use of money and property	6,660,010	6,310,840	6,237,081	(73,759)
Interest revenue	310,000	217,895	423,432	205,537
Other revenue	488,000	592,180	527,530	(64,650)
<b>Total revenues</b>	<b>58,649,110</b>	<b>54,245,495</b>	<b>53,510,602</b>	<b>(734,893)</b>
<b>EXPENDITURES:</b>				
Current:				
General government:				
City Attorney	654,640	560,430	527,513	32,917
City Clerk	664,090	598,680	586,601	12,079
City Manager	1,905,105	1,705,225	1,372,990	332,235
City Treasurer	567,330	529,110	520,313	8,797
Finance	1,470,110	1,333,100	1,223,313	109,787
Personnel	586,560	442,970	442,972	(2)
Purchasing	498,570	471,570	464,087	7,483
Public safety:				
Police	26,490,565	27,271,245	25,945,372	1,325,873
Fire safety	17,098,580	16,458,910	16,125,389	333,521
Public works	10,428,900	10,474,900	5,867,802	4,607,098
Planning	4,977,730	3,534,170	3,502,618	31,552
Recreation and culture	5,278,240	4,509,450	4,393,942	115,508
Principal payments	1,321,030	1,442,150	1,442,162	(12)
Interest and fiscal charges	1,712,560	1,744,715	1,738,816	5,899
<b>Total expenditures</b>	<b>73,654,010</b>	<b>71,076,625</b>	<b>64,153,890</b>	<b>6,922,735</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(15,004,900)</b>	<b>(16,831,130)</b>	<b>(10,643,288)</b>	<b>6,187,842</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	-	43,430	43,428	(2)
Long-term debt issued	-	343,770	343,770	-
Transfers in	10,781,220	12,022,420	10,369,252	(1,653,168)
Transfers out	(3,520,810)	(2,926,600)	(3,068,959)	(142,359)
<b>Total other financing sources (uses)</b>	<b>7,260,410</b>	<b>9,483,020</b>	<b>7,687,491</b>	<b>(1,795,529)</b>
<b>Net change in fund balances</b>	<b>(7,744,490)</b>	<b>(7,348,110)</b>	<b>(2,955,797)</b>	<b>4,392,313</b>
<b>BUDGETARY FUND BALANCES:</b>				
Beginning of year	11,265,506	11,265,506	11,265,506	-
End of year	\$ 3,521,016	\$ 3,917,396	\$ 8,309,709	\$ 4,392,313

# City of Redding

## Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual General Fund, Continued For the year ended June 30, 2011

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$	9,818,859
1. The City budgets for taxes on a cash basis.		(193,585)
2. The City budgets for grants on a cash basis.		(535,024)
3. Timing difference due to GASB #33.		(7,559)
4. The City does not budget for accounts payable adjustments.		40,367
5. The City does not budget for benefit accruals.		(172,880)
6. Financial statement only adjustment for GASB #31.		47,996
7. The City does not budget for interest, sale of property or rental income related to the rolling stock fund. The City budgets only for the transfers in and out of the rolling stock fund.		(161,578)
8. The City does not budget for special assessments.		(9,616)
9. The City budgets for the cash transfers to and from other funds as loans, but records the advances in advances receivable and payable in the balance sheet.		550,000
10. The City does not budget for interest on the long-term advances.		10,913
11. Encumbrances are not included in the Statement of Revenues, Expenditures and Changes in Fund Balance.		(1,074,246)
12. The City did not budget for prepaid rent for the Housing Authority and the Agency		(69,060)
13. The City does not budget for developer's fees that are prepaid.		65,204
14. The City does not budget for other prepaid expenditures.		(82)
Budgetary Fund Balance	\$	<u>8,309,709</u>

(Concluded)

**City of Redding**  
**Schedule of Funding Progress-PERS/PARS**  
**Required Supplementary Information**  
**For the year ended June 30, 2011**

California Public Employee Retirement System Schedule of Funding Progress

Miscellaneous Plan:

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Total Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/08	247,845,328	213,595,769	34,249,559	86.18%	42,660,882	80.28%
6/30/09	272,828,828	226,202,374	46,626,454	82.91%	42,838,614	108.84%
6/30/10	287,261,243	238,247,409	49,013,834	82.94%	40,984,400	119.59%

Safety Plan

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Total Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/08	170,296,547	133,197,084	37,099,463	78.21%	17,490,622	212.11%
6/30/09	186,921,835	139,901,543	47,020,292	74.84%	17,544,041	268.01%
6/30/10	198,111,034	147,219,413	50,891,621	74.31%	17,505,722	290.71%

Public Agency Retirement System Schedule of Funding Progress

Miscellaneous Plan - PARS

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Value of Assets	Total Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Liability as a Percentage of Covered Payroll
1/1/07	\$ 25,444,243	\$ 4,622,526	\$ 20,821,717	18.17%	\$ 36,645,443	56.82%
9/30/08	37,032,204	8,140,579	28,891,625	21.98%	43,682,550	66.14%
7/1/10	47,911,219	13,862,912	34,048,307	28.93%	39,487,227	86.23%

**City of Redding**  
**Schedule of Funding Progress-Healthcare Plan**  
**Required Supplementary Information**  
**For the year ended June 30, 2011**

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/07	\$ -	\$ 94,727,000	\$ 94,727,000	0.00%	\$ 48,714,000	194%
1/1/09	-	82,616,000	82,616,000	0.00%	55,052,000	150%
1/1/11		121,227,000	121,162,000	0.00%	50,335,000	241%

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## **SUPPLEMENTARY INFORMATION**

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## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS:

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

#### **Parking Fund**

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

#### **Street Maintenance Fund**

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

#### **Community Development Fund**

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

#### **Housing Fund**

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

#### **General Special Revenue**

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

#### **Landscape Maintenance Districts**

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

#### **Library Fund**

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

#### **Asset Seizure Fund**

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

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## NON-MAJOR GOVERNMENTAL FUNDS

### DEBT SERVICE FUNDS

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

#### **1915 Act Assessment Districts**

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

#### **Redevelopment Agency Funds:**

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

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

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

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

### CAPITAL PROJECTS FUNDS:

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

#### **Redevelopment Agency Funds:**

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

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

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

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

**City of Redding**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2011**

	Special Revenue				
	Parking	Street Maintenance	Community Development	Housing	General Special Revenue
<b>ASSETS</b>					
Cash and investments	\$ 24,048	\$ 1,405,473	\$ 449,243	\$ 15,331,387	\$ -
Interest receivable, unrestricted	448	-	1,364,624	1,055,573	-
Accounts receivable, net	-	-	-	20,268	-
Intergovernmental receivable	-	1,646,927	151,287	-	-
Taxes receivable	-	-	-	496,595	-
Other receivable	-	-	27,379	2,801	-
Restricted cash and investments	-	-	-	143,054	-
Restricted interest receivable	-	-	-	-	-
Restricted taxes receivable	-	-	-	-	-
Interfund receivable	-	-	-	38,265	-
Deposits	-	-	-	-	-
Prepaid items	269	-	17,708	-	-
Assets held for resale	-	-	-	2,275,884	-
Advances to other funds	568,835	-	-	123,021	-
Special assessments receivable	-	-	-	-	-
Notes receivable	-	-	20,372,131	13,484,503	-
<b>Total assets</b>	<b>\$ 593,600</b>	<b>\$ 3,052,400</b>	<b>\$ 22,382,372</b>	<b>\$ 32,971,351</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 181	\$ -	\$ 67,421	\$ 1,901	\$ -
Accrued liabilities	2,084	-	8,702	20,186	-
Intergovernmental payable	651	-	25,159	1,869,530	-
Due to other funds	-	-	-	102,413	-
Interfund payable	-	-	-	-	-
Deferred revenues	-	-	1,547,223	1,655,629	-
Deposits	-	-	-	148,054	-
Advances from other funds	833,545	-	-	-	-
<b>Total liabilities</b>	<b>836,461</b>	<b>-</b>	<b>1,648,505</b>	<b>3,797,713</b>	<b>-</b>
<b>Fund Balances (deficit):</b>					
Nonspendable	569,104	-	17,708	-	-
Restricted	-	3,052,400	20,716,159	29,173,638	-
Assigned	-	-	-	-	-
Unassigned	(811,965)	-	-	-	-
<b>Total fund balances</b>	<b>(242,861)</b>	<b>3,052,400</b>	<b>20,733,867</b>	<b>29,173,638</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 593,600</b>	<b>\$ 3,052,400</b>	<b>\$ 22,382,372</b>	<b>\$ 32,971,351</b>	<b>\$ -</b>

Special Revenue			Debt Service				
Landscape Maintenance District	Library	Asset Seizure Fund	1915 ACT Assessment District Bonds	Midtown Project Bonds	Canby- Hilltop- Cypress Project Bonds	Market Street Project Bonds	SHASTE C Project Bonds
\$ 463,626	\$ 1,421,831	\$ 34,238	\$ 1,889,842	\$ -	\$ -	\$ -	\$ -
2,293	4,784	150	6,258	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	4,891,836	915,114	1,173,043
-	-	-	-	38	2,638	491	19,205
-	-	-	-	6,205	558,352	238,500	178,389
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
50,201	-	-	1,380,999	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 516,120</u>	<u>\$ 1,426,615</u>	<u>\$ 34,388</u>	<u>\$ 3,277,099</u>	<u>\$ 6,243</u>	<u>\$ 5,452,826</u>	<u>\$ 1,154,105</u>	<u>\$ 1,370,637</u>
\$ 14,093	\$ 9,793	\$ 34	\$ -	\$ -	\$ -	\$ -	\$ -
1,094	1,228	-	-	-	-	-	-
811	929	123	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	42,130	-	-	-
48,728	28,233	-	1,380,999	5,851	561,129	222,298	158,082
-	-	-	-	-	-	-	-
-	-	-	-	1,121,346	-	-	-
<u>64,726</u>	<u>40,183</u>	<u>157</u>	<u>1,380,999</u>	<u>1,169,327</u>	<u>561,129</u>	<u>222,298</u>	<u>158,082</u>
451,394	1,386,432	34,231	1,896,100	-	4,891,697	931,807	1,212,555
-	-	-	-	-	-	-	-
-	-	-	-	(1,163,084)	-	-	-
<u>451,394</u>	<u>1,386,432</u>	<u>34,231</u>	<u>1,896,100</u>	<u>(1,163,084)</u>	<u>4,891,697</u>	<u>931,807</u>	<u>1,212,555</u>
<u>\$ 516,120</u>	<u>\$ 1,426,615</u>	<u>\$ 34,388</u>	<u>\$ 3,277,099</u>	<u>\$ 6,243</u>	<u>\$ 5,452,826</u>	<u>\$ 1,154,105</u>	<u>\$ 1,370,637</u>

**City of Redding**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2011**

	Capital Project				Total Non-Major Governmental Funds
	Canby- Hilltop- Cypress Project	Market Street Project	Buckeye Project	SHASTEC Project	
<b>ASSETS</b>					
Cash and investments	\$ 8,803,258	\$ 3,516,297	\$ 1,392,735	\$ 3,990,528	\$ 38,722,506
Interest receivable, unrestricted	13,260	4,543	1,675	4,135	2,457,743
Accounts receivable, net	-	-	-	-	20,268
Intergovernmental receivable	-	-	-	-	1,798,214
Taxes receivable	4,686	87,913	42,757	1,531	633,482
Other receivable	-	-	-	-	30,180
Restricted cash and investments	-	-	-	2,868,662	9,991,709
Restricted interest receivable	-	-	-	4,776	27,148
Restricted taxes receivable	-	-	-	-	981,446
Interfund receivable	1,333,545	-	-	-	1,371,810
Deposits	116,465	690,000	-	-	806,465
Prepaid items	8,849	-	-	-	26,826
Assets held for resale	-	-	-	-	2,275,884
Advances to other funds	440,973	-	-	-	1,132,829
Special assessments receivable	-	-	-	-	1,431,200
Notes receivable	-	325,000	-	-	34,181,634
<b>Total assets</b>	<b>\$ 10,721,036</b>	<b>\$ 4,623,753</b>	<b>\$ 1,437,167</b>	<b>\$ 6,869,632</b>	<b>\$ 95,889,344</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 5,625	\$ 22,877	\$ 6,030	\$ 360,497	\$ 488,452
Accrued liabilities	3,152	1,632	181	106	38,365
Intergovernmental payable	9,056	871	36,912	31,889	1,975,931
Due to other funds	108,976	-	-	-	211,389
Interfund payable	400,000	1,561,628	-	226,810	2,230,568
Deferred revenues	-	405,101	40,740	-	6,054,013
Deposits	-	-	-	-	148,054
Advances from other funds	45,800	2,160,512	-	1,284,703	5,445,906
<b>Total liabilities</b>	<b>572,609</b>	<b>4,152,621</b>	<b>83,863</b>	<b>1,904,005</b>	<b>16,592,678</b>
<b>Fund Balances (deficit):</b>					
Nonspendable	8,849	-	-	-	595,661
Restricted	10,139,578	471,132	1,353,304	4,965,627	80,676,054
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(1,975,049)
<b>Total fund balances</b>	<b>10,148,427</b>	<b>471,132</b>	<b>1,353,304</b>	<b>4,965,627</b>	<b>79,296,666</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,721,036</b>	<b>\$ 4,623,753</b>	<b>\$ 1,437,167</b>	<b>\$ 6,869,632</b>	<b>\$ 95,889,344</b>

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**City of Redding**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2011**

	Special Revenue				General Special Revenue
	Parking	Street Maintenance	Community Development	Housing	
<b>REVENUES:</b>					
Property taxes	\$ -	\$ -	\$ -	\$ 3,075,093	\$ -
Sales tax revenue	-	-	-	-	272,517
Special assessments	-	-	-	-	-
Licenses, fees and permits	65,267	-	-	-	-
Intergovernmental revenues	-	3,778,060	1,764,565	10,045,302	-
Charges for services	-	-	-	-	-
Fines, forfeitures and penalties	71,189	-	-	-	-
Use of money and property	-	-	-	275	-
Interest revenue	19,441	18,942	85,996	160,122	-
Other revenues	10,827	-	629	53,692	-
<b>Total revenues</b>	<b>166,724</b>	<b>3,797,002</b>	<b>1,851,190</b>	<b>13,334,484</b>	<b>272,517</b>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	-	-
Community development	-	-	902,193	10,137,614	-
Public safety	101,513	-	-	-	-
Public works	58,975	-	-	-	-
Recreation and culture	-	-	-	-	-
Capital outlay	-	-	372,598	-	-
Debt service:					
Principal retirement	-	-	-	405,000	-
Interest and fiscal charges	-	-	4,779	368,645	-
<b>Total expenditures</b>	<b>160,488</b>	<b>-</b>	<b>1,279,570</b>	<b>10,911,259</b>	<b>-</b>
<b>REVENUE OVER (UNDER) EXPENDITURE</b>	<b>6,236</b>	<b>3,797,002</b>	<b>571,620</b>	<b>2,423,225</b>	<b>272,517</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of assets	-	-	18,085	-	-
Transfers in	-	-	-	-	-
Transfers out	-	(2,687,074)	-	-	(272,517)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(2,687,074)</b>	<b>18,085</b>	<b>-</b>	<b>(272,517)</b>
<b>Net change in fund balances</b>	<b>6,236</b>	<b>1,109,928</b>	<b>589,705</b>	<b>2,423,225</b>	<b>-</b>
<b>FUND BALANCES:</b>					
Beginning of year	(249,097)	1,942,472	20,144,162	26,750,413	-
End of year	\$ (242,861)	\$ 3,052,400	\$ 20,733,867	\$ 29,173,638	\$ -

Special Revenue			Debt Service				
Landscape Maintenance District	Library	Asset Seizure Fund	Assessment District Bonds	Midtown Project Bonds	Canby- Hilltop- Cypress Bonds	Market Street Project Bonds	SHASTEC Project Bonds
\$ -	\$ -	\$ -	\$ -	\$ 65,476	\$ 2,659,607	\$ 494,214	\$ 1,130,906
-	-	-	-	-	-	-	-
460,005	-	-	281,705	-	-	-	-
-	-	-	-	-	-	-	-
-	131,669	-	-	-	-	-	-
-	1,210,750	-	-	-	-	-	-
3,407	83,269	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,666	9,903	513	13,736	493	10,711	1,989	8,022
-	10,501	9,173	-	174	-	-	-
467,078	1,446,092	9,686	295,441	66,143	2,670,318	496,203	1,138,928
-	-	-	-	4,908	145,262	60,074	46,938
-	-	-	-	-	-	-	-
-	-	11,483	-	-	-	-	-
520,504	-	-	-	-	-	-	-
-	2,025,863	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	282,000	-	1,215,000	205,000	275,000
-	-	-	102,861	27,609	1,001,018	207,609	670,071
520,504	2,025,863	11,483	384,861	32,517	2,361,280	472,683	992,009
(53,426)	(579,771)	(1,797)	(89,420)	33,626	309,038	23,520	146,919
-	-	-	-	-	-	-	-
-	650,006	-	-	-	-	-	-
-	-	-	-	-	(394,988)	(38,204)	(155,551)
-	650,006	-	-	-	(394,988)	(38,204)	(155,551)
(53,426)	70,235	(1,797)	(89,420)	33,626	(85,950)	(14,684)	(8,632)
504,820	1,316,197	36,028	1,985,520	(1,196,710)	4,977,647	946,491	1,221,187
\$ 451,394	\$ 1,386,432	\$ 34,231	\$ 1,896,100	\$ (1,163,084)	\$ 4,891,697	\$ 931,807	\$ 1,212,555

**City of Redding**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2011**

	Capital Project				Non-Major Governmental Funds
	Canby- Hilltop- Cypress Project	Market Street Project	Buckeye Project	SHASTEC Project	
<b>REVENUES:</b>					
Property taxes	\$ 3,738,800	\$ 3,234,807	\$ 352,823	\$ 689,213	\$ 15,440,939
Sales tax revenue	-	-	-	-	272,517
Special assessments	-	-	-	-	741,710
Licenses, fees and permits	-	-	-	-	65,267
Intergovernmental revenues	-	-	-	-	15,719,596
Charges for services	-	-	-	-	1,210,750
Fines, forfeitures and penalties	-	-	-	-	157,865
Use of money and property	400	1,300	-	-	1,975
Interest revenue	114,531	37,498	9,998	50,133	545,694
Other revenues	317,405	11,279	1,598	8,950	424,228
<b>Total revenues</b>	<b>4,171,136</b>	<b>3,284,884</b>	<b>364,419</b>	<b>748,296</b>	<b>34,580,541</b>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	-	257,182
Community development	3,639,006	2,522,636	188,685	645,507	18,035,641
Public safety	-	-	-	-	112,996
Public works	-	-	-	-	579,479
Recreation and culture	-	-	-	-	2,025,863
Capital outlay	22,442	-	73,207	1,170,835	1,639,082
Debt service:					
Principal retirement	-	-	-	-	2,382,000
Interest and fiscal charges	-	6,978	-	28,562	2,418,132
<b>Total expenditures</b>	<b>3,661,448</b>	<b>2,529,614</b>	<b>261,892</b>	<b>1,844,904</b>	<b>27,450,375</b>
<b>REVENUE OVER (UNDER) EXPENDITURE</b>	<b>509,688</b>	<b>755,270</b>	<b>102,527</b>	<b>(1,096,608)</b>	<b>7,130,166</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of assets	-	-	-	-	18,085
Transfers in	394,988	38,204	-	155,551	1,238,749
Transfers out	(60,559)	-	(8,423)	(35,779)	(3,653,095)
<b>Total other financing sources (uses)</b>	<b>334,429</b>	<b>38,204</b>	<b>(8,423)</b>	<b>119,772</b>	<b>(2,396,261)</b>
<b>Net change in fund balances</b>	<b>844,117</b>	<b>793,474</b>	<b>94,104</b>	<b>(976,836)</b>	<b>4,733,905</b>
<b>FUND BALANCES:</b>					
Beginning of year	9,304,310	(322,342)	1,259,200	5,942,463	74,562,761
End of year	\$ 10,148,427	\$ 471,132	\$ 1,353,304	\$ 4,965,627	\$ 79,296,666

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# City of Redding

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

### Special Revenue Parking Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Licenses and permits	\$ 67,500	\$ 67,500	\$ 65,267	\$ (2,233)
Fines, forfeitures and penalties	92,000	92,000	71,189	(20,811)
Interest revenue	21,700	21,700	19,856	(1,844)
Other revenue	37,250	-	10,827	10,827
<b>Total revenues</b>	<b>218,450</b>	<b>181,200</b>	<b>167,139</b>	<b>(14,061)</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety	194,320	194,320	101,489	92,831
Public works	71,190	71,190	58,975	12,215
<b>Total expenditures</b>	<b>265,510</b>	<b>265,510</b>	<b>160,464</b>	<b>105,046</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(47,060)</b>	<b>(84,310)</b>	<b>6,675</b>	<b>90,985</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(47,060)</b>	<b>(84,310)</b>	<b>6,675</b>	<b>90,985</b>
<b>FUND BALANCE:</b>				
Beginning of year	(249,097)	(249,097)	(249,097)	-
End of year	\$ (296,157)	\$ (333,407)	\$ (242,422)	\$ 90,985

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (242,861)
1. Financial statement only adjustment per GASB #31.	415
2. The City does not budget for accounts payable adjustments.	24
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.	
<b>Budgetary Fund Balance</b>	<b>\$ (242,422)</b>

# City of Redding

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Special Revenue Street Maintenance Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental revenue	\$ 3,452,400	\$ 3,452,400	\$ 3,495,725	\$ 43,325
Interest revenues	15,000	15,000	19,796	4,796
<b>Total revenues</b>	<b>3,467,400</b>	<b>3,467,400</b>	<b>3,515,521</b>	<b>48,121</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<b>3,467,400</b>	<b>3,467,400</b>	<b>3,515,521</b>	<b>48,121</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(4,091,940)	(4,091,940)	(2,687,074)	1,404,866
<b>Total other financing sources (uses)</b>	<b>(4,091,940)</b>	<b>(4,091,940)</b>	<b>(2,687,074)</b>	<b>1,404,866</b>
<b>Net change in fund balance</b>	<b>(624,540)</b>	<b>(624,540)</b>	<b>828,447</b>	<b>1,452,987</b>
<b>FUND BALANCE:</b>				
Beginning of year	1,942,472	1,942,472	1,942,472	-
End of year	\$ 1,317,932	\$ 1,317,932	\$ 2,770,919	\$ 1,452,987
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis:				
Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances			\$ 3,052,400	
1. Financial statement only adjustment per GASB #31.			854	
2. The City budgets for grants and taxes on a cash basis.			(282,335)	
Budgetary Fund Balance			<u>\$ 2,770,919</u>	

# City of Redding

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Special Revenue Community Development Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 1,524,640	\$ 2,892,680	\$ 1,782,968	\$ (1,109,712)
Interest revenue	130,000	130,000	101,456	(28,544)
Use of money and property	470,000	470,000	314,125	(155,875)
Other revenues	300	300	18,725	18,425
<b>Total revenues</b>	<b>2,124,940</b>	<b>3,492,980</b>	<b>2,217,274</b>	<b>(1,275,706)</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	2,681,680	4,049,720	2,389,315	1,660,405
<b>Total expenditures</b>	<b>2,681,680</b>	<b>4,049,720</b>	<b>2,389,315</b>	<b>1,660,405</b>
<b>Net change in fund balance</b>	<b>(556,740)</b>	<b>(556,740)</b>	<b>(172,041)</b>	<b>384,699</b>
<b>FUND BALANCE:</b>				
Beginning of year	20,144,162	20,144,162	20,144,162	-
End of year	\$ 19,587,422	\$ 19,587,422	\$ 19,972,121	\$ 384,699
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis:				
Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances			\$ 20,733,867	
1. Financial statement only adjustment per GASB #31.			2,890	
2. The City does not budget for accounts payable adjustments.			45,047	
3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.			(1,133,116)	
4. The City budgets for interest income on a cash basis.			12,583	
5. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.			525,106	
6. The City budgets for grants on a cash basis.			18,403	
7. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.			(232,659)	
<b>Budgetary Fund Balance</b>			<b>\$ 19,972,121</b>	

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# City of Redding

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

### Special Revenue Housing Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 3,358,230	\$ 3,171,040	\$ 3,075,093	\$ (95,947)
Intergovernmental revenue	7,838,930	9,892,540	9,918,435	25,895
Use of money and property	6,000	159,970	182,670	22,700
Interest	132,400	194,710	152,497	(42,213)
Taxes and special assessments	12,050	10,780	53,837	43,057
<b>Total revenues</b>	<b>11,347,610</b>	<b>13,429,040</b>	<b>13,382,532</b>	<b>(46,508)</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	18,596,640	20,025,740	14,301,750	5,723,990
Debt service:				
Principal retirement	405,000	405,000	405,000	-
Interest fiscal charges	375,950	375,950	368,645	7,305
<b>Total expenditures</b>	<b>19,377,590</b>	<b>20,806,690</b>	<b>15,075,395</b>	<b>5,731,295</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(8,029,980)</b>	<b>(7,377,650)</b>	<b>(1,692,863)</b>	<b>5,684,787</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of asset	210,000	210,000	-	(210,000)
Transfers in	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>210,000</b>	<b>210,000</b>	<b>-</b>	<b>(210,000)</b>
<b>Net change in fund balance</b>	<b>(7,819,980)</b>	<b>(7,167,650)</b>	<b>(1,692,863)</b>	<b>5,474,787</b>
<b>FUND BALANCE:</b>				
Beginning of year	29,139,860	29,139,860	29,139,860	-
End of year	\$ 21,319,880	\$ 21,972,210	\$ 27,446,997	\$ 5,474,787

(Continued)

# City of Redding

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

### Special Revenue Housing Fund

For the year ended June 30, 2011

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$	31,563,085
1. Financial statement only adjustment per GASB #31.		(1,593)
2. The City does not budget for accounts payable or intergovernmental payable adjustments.		(3,331)
3. The City budgets for an records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.		(1,549,297)
4. The City did not budget for amounts owed to Shasta County and the City of Anderson.		212,185
5. The City budgets for land purchases in the expenditure accounts, but adjusts the actual payment to assets held for resale for property that is to be sold.		(231,706)
6. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.		182,540
8. The City budgets for grants on a cash basis.		(126,867)
9. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.		(2,635,897)
10. The City budgets for interest income on notes receivable on a cash basis.		(6,032)
11. The City budgeted and paid rent in a prior year, but adjusts the prepayment for the current year portion.		43,910
		<hr/>
Budgetary Fund Balance	\$	27,446,997
		<hr/> <hr/>
		(Concluded)

# City of Redding

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

### Special Revenue General Fund

For the year ended June 30, 2011

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

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# City of Redding

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

### Special Revenue Library Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 98,950	\$ 98,950	\$ 147,279	\$ 48,329
Charges for services	1,215,480	1,215,480	1,210,750	(4,730)
Fines, forfeitures and penalties	97,150	97,150	83,269	(13,881)
Interest revenue	10,610	10,610	16,936	6,326
Other revenues	-	51,440	10,578	(40,862)
<b>Total revenues</b>	<b>1,422,190</b>	<b>1,473,630</b>	<b>1,468,812</b>	<b>(4,818)</b>
<b>EXPENDITURES:</b>				
Current:				
Recreation and culture	2,323,370	2,374,810	2,224,978	149,832
<b>Total expenditures</b>	<b>2,323,370</b>	<b>2,374,810</b>	<b>2,224,978</b>	<b>149,832</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(901,180)</b>	<b>(901,180)</b>	<b>(756,166)</b>	<b>(145,014)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	753,000	786,000	788,006	2,006
Transfers out	-	(543,060)	(543,060)	-
<b>Total other financing sources (uses)</b>	<b>753,000</b>	<b>242,940</b>	<b>244,946</b>	<b>2,006</b>
<b>Net change in fund balance</b>	<b>(148,180)</b>	<b>(658,240)</b>	<b>(511,220)</b>	<b>147,020</b>
<b>FUND BALANCE:</b>				
Beginning of year	1,316,197	1,316,197	1,316,197	-
End of year	\$ 1,168,017	\$ 657,957	\$ 804,977	\$ 147,020

(Continued)

# City of Redding

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

### Special Revenue Library Fund

For the year ended June 30, 2011

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$	1,386,432
1. Financial statement only adjustment per GASB #31.		11,857
2. The City does not budget for accounts payable adjustments.		(179,641)
3. The City budgets for grants on a cash basis.		15,610
4. The City did not budget for funds received and held in trust during the year.		76
5. The City does not budget for interest income on rolling stock funds.		
6. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.		(19,474)
7. The City does not budget for interest or sale of property related to the rolling stock fund. The City budgets only for the transfers in and out of the rolling stock fund.		(409,883)
Budgetary Fund Balance	\$	<u>804,977</u>
		(Concluded)

**City of Redding**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Midtown Debt Service Fund**  
**For the year ended June 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 56,430	\$ 66,280	\$ 65,476	\$ (804)
Investment revenue	100	250	493	243
Other revenue	50	110	174	64
<b>Total revenues</b>	<b>56,580</b>	<b>66,640</b>	<b>66,143</b>	<b>(497)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	4,900	4,920	4,908	12
Debt Service:				
Principal retirement	31,680	43,370	43,367	3
Interest and fiscal charges	20,000	18,370	18,366	4
<b>Total expenditures</b>	<b>56,580</b>	<b>66,660</b>	<b>66,641</b>	<b>19</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(20)</b>	<b>(498)</b>	<b>(478)</b>
<b>FUND BALANCE:</b>				
Beginning of year	(1,196,710)	(1,196,710)	(1,196,710)	-
End of year	\$ (1,196,710)	\$ (1,196,730)	\$ (1,197,208)	\$ (478)

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (1,163,084)
1. The City budgets for interest on loans on a cash basis, not an accrual basis.	9,243
2. The City budgets for and records payments on loans in the expenditure accounts, but adjusts the actual payment to advances payable to other funds.	(43,367)
<b>Budgetary Fund Balance</b>	<b>\$ (1,197,208)</b>

# City of Redding

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

### Canby-Hilltop-Cypress Debt Service Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 2,406,720	\$ 2,401,080	\$ 2,659,607	\$ 258,527
Investment revenue	-	6,140	10,711	4,571
<b>Total revenues</b>	<b>2,406,720</b>	<b>2,407,220</b>	<b>2,670,318</b>	<b>263,098</b>
<b>EXPENDITURES:</b>				
Current:				
General government	175,000	175,000	145,262	29,738
Debt Service:				
Principal retirement	1,215,000	1,215,000	1,215,000	-
Interest and fiscal charges	1,014,450	1,014,450	1,001,018	13,432
<b>Total expenditures</b>	<b>2,404,450</b>	<b>2,404,450</b>	<b>2,361,280</b>	<b>43,170</b>
<b>Net change in fund balance</b>	<b>2,270</b>	<b>2,770</b>	<b>309,038</b>	<b>306,268</b>
<b>FUND BALANCE:</b>				
Beginning of year	4,977,647	4,977,647	4,977,647	-
End of year	\$ 4,979,917	\$ 4,980,417	\$ 5,286,685	\$ 306,268

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 4,891,697
1. The City does not budget for transfers in and out from the capital project fund.	394,988
<b>Budgetary Fund Balance</b>	<b>\$ 5,286,685</b>

# City of Redding

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

### Market Street Debt Service Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 487,010	\$ 485,480	\$ 494,214	\$ 8,734
Investment revenue	-	1,620	1,989	369
<b>Total revenues</b>	<b>487,010</b>	<b>487,100</b>	<b>496,203</b>	<b>9,103</b>
<b>EXPENDITURES:</b>				
Current:				
General government	67,000	67,000	60,074	6,926
Debt Service:				
Principal retirement	205,000	205,000	205,000	-
Interest and fiscal charges	214,040	214,040	207,609	6,431
<b>Total expenditures</b>	<b>486,040</b>	<b>486,040</b>	<b>472,683</b>	<b>13,357</b>
<b>Net change in fund balance</b>	<b>970</b>	<b>1,060</b>	<b>23,520</b>	<b>22,460</b>
<b>FUND BALANCE:</b>				
Beginning of year	946,491	946,491	946,491	-
End of year	\$ 947,461	\$ 947,551	\$ 970,011	\$ 22,460

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 931,807
1. The City does not budget for transfers in and out from the capital project fund.	38,204
Budgetary Fund Balance	\$ 970,011

# City of Redding

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

### SHASTECH Debt Service

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 954,130	\$ 972,490	\$ 1,130,906	\$ 158,416
Investment revenue	45,000	45,000	8,021	(36,979)
<b>Total revenues</b>	<b>999,130</b>	<b>1,017,490</b>	<b>1,138,927</b>	<b>121,437</b>
<b>EXPENDITURES:</b>				
Current:				
General government	50,500	46,940	46,938	2
Debt Service:				
Principal retirement	275,000	275,000	275,000	-
Interest and fiscal charges	673,630	670,080	670,071	9
<b>Total expenditures</b>	<b>999,130</b>	<b>992,020</b>	<b>992,009</b>	<b>11</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>25,470</b>	<b>146,918</b>	<b>121,448</b>
<b>FUND BALANCE:</b>				
Beginning of year	1,221,187	1,221,187	1,221,187	-
End of year	\$ 1,221,187	\$ 1,246,657	\$ 1,368,105	\$ 121,448

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 1,212,555
1. The City does not budget for transfers in and out from the capital project fund.	155,550
<b>Budgetary Fund Balance</b>	<b>\$ 1,368,105</b>

# City of Redding

## Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual General Capital Projects Fund -- Major Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental revenue	\$ -	\$ 2,062,770	\$ 20,170,554	\$ 18,107,784
Use of money and property	-	-	3,480	3,480
Investment revenue	535,000	535,000	196,959	(338,041)
Other	2,595,000	2,768,030	2,156,120	(611,910)
<b>Total revenues</b>	<b>3,130,000</b>	<b>5,365,800</b>	<b>22,527,113</b>	<b>17,161,313</b>
<b>EXPENDITURES:</b>				
Current:				
General government	12,641,670	9,170,920	5,594,488	3,576,432
Public works	34,348,970	39,277,320	25,676,446	13,600,874
Recreation and culture	1,154,140	1,731,810	1,270,987	460,823
Debt Service:				
Principal retirement	1,766,280	1,764,241	1,760,927	3,314
Interest and fiscal charges	532,430	532,429	530,963	1,466
<b>Total expenditures</b>	<b>50,443,490</b>	<b>52,476,720</b>	<b>34,833,811</b>	<b>17,642,909</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(47,313,490)</b>	<b>(47,110,920)</b>	<b>(12,306,698)</b>	<b>34,804,222</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Long-term debt issued	-	1,402,750	-	(1,402,750)
Transfers in	-	220,390	300,381	79,991
Transfers out	(118,100)	(118,100)	(67,200)	50,900
<b>Total other financing sources (uses)</b>	<b>(118,100)</b>	<b>1,505,040</b>	<b>233,181</b>	<b>(1,271,859)</b>
<b>Net change in fund balance</b>	<b>(47,431,590)</b>	<b>(45,605,880)</b>	<b>(12,073,517)</b>	<b>33,532,363</b>
<b>FUND BALANCE:</b>				
Beginning of year	20,608,867	20,608,867	20,608,867	-
End of year	\$ (26,822,723)	\$ (24,997,013)	\$ 8,535,350	\$ 33,532,363

(Continued)

# City of Redding

## Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual General Capital Projects Fund -- Major Fund For the year ended June 30, 2011

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$	21,306,581
1. Financial statement only adjustment per GASB #31.		129,827
2. The City does not budget for accounts payable adjustments.		(920,568)
3. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		(11,046,198)
4. The City does not budget for the transfer of developer fees and interest on those fees to the related enterprise funds.		106,876
5. The City budgets for grants on a cash basis.		(1,498,206)
6. The City budgets for and records payments on advances in the expenditure accounts, but adjusts the actual payment to advances payable to other funds.		(39,666)
7. The City budgets for the reimbursement from other funds for debt service, but records the payment to advances receivable long-term.		300,381
8. The City did not budget for design and right-of-way costs paid by a developer.		415,380
9. The City did not budget for costs associated with the ILMS Project.		(219,448)
10. The City did not budget for revenue from the Agency Fund.		46,391
11. The City did not budget for sale of capital asset.		(46,000)
Budgetary Fund Balance	\$	<u>8,535,350</u>
		(Concluded)

# City of Redding

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

### Canby-Hilltop-Cypress Capital Project Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 5,485,500	\$ 4,296,360	\$ 3,738,800	\$ (557,560)
Other use of money and property	310,260	563,360	556,668	(6,692)
Investment revenue	202,700	132,700	114,531	(18,169)
Other revenue	226,000	230,000	317,405	87,405
<b>Total revenues</b>	<b>6,224,460</b>	<b>5,222,420</b>	<b>4,727,404</b>	<b>(495,016)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	4,399,720	4,430,337	3,678,663	751,674
Capital outlay	6,831,360	7,220,110	1,252,918	5,967,192
<b>Total expenditures</b>	<b>11,231,080</b>	<b>11,650,447</b>	<b>4,931,581</b>	<b>6,718,866</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,006,620)</b>	<b>(6,428,027)</b>	<b>(204,177)</b>	<b>6,223,850</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(550,000)	(550,000)	(550,000)	-
<b>Total other financing sources (uses)</b>	<b>(550,000)</b>	<b>(550,000)</b>	<b>(550,000)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(5,556,620)</b>	<b>(6,978,027)</b>	<b>(754,177)</b>	<b>6,223,850</b>
<b>FUND BALANCE:</b>				
Beginning of year	9,304,310	9,304,310	9,304,310	-
End of year	\$ 3,747,690	\$ 2,326,283	\$ 8,550,133	\$ 6,223,850

(Continued)

# City of Redding

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Canby-Hilltop-Cypress Capital Project Fund For the year ended June 30, 2011

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$	10,148,427
1. The City budgeted and paid for rent in a prior year, but adjusts the prepayment for the current year expenditure.		25,150
2. The City does not budget for transfers in and out from the debt service fund.		(394,988)
3. The City does not budget for accounts payable adjustments.		6,089
4. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		(240,813)
5. Advances to other funds are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		(1,000,000)
6. Repayment of advances are included in actual revenue budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		556,268
7. Payment on the reimbursement agreement are included in the actual revenue budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		(550,000)
Budgetary Fund Balance	\$	<u>8,550,133</u>
		(Concluded)

# City of Redding

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

### Market Street Capital Project Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 2,775,020	\$ 3,282,520	\$ 3,234,807	\$ (47,713)
Use of money and property	-	640	1,300	660
Investment revenue	32,000	27,000	37,498	10,498
Other revenue	5,000	8,100	11,279	3,179
<b>Total revenues</b>	<b>2,812,020</b>	<b>3,318,260</b>	<b>3,284,884</b>	<b>(33,376)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	2,254,120	2,274,330	1,874,346	399,984
Capital outlay	1,833,270	7,259,020	1,767,244	5,491,776
Debt Service:				
Principal retirement	310,260	556,270	556,268	2
Interest and fiscal charges	52,700	6,700	6,692	8
<b>Total expenditures</b>	<b>4,450,350</b>	<b>10,096,320</b>	<b>4,204,550</b>	<b>5,891,770</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,638,330)</b>	<b>(6,778,060)</b>	<b>(919,666)</b>	<b>5,858,394</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Long-term debt issued		4,844,500	1,000,000	(3,844,500)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>4,844,500</b>	<b>1,000,000</b>	<b>(3,844,500)</b>
<b>Net change in fund balance</b>	<b>(1,638,330)</b>	<b>(1,933,560)</b>	<b>80,334</b>	<b>2,013,894</b>
<b>FUND BALANCE:</b>				
Beginning of year	(322,342)	(322,342)	(322,342)	-
End of year	\$ (1,960,672)	\$ (2,255,902)	\$ (242,008)	\$ 2,013,894

(Continued)

# City of Redding

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Market Street Capital Project Fund For the year ended June 30, 2011

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$	471,132
1. The City does not budget for transfers in and out from the debt service fund.		(38,204)
2. The City does not budget for accounts payable adjustments.		21,117
3. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		(180,071)
4. Advances from other funds are included in actual revenue budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		1,000,000
5. Payments on advances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		(556,268)
6. The City budgets for interest on loans on a cash basis, not accrual basis.		286
7. Deposits made on the purchase of property are budgeted as expenditures, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		(960,000)
Budgetary Fund Balance	\$	<u>(242,008)</u>
		(Concluded)

# City of Redding

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

### Buckeye Capital Project Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 389,990	\$ 359,550	\$ 352,823	\$ (6,727)
Investment revenue	12,500	8,000	9,998	1,998
Other revenue	500	1,100	1,598	498
<b>Total revenues</b>	<b>402,990</b>	<b>368,650</b>	<b>364,419</b>	<b>(4,231)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	212,730	155,190	143,689	11,501
Capital outlay	1,403,970	1,403,970	1,141,926	262,044
<b>Total expenditures</b>	<b>1,616,700</b>	<b>1,559,160</b>	<b>1,285,615</b>	<b>273,545</b>
<b>Net change in fund balance</b>	<b>(1,213,710)</b>	<b>(1,190,510)</b>	<b>(921,196)</b>	<b>269,314</b>
<b>FUND BALANCE:</b>				
Beginning of year	1,259,200	1,259,200	1,259,200	-
End of year	\$ 45,490	\$ 68,690	\$ 338,004	\$ 269,314

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 1,353,304
1. The City does not budget for accounts payable adjustments.	24,905
2. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.	(1,040,205)
<b>Budgetary Fund Balance</b>	<b>\$ 338,004</b>

# City of Redding

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

### SHASTEC Capital Project Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 934,500	\$ 827,330	\$ 689,213	\$ (138,117)
Investment revenue	40,000	43,000	50,133	7,133
Other revenue	2,000	6,200	8,950	2,750
<b>Total revenues</b>	<b>976,500</b>	<b>876,530</b>	<b>748,296</b>	<b>(128,234)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	888,230	768,370	750,002	18,368
Capital outlay	5,412,470	5,412,470	2,252,422	3,160,048
Debt Service:				
Principal retirement	163,820	87,670	87,668	2
Interest and fiscal charges	62,980	139,140	139,132	8
<b>Total expenditures</b>	<b>6,527,500</b>	<b>6,407,650</b>	<b>3,229,224</b>	<b>3,178,426</b>
<b>Net change in fund balance</b>	<b>(5,551,000)</b>	<b>(5,531,120)</b>	<b>(2,480,928)</b>	<b>3,050,192</b>
<b>FUND BALANCE:</b>				
Beginning of year	5,942,463	5,942,463	5,942,463	-
End of year	\$ 391,463	\$ 411,343	\$ 3,461,535	\$ 3,050,192

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

Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 4,965,627
1. The City does not budget for accounts payable adjustments.	(75,401)
2. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance.	(1,074,902)
3. The City budgets for interest expense on loans on a cash basis only.	28,562
4. The City budgets for and records payments on loans in the expenditure accounts, but adjusts the actual loan to advances payable to other funds.	(226,800)
5. The City does not budget for transfers in/out from the debt service fund.	(155,551)
<b>Budgetary Fund Balance</b>	<b>\$ 3,461,535</b>

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## **NONMAJOR ENTERPRISE FUNDS**

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

### **Airport**

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

### **Storm Drainage**

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

### **Redding Area Bus Authority**

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

### **Convention Center**

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

**City of Redding**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**June 30, 2011**

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ -	\$ 3,031,558	\$ 3,487,993	\$ 70,424	\$ 6,589,975
Interest receivable	154	12,724	3,241	194	16,313
Accounts receivable	95,338	156,168	44,199	12,869	308,574
Prepaid items	8,047	7,884	-	17,985	33,916
Intergovernmental receivable	478,229	-	1,134,625	-	1,612,854
Inventories	-	7,697	118,821	-	126,518
<b>Total current assets</b>	<b>581,768</b>	<b>3,216,031</b>	<b>4,788,879</b>	<b>101,472</b>	<b>8,688,150</b>
Non-current assets:					
Restricted assets:					
Cash and investments	171,357	-	-	35,798	207,155
<b>Total restricted assets</b>	<b>171,357</b>	<b>-</b>	<b>-</b>	<b>35,798</b>	<b>207,155</b>
Capital assets:					
Land	6,317,637	909,184	1,326,685	250,000	8,803,506
Utility plants	-	25,475,739	-	-	25,475,739
Buildings	12,720,147	-	7,639,062	3,441,194	23,800,403
Improvements other than buildings	30,809,596	2,348,779	1,621,301	1,469,364	36,249,040
Automotive equipment	747,576	441,326	7,149,233	167,079	8,505,214
Furnishings and equipment	284,598	24,054	2,107,682	305,608	2,721,942
Assets under capital lease	4,175,880	-	-	559,210	4,735,090
Construction in progress	2,272,874	79,998	67	212,344	2,565,283
<b>Total capital assets</b>	<b>57,328,308</b>	<b>29,279,080</b>	<b>19,844,030</b>	<b>6,404,799</b>	<b>112,856,217</b>
Less: accumulated depreciation	(31,006,134)	(13,547,458)	(9,776,452)	(4,921,808)	(59,251,852)
<b>Net capital assets</b>	<b>26,322,174</b>	<b>15,731,622</b>	<b>10,067,578</b>	<b>1,482,991</b>	<b>53,604,365</b>
Other assets:					
Financing costs, net	11,603	-	-	7,361	18,964
<b>Total other assets</b>	<b>11,603</b>	<b>-</b>	<b>-</b>	<b>7,361</b>	<b>18,964</b>
<b>Total non-current assets</b>	<b>26,505,134</b>	<b>15,731,622</b>	<b>10,067,578</b>	<b>1,526,150</b>	<b>53,830,484</b>
<b>Total assets</b>	<b>27,086,902</b>	<b>18,947,653</b>	<b>14,856,457</b>	<b>1,627,622</b>	<b>62,518,634</b>

(Continued)

**City of Redding**  
**Combining Statement of Net Assets, Continued**  
**Nonmajor Enterprise Funds**  
**June 30, 2011**

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
<b>LIABILITIES</b>					
Current liabilities (payable from current assets):					
Accounts payable	\$ 162,543	\$ 12,181	\$ 675,093	\$ 64,299	\$ 914,116
Accrued liabilities	11,265	7,782	6,059	10,069	35,175
Accrued interest payable	12,731	-	-	4,859	17,590
Intergovernmental payables	7,763	-	3,974	1,238	12,975
Due to other funds	27,150	-	94,607	-	121,757
Interfund payables	90,000	5,000	-	-	95,000
Deferred revenues	61	-	3,395,402	-	3,395,463
Deposits payable	35,700	-	3,000	48,920	87,620
Accrued compensated absences, due within one year	42,608	16,689	-	33,410	92,707
Capital leases, due within one year	258,851	-	-	48,370	307,221
Long-term debt, due within one year	29,644	-	-	19,648	49,292
State loan, due within one year	46,549	-	-	-	46,549
<b>Total current liabilities</b>	<b>724,865</b>	<b>41,652</b>	<b>4,178,135</b>	<b>230,813</b>	<b>5,175,465</b>
Long-term liabilities:					
Compensated absences, due in more than one year	146,265	57,305	-	86,555	290,125
Advances from other funds	2,807,749	2,441	-	2,334,498	5,144,688
Accrued liabilities, due in more than one year	194,961	129,516	-	281,250	605,727
Capital leases, due in more than one year	2,825,383	-	-	104,985	2,930,368
Long-term debt, due in more than one year	431,433	-	-	282,096	713,529
State loan, due in more than one year	703,768	-	-	-	703,768
<b>Total long-term liabilities</b>	<b>7,109,559</b>	<b>189,262</b>	<b>-</b>	<b>3,089,384</b>	<b>10,388,205</b>
<b>Total liabilities</b>	<b>7,834,424</b>	<b>230,914</b>	<b>4,178,135</b>	<b>3,320,197</b>	<b>15,563,670</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	21,418,838	15,731,622	10,067,578	164,199	47,382,237
Restricted for capital projects	-	2,878,903	-	-	2,878,903
Unrestricted	(2,166,360)	106,214	610,744	(1,856,774)	(3,306,176)
<b>Total net assets</b>	<b>\$ 19,252,478</b>	<b>\$ 18,716,739</b>	<b>\$ 10,678,322</b>	<b>\$ (1,692,575)</b>	<b>\$ 46,954,964</b>

(Concluded)

**City of Redding**  
**Combining Statement of Activities and Changes in Net Assets**  
**Nonmajor Enterprise Funds**  
**For the year ended June 30, 2011**

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
<b>OPERATING REVENUES:</b>					
User Fees and Charges	\$ 144,001	\$ 1,163,921	\$ 951,435	\$ 386,339	\$ 2,645,696
Rental fees	1,299,347	-	-	201,279	1,500,626
Other operating revenue	747,073	945	-	11,587	759,605
<b>Total operating revenues</b>	<b>2,190,421</b>	<b>1,164,866</b>	<b>951,435</b>	<b>599,205</b>	<b>4,905,927</b>
<b>OPERATING EXPENSES:</b>					
Cost of power, water, and transportation	-	-	3,218,795	-	3,218,795
Maintenance, operations, and administration	2,244,115	1,300,691	1,984,213	2,323,758	7,852,777
Depreciation and amortization	1,968,538	1,160,341	929,086	138,054	4,196,019
<b>Total operating expenses</b>	<b>4,212,653</b>	<b>2,461,032</b>	<b>6,132,094</b>	<b>2,461,812</b>	<b>15,267,591</b>
<b>Operating income (loss)</b>	<b>(2,022,232)</b>	<b>(1,296,166)</b>	<b>(5,180,659)</b>	<b>(1,862,607)</b>	<b>(10,361,664)</b>
<b>NONOPERATING REVENUE (EXPENSES):</b>					
Interest revenue	-	32,237	9,900	954	43,091
Interest expense	(109,042)	-	-	(16,058)	(125,100)
Intergovernmental revenues	268,469	-	4,225,173	5,356	4,498,998
Gain (loss) on disposal of assets	-	5,023	(20,641)	-	(15,618)
Other non-operating revenues (expenses)	230,453	81,305	16,500	(5,302)	322,956
<b>Total nonoperating revenues (expenses)</b>	<b>389,880</b>	<b>118,565</b>	<b>4,230,932</b>	<b>(15,050)</b>	<b>4,724,327</b>
<b>Income (loss) before operating transfers and capital contributions</b>	<b>(1,632,352)</b>	<b>(1,177,601)</b>	<b>(949,727)</b>	<b>(1,877,657)</b>	<b>(5,637,337)</b>
Capital contributions	2,870,813	332,227	1,989,923	-	5,192,963
Transfers in	-	53,138	-	1,807,853	1,860,991
Transfers out	(125,346)	-	-	(68,000)	(193,346)
<b>Change in net assets</b>	<b>1,113,115</b>	<b>(792,236)</b>	<b>1,040,196</b>	<b>(137,804)</b>	<b>1,223,271</b>
<b>NET ASSETS:</b>					
Beginning of year	18,139,363	19,508,975	9,638,126	(1,554,771)	45,731,693
End of year	<b>\$ 19,252,478</b>	<b>\$ 18,716,739</b>	<b>\$ 10,678,322</b>	<b>\$ (1,692,575)</b>	<b>\$ 46,954,964</b>

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**City of Redding**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the year ended June 30, 2011**

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 2,125,432	\$ 1,161,505	\$ 952,969	\$ 601,004	\$ 4,840,910
Cash paid to suppliers	(1,350,810)	(771,708)	(5,176,065)	(1,563,238)	(8,861,821)
Cash paid to employees	(823,178)	(504,983)	-	(1,144,104)	(2,472,265)
Other operating revenue	-	945	-	-	945
<b>Net cash provided (used) by operating activities</b>	<b>(48,556)</b>	<b>(114,241)</b>	<b>(4,223,096)</b>	<b>(2,106,338)</b>	<b>(6,492,231)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Intergovernmental revenue received	197,962	-	5,264,259	5,356	5,467,577
Advances from other funds	43,699	-	94,608	865,104	1,003,411
Repayment of advances to other funds	(160,276)	-	-	(160,067)	(320,343)
Repayment of advances from other funds	-	(1,033)	(28,547)	-	(29,580)
Transfers in	-	-	-	1,807,853	1,807,853
Transfers out	(125,000)	-	-	(68,000)	(193,000)
Other non-operating revenues (expenses)	48,720	-	-	-	48,720
<b>Net cash provided (used) by noncapital financing activities</b>	<b>5,105</b>	<b>(1,033)</b>	<b>5,330,320</b>	<b>2,450,246</b>	<b>7,784,638</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Capital grants received	1,821,543	-	1,896,361	-	3,717,904
Proceeds from sale of assets	-	5,023	22,155	-	27,178
Purchases of capital assets	(5,150,244)	-	(1,874,134)	(212,345)	(7,236,723)
Interest paid	(104,924)	-	-	(15,236)	(120,160)
Proceeds from long-term debt	3,083,590	-	-	-	3,083,590
Principal paid on long-term debt	(87,064)	-	-	(19,950)	(107,014)
Principal paid on capital leases	644	-	-	(45,814)	(45,170)
Cash collected for future capital outlay	-	81,305	-	-	81,305
Other non-operating revenues (expenses)	181,733	-	16,500	(5,302)	192,931
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(254,722)</b>	<b>86,328</b>	<b>60,882</b>	<b>(298,647)</b>	<b>(406,159)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment revenue received	34	34,455	9,041	967	44,497
<b>Net cash provided (used) by investing activities</b>	<b>34</b>	<b>34,455</b>	<b>9,041</b>	<b>967</b>	<b>44,497</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(298,139)</b>	<b>5,509</b>	<b>1,177,147</b>	<b>46,228</b>	<b>930,745</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	469,496	3,026,049	2,310,846	59,994	5,866,385
End of year	\$ 171,357	\$ 3,031,558	\$ 3,487,993	\$ 106,222	\$ 6,797,130
<b>Reconciliation to statement of net assets</b>					
Cash and cash equivalents	\$ -	\$ 3,031,558	\$ 3,487,993	\$ 70,424	\$ 6,589,975
Restricted cash and cash equivalents	171,357	-	-	35,798	207,155
	\$ 171,357	\$ 3,031,558	\$ 3,487,993	\$ 106,222	\$ 6,797,130

(Continued)

**City of Redding**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds, Continued**  
**For the year ended June 30, 2011**

	Airport	Storm Drainage Utility	Redding Area Bus Authority	Convention Center	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (2,022,232)	\$ (1,296,166)	\$ (5,180,659)	\$ (1,862,607)	\$ (10,361,664)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,968,538	1,160,341	929,086	138,054	4,196,019
Accounts receivable	(57,604)	(2,416)	1,534	1,799	(56,687)
Inventories	-	2,690	(1,240)	-	1,450
Prepaid items	(474)	(88)	-	1,663	1,101
Accounts payable	8,662	8,191	26,563	(211,701)	(168,285)
Due to other funds	-	-	-	-	-
Accrued liabilities	(26,543)	(15,466)	(5,353)	(134,894)	(182,256)
Deposits payable	(7,385)	-	3,000	(86,894)	(91,279)
Intergovernmental payable	3,476	-	3,973	1,081	8,530
Deferred revenue	(12,560)	-	-	-	(12,560)
Accrued compensated absences	42,012	(7,001)	-	(11,199)	23,812
Accrued liabilities long-term	55,554	35,674	-	58,360	149,588
<b>Net cash provided (used) by operating activities</b>	<b>\$ (48,556)</b>	<b>\$ (114,241)</b>	<b>\$ (4,223,096)</b>	<b>\$ (2,106,338)</b>	<b>\$ (6,492,231)</b>
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Plant contributed from developers	\$ -	\$ 332,227	\$ -	\$ -	\$ 332,227
Purchase of equipment on account (interfund)	-	-	-	-	-
Transfer of capital assets	-	53,138	-	-	53,138
<b>Total non-cash capital and related financing activities</b>	<b>\$ -</b>	<b>\$ 385,365</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 385,365</b>

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## **INTERNAL SERVICE FUNDS**

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

### **Equipment Fund**

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

### **Information Systems Fund**

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

### **General Support Services Fund**

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

### **Risk Management Fund**

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

### **Municipal Utilities Support Fund**

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

**City of Redding**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2011**

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 367,639	\$ 450,141	\$ 696,916	\$ 9,298,217	\$ 735,234	\$ 11,548,147
Interest receivable	2,806	1,892	2,443	36,392	3,050	46,583
Accounts receivable, net	92	-	88	29,796	-	29,976
Prepaid items	24,627	17,917	27,209	375,547	25,577	470,877
Inventories	122,557	-	-	-	-	122,557
Interfund receivable	-	-	-	226,810	-	226,810
<b>Total current assets</b>	<b>517,721</b>	<b>469,950</b>	<b>726,656</b>	<b>9,966,762</b>	<b>763,861</b>	<b>12,444,950</b>
Non-current assets:						
Capital assets:						
Land	-	-	110,810	-	-	110,810
Land Improvements other than buildings	2,346,746	-	37,497	-	-	2,384,243
Automotive equipment	10,291,802	-	129,078	-	178,675	10,599,555
Furnishings and equipment	684,533	554,005	227,830	-	30,493	1,496,861
Assets under capital lease	1,588,301	-	-	-	-	1,588,301
<b>Total capital assets</b>	<b>14,911,382</b>	<b>554,005</b>	<b>505,215</b>	<b>-</b>	<b>209,168</b>	<b>16,179,770</b>
Less: accumulated depreciation	(9,918,528)	(460,377)	(314,749)	-	(154,371)	(10,848,025)
<b>Net capital assets</b>	<b>4,992,854</b>	<b>93,628</b>	<b>190,466</b>	<b>-</b>	<b>54,797</b>	<b>5,331,745</b>
Other assets:						
Advances to other funds	-	-	-	6,914,810	-	6,914,810
<b>Total other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,914,810</b>	<b>-</b>	<b>6,914,810</b>
<b>Total non-current assets</b>	<b>4,992,854</b>	<b>93,628</b>	<b>190,466</b>	<b>6,914,810</b>	<b>54,797</b>	<b>12,246,555</b>
<b>Total assets</b>	<b>5,510,575</b>	<b>563,578</b>	<b>917,122</b>	<b>16,881,572</b>	<b>818,658</b>	<b>24,691,505</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	11,921	18,945	64,772	74,144	1,436	171,218
Intergovernmental payable	-	-	17,215	540,837	260	558,312
Accrued liabilities	19,783	18,351	27,562	43,317	21,695	130,708
Claims and judgements payable	-	-	-	4,148,143	-	4,148,143
Deferred revenues	-	3,083	-	-	-	3,083
Deposits	-	-	17	-	-	17
Compensated absences - current	63,894	36,903	37,844	30,545	98,548	267,734
<b>Total current liabilities</b>	<b>95,598</b>	<b>77,282</b>	<b>147,410</b>	<b>4,836,986</b>	<b>121,939</b>	<b>5,279,215</b>
Long-term liabilities:						
Advances from other funds	904,316	-	-	-	-	904,316
Accrued compensated absences	145,663	103,707	127,334	76,577	268,021	721,302
Accrued liabilities	372,997	475,023	429,667	204,596	533,804	2,016,087
Claims and judgements	-	-	-	8,347,017	-	8,347,017
<b>Total long-term liabilities</b>	<b>1,422,976</b>	<b>578,730</b>	<b>557,001</b>	<b>8,628,190</b>	<b>801,825</b>	<b>11,988,722</b>
<b>Total liabilities</b>	<b>1,518,574</b>	<b>656,012</b>	<b>704,411</b>	<b>13,465,176</b>	<b>923,764</b>	<b>17,267,937</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	4,992,854	93,628	190,466	-	54,797	5,331,745
Unrestricted	(1,000,853)	(186,062)	22,245	3,416,396	(159,903)	2,091,823
<b>Total net assets</b>	<b>\$ 3,992,001</b>	<b>\$ (92,434)</b>	<b>\$ 212,711</b>	<b>\$ 3,416,396</b>	<b>\$ (105,106)</b>	<b>\$ 7,423,568</b>

**City of Redding**  
**Combining Statement of Activities and Changes in Net Assets**  
**Internal Service Funds**  
**For the year ended June 30, 2011**

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
<b>OPERATING REVENUES:</b>						
User fees and charges	\$ 3,236,548	\$ 2,091,731	\$ 3,809,128	\$ 43,700,700	\$ 2,794,276	\$ 55,632,383
Other operating revenue	15,298	-	993	9,407	-	25,698
<b>Total operating revenues</b>	<b>3,251,846</b>	<b>2,091,731</b>	<b>3,810,121</b>	<b>43,710,107</b>	<b>2,794,276</b>	<b>55,658,081</b>
<b>OPERATING EXPENSES:</b>						
Maintenance, operations, and administration	2,924,925	1,905,876	3,680,493	42,308,925	2,960,611	53,780,830
Depreciation and amortization	974,698	44,097	30,668	-	21,134	1,070,597
<b>Total operating expenses</b>	<b>3,899,623</b>	<b>1,949,973</b>	<b>3,711,161</b>	<b>42,308,925</b>	<b>2,981,745</b>	<b>54,851,427</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(647,777)</b>	<b>141,758</b>	<b>98,960</b>	<b>1,401,182</b>	<b>(187,469)</b>	<b>806,654</b>
<b>NONOPERATING REVENUE (EXPENSES):</b>						
Interest revenue	5,228	4,185	8,260	133,654	7,390	158,717
Interest expense	(17,962)	-	-	-	-	(17,962)
Intergovernmental revenues	-	-	-	-	-	-
Gain on disposal of capital assets	(79,942)	-	1,228	-	-	(78,714)
Other non-operating revenues(exp)	(43,428)	-	-	-	-	(43,428)
<b>Total nonoperating expenses</b>	<b>(136,104)</b>	<b>4,185</b>	<b>9,488</b>	<b>133,654</b>	<b>7,390</b>	<b>18,613</b>
<b>Income (loss) before transfers and contributions</b>	<b>(783,881)</b>	<b>145,943</b>	<b>108,448</b>	<b>1,534,836</b>	<b>(180,079)</b>	<b>825,267</b>
Capital contributions	777,626	-	-	-	-	777,626
Transfer in	-	-	-	45,276	-	45,276
Transfers out	-	-	-	(45,276)	-	(45,276)
<b>Change in net assets</b>	<b>(6,255)</b>	<b>145,943</b>	<b>108,448</b>	<b>1,534,836</b>	<b>(180,079)</b>	<b>1,602,893</b>
<b>NET ASSETS:</b>						
Beginning of year	3,998,256	(238,377)	104,263	1,881,560	74,973	5,820,675
End of year	\$ 3,992,001	\$ (92,434)	\$ 212,711	\$ 3,416,396	\$ (105,106)	\$ 7,423,568

**City of Redding**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2011**

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from other funds	\$ 3,252,745	\$ 2,080,490	\$ 3,810,032	\$ 43,511,443	\$ 2,794,408	\$ 55,449,118
Cash paid to suppliers	(1,552,327)	(424,114)	(2,267,693)	(41,240,091)	(534,965)	(46,019,190)
Cash paid to employees	(1,369,500)	(1,536,458)	(1,407,224)	(620,731)	(2,338,980)	(7,272,893)
Other income received	-	-	-	-	-	-
<b>Net cash provided (used) by operating activities</b>	<b>330,918</b>	<b>119,918</b>	<b>135,115</b>	<b>1,650,621</b>	<b>(79,537)</b>	<b>2,157,035</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Repayment of advances to other funds	-	-	-	-	-	-
Repayment of advances from other funds	(250,000)	-	-	685,401	-	435,401
Advances to other funds	17,962	-	-	(974,619)	-	(956,657)
Transfers out	-	-	-	-	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(232,038)</b>	<b>-</b>	<b>-</b>	<b>(289,218)</b>	<b>-</b>	<b>(521,256)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Capital grants received	-	-	-	-	-	-
Proceeds from sale of assets	333	-	1,228	-	-	1,561
Purchase of capital assets	-	(39,885)	-	-	-	(39,885)
Interest Paid	(17,961)	-	-	-	-	(17,961)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(17,628)</b>	<b>(39,885)</b>	<b>1,228</b>	<b>-</b>	<b>-</b>	<b>(56,285)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment revenue received	3,625	3,646	8,162	133,547	7,219	156,199
<b>Net cash provided (used) by investing activities</b>	<b>3,625</b>	<b>3,646</b>	<b>8,162</b>	<b>133,547</b>	<b>7,219</b>	<b>156,199</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>84,877</b>	<b>83,679</b>	<b>144,505</b>	<b>1,494,950</b>	<b>(72,318)</b>	<b>1,735,693</b>
<b>CASH AND CASH EQUIVALENTS:</b>						
Beginning of year	282,762	366,462	552,411	7,803,267	807,552	9,812,454
End of year	\$ 367,639	\$ 450,141	\$ 696,916	\$ 9,298,217	\$ 735,234	\$ 11,548,147

(Continued)

**City of Redding**  
**Combining Statement of Cash Flows**  
**Internal Service Funds, Continued**  
**For the year ended June 30, 2011**

	Equipment	Information Systems	General Support Services	Risk Management	Municipal Utilities Support	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ (647,777)	\$ 141,758	\$ 98,960	\$ 1,401,182	\$ (187,469)	\$ 806,654
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	974,698	44,097	30,668	-	21,134	1,070,597
(Increase) decrease in accounts receivable	899	-	(88)	(9,426)	132	(8,483)
(Increase) decrease in inventories	(8,884)	-	-	-	-	(8,884)
(Increase) decrease in prepaid items	(354)	1,780	1,057	(46,661)	(2,078)	(46,256)
Increase (decrease) in accounts payable	(49,676)	13,362	(20,152)	(430,893)	(2,371)	(489,730)
Increase (decrease) in accrued liabilities	(47,506)	(52,184)	(80,063)	(22,019)	(86,121)	(287,893)
Increase (decrease) in claims and judgements payable	-	-	-	(606,024)	-	(606,024)
Increase (decrease) in deposits	-	-	(1)	(1,290)	-	(1,291)
Increase (decrease) in intergovernmental payable	-	-	6,813	540,078	-	546,891
Increase (decrease) in deferred revenues	-	(11,241)	-	(189,238)	-	(200,479)
Increase (decrease) in accrued compensated absences	14,277	(122,851)	1,585	(284)	25,467	(81,806)
Increase (decrease) in claims and judgements long-term	-	-	-	967,024	-	967,024
Increase (decrease) in accrued liabilities long-term	95,241	105,197	96,336	48,172	151,769	496,715
<b>Total adjustments</b>	<b>978,695</b>	<b>(21,840)</b>	<b>36,155</b>	<b>249,439</b>	<b>107,932</b>	<b>1,350,381</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 330,918</b>	<b>\$ 119,918</b>	<b>\$ 135,115</b>	<b>\$ 1,650,621</b>	<b>\$ (79,537)</b>	<b>\$ 2,157,035</b>
<b>Schedule of noncash capital activities:</b>						
Transfer of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment contributed from customer	734,198	-	-	-	-	734,198
<b>Total non-cash capital and related financing activities</b>	<b>\$ 734,198</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 734,198</b>

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## **FIDUCIARY FUNDS**

### **Agency Funds**

Agency Funds are used to account for assets held by a government unit as an agent for individuals, governmental entities (other than the City) and non-public organizations.

#### **Special Deposits**

This fund was established to account for deposits and collect monies for various community events, which are remitted to the organizers.

#### **IPSS Fund**

This fund collects and disburses payments for a joint powers authority (JPA) between the Cities of Redding, Anderson, and Shasta County. The JPA is responsible for integrating public safety records between the entities.

**City of Redding**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the year ended June 30, 2011**

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b><u>Special Deposits</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 698,790	\$ 6,369,408	\$ 6,216,204	\$ 851,994
Accounts receivable	16,068	4,288,127	4,281,270	22,925
Interest receivable	12,285	2,068	3,683	10,670
<b>Total assets</b>	<b>\$ 727,143</b>	<b>\$ 10,659,603</b>	<b>\$ 10,501,157</b>	<b>\$ 885,589</b>
<b>Liabilities:</b>				
Deposits	\$ 727,143	\$ 10,659,603	\$ 10,501,157	\$ 885,589
<b>Total liabilities</b>	<b>\$ 727,143</b>	<b>\$ 10,659,603</b>	<b>\$ 10,501,157</b>	<b>\$ 885,589</b>
<b><u>IPSS</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 589,364	\$ 547,961	\$ 540,239	\$ 597,086
Accounts receivable	103,190	231,877	322,657	12,410
Interest receivable	2,970	426	852	2,544
<b>Total assets</b>	<b>\$ 695,524</b>	<b>\$ 780,264</b>	<b>\$ 863,748</b>	<b>\$ 612,040</b>
<b>Liabilities:</b>				
Deposits	\$ 695,524	\$ 780,264	\$ 863,748	\$ 612,040
<b>Total liabilities</b>	<b>\$ 695,524</b>	<b>\$ 780,264</b>	<b>\$ 863,748</b>	<b>\$ 612,040</b>
<b><u>Total</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 1,288,154	\$ 6,917,369	\$ 6,756,443	\$ 1,449,080
Accounts receivable	119,258	4,520,004	4,603,927	35,335
Interest receivable	15,255	2,494	4,535	13,214
<b>Total assets</b>	<b>\$ 1,422,667</b>	<b>\$ 11,439,867</b>	<b>\$ 11,364,905</b>	<b>\$ 1,497,629</b>
<b>Liabilities:</b>				
Deposits	\$ 1,422,667	\$ 11,439,867	\$ 11,364,905	\$ 1,497,629
<b>Total liabilities</b>	<b>\$ 1,422,667</b>	<b>\$ 11,439,867</b>	<b>\$ 11,364,905</b>	<b>\$ 1,497,629</b>

# **STATISTICAL SECTION**



## STATISTICAL SECTION

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

<u>INDEX</u>	<u>Page</u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time	194
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City's most significant local revenues sources.	206
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	214
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	226
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	228

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

	Fiscal Year			
	2001-02	2002-03	2003-04	2004-05
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 104,205,896	\$ 113,740,928	\$ 152,599,739	\$ 160,825,551
Restricted	49,159,188	48,116,563	37,186,278	40,434,959
Unrestricted	9,443,505	16,605,960	24,216,326	26,390,155
<b>Total governmental activities net assets</b>	<b>\$ 162,808,589</b>	<b>\$ 178,463,451</b>	<b>\$ 214,002,343</b>	<b>\$ 227,650,665</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 163,216,577	\$ 196,489,648	\$ 200,043,626	\$ 220,179,734
Restricted	10,375,003	14,678,467	31,011,072	34,051,195
Unrestricted	109,766,473	80,121,237	77,810,482	63,110,632
<b>Total business-type activities net assets</b>	<b>\$ 283,358,053</b>	<b>\$ 291,289,352</b>	<b>\$ 308,865,180</b>	<b>\$ 317,341,561</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 267,422,473	\$ 310,230,576	\$ 352,643,365	\$ 381,005,285
Restricted	59,534,191	62,795,030	68,197,350	74,486,154
Unrestricted	119,209,978	96,727,197	102,026,808	89,500,787
<b>Total primary government net assets</b>	<b>\$ 446,166,642</b>	<b>\$ 469,752,803</b>	<b>\$ 522,867,523</b>	<b>\$ 544,992,226</b>

Source: City of Redding Comprehensive Annual Financial Report

Fiscal Year					
2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
\$ 172,814,117	\$ 188,370,460	\$ 213,545,402	\$ 215,773,740	\$ 216,040,038	\$ 218,458,754
41,537,596	46,293,480	47,999,512	46,969,131	49,612,778	53,687,464
28,543,456	37,777,707	35,204,839	73,406,378	77,314,051	86,967,234
<u>\$ 242,895,169</u>	<u>\$ 272,441,647</u>	<u>\$ 296,749,753</u>	<u>\$ 336,149,249</u>	<u>\$ 342,966,867</u>	<u>\$ 359,113,452</u>
\$ 190,161,873	\$ 238,330,630	\$ 257,415,432	\$ 271,838,921	\$ 267,709,679	\$ 290,826,025
33,452,385	15,786,725	14,417,207	13,641,495	11,981,816	17,362,637
116,877,608	102,615,412	92,480,560	75,311,930	78,797,442	56,817,812
<u>\$ 340,491,866</u>	<u>\$ 356,732,767</u>	<u>\$ 364,313,199</u>	<u>\$ 360,792,346</u>	<u>\$ 358,488,937</u>	<u>\$ 365,006,474</u>
\$ 362,975,990	\$ 426,701,090	\$ 470,960,834	\$ 487,612,661	\$ 483,749,717	\$ 509,284,779
74,989,981	62,080,205	62,416,719	60,610,626	61,594,594	71,050,101
145,421,064	140,393,119	127,685,399	148,718,308	156,111,493	143,785,046
<u>\$ 583,387,035</u>	<u>\$ 629,174,414</u>	<u>\$ 661,062,952</u>	<u>\$ 696,941,595</u>	<u>\$ 701,455,804</u>	<u>\$ 724,119,926</u>

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

	Fiscal Year			
	2001-02	2002-03	2003-04	2004-05
<b>Expenses</b>				
<b>Governmental Activities</b>				
General government	\$ 5,614,465	\$ 6,355,591	\$ 6,460,999	\$ 7,823,328
Police	17,233,269	18,636,632	21,554,360	22,639,639
Fire	9,031,551	11,674,640	12,568,277	13,614,525
Public Works	9,238,103	9,227,910	9,616,568	8,439,622
Planning	3,196,894	3,468,665	4,202,068	4,871,248
Recreation and culture	8,534,432	7,237,374	5,732,598	9,075,527
Community development	8,479,611	8,829,726	11,707,216	15,516,690
Interest on long-term debt	3,229,379	3,452,316	3,976,239	3,731,476
<b>Total governmental activities expenses</b>	<b>64,557,704</b>	<b>68,882,854</b>	<b>75,818,325</b>	<b>85,712,055</b>
<b>Business-Type Activities</b>				
Electric	102,382,759	101,853,586	118,023,084	133,187,082
Water	9,291,738	9,424,821	10,447,116	9,779,384
Wastewater	9,805,825	10,023,354	11,743,540	10,609,067
Storm drainage	1,509,788	1,523,000	1,765,074	1,510,206
Solid waste	11,674,164	12,125,866	15,880,622	14,617,316
Transportation	6,901,577	7,680,703	8,214,988	8,301,803
Convention center	2,042,346	2,059,258	2,680,425	2,503,314
<b>Total business-type activities expenses</b>	<b>143,608,197</b>	<b>144,690,588</b>	<b>168,754,849</b>	<b>180,508,172</b>
<b>Total primary government expenses</b>	<b>\$ 208,165,901</b>	<b>\$ 213,573,442</b>	<b>\$ 244,573,174</b>	<b>\$ 266,220,227</b>
<b>Program Revenues</b>				
<b>Governmental Activities</b>				
Charges for services:				
General government	\$ 1,934,680	\$ 2,014,549	\$ 2,105,485	\$ 2,293,668
Public works	1,192,243	1,141,885	936,885	1,013,954
Planning	2,194,469	2,594,993	2,575,763	3,059,516
Other activities	1,842,303	1,803,948	2,319,156	2,433,455
Operating grants and contributions	14,410,025	13,883,419	14,347,489	16,331,121
Capital grants and contributions	8,608,113	14,922,344	39,516,056	11,837,627
<b>Total governmental activities program revenues</b>	<b>30,181,833</b>	<b>36,361,138</b>	<b>61,800,834</b>	<b>36,969,341</b>
<b>Program Revenues</b>				
<b>Business-type activities</b>				
Charges for services:				
Electric	104,470,688	91,766,907	124,669,322	127,893,208
Water	10,312,159	11,314,044	12,174,497	11,966,513
Wastewater	9,039,453	9,492,114	10,459,146	11,806,688
Solid waste	14,343,371	14,858,534	15,727,879	15,984,667
Transportation	2,248,135	2,116,890	2,063,966	2,363,703
Other activities	1,421,133	1,353,358	1,706,783	1,661,984
Operating grants and contributions	2,959,025	3,235,428	3,594,562	4,000,415
Capital grants and contributions	13,140,958	10,186,180	10,080,012	17,315,640
<b>Total business-type activities program revenues</b>	<b>157,934,922</b>	<b>144,323,455</b>	<b>180,476,167</b>	<b>192,992,818</b>
<b>Total primary government program revenues</b>	<b>\$ 188,116,755</b>	<b>\$ 180,684,593</b>	<b>\$ 242,277,001</b>	<b>\$ 229,962,159</b>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (34,375,871)	\$ (32,521,716)	\$ (14,017,491)	\$ (48,742,714)
Business-type activities	14,326,725	(367,133)	11,721,318	12,484,646
<b>Total primary government</b>	<b>\$ (20,049,146)</b>	<b>\$ (32,888,849)</b>	<b>\$ (2,296,173)</b>	<b>\$ (36,258,068)</b>

Fiscal Year					
2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
\$ 6,043,808	\$ 5,840,837	\$ 5,168,803	\$ 7,726,275	\$ 6,383,391	\$ 5,278,782
22,938,459	24,388,239	27,716,907	28,282,449	27,497,342	26,269,521
13,896,656	14,587,056	17,618,698	17,189,677	17,076,785	16,236,292
11,350,449	11,427,486	10,339,597	12,753,802	10,447,617	9,639,403
3,894,286	4,869,938	5,750,052	5,634,317	4,434,756	3,689,281
8,390,240	8,650,759	10,964,863	11,598,055	11,470,482	10,744,101
16,349,078	13,036,414	15,160,077	20,803,513	24,737,850	18,533,923
4,110,575	4,743,424	5,367,360	5,168,490	4,760,944	4,899,556
86,973,551	87,544,153	98,086,357	109,156,578	106,809,167	95,290,859
131,048,566	139,338,821	163,293,058	173,451,814	161,100,955	165,227,316
10,878,391	12,022,834	12,570,242	12,646,773	14,574,967	14,575,101
11,718,895	12,517,219	13,378,188	13,686,453	15,075,253	16,889,147
1,846,993	2,122,729	2,563,858	2,498,787	2,354,882	2,492,302
16,433,051	17,130,494	18,702,626	18,228,705	18,497,103	18,876,936
9,172,005	9,159,483	9,838,187	10,340,798	10,037,079	10,450,822
2,578,833	2,495,721	2,952,600	2,966,577	3,131,705	2,457,085
183,676,734	194,787,301	223,298,759	233,819,907	224,771,944	230,968,709
\$ 270,650,285	\$ 282,331,454	\$ 321,385,116	\$ 342,976,485	\$ 331,581,111	\$ 326,259,568
\$ 4,669,323	\$ 5,933,921	\$ 5,215,942	\$ 5,465,585	\$ 5,211,415	\$ 5,605,847
269,504	219,567	1,279,365	492,040	939,201	811,949
3,204,622	2,609,623	2,900,666	1,595,092	1,415,218	1,060,499
2,064,225	2,976,895	4,153,936	4,044,057	3,772,070	3,499,360
17,524,126	18,594,929	16,262,587	17,411,451	17,731,034	19,756,822
10,834,923	18,918,861	22,032,319	52,890,580	20,954,834	19,708,994
38,566,723	49,253,796	51,844,815	81,898,805	50,023,772	50,443,471
140,336,132	133,308,642	152,834,481	157,529,886	152,499,576	168,333,684
12,540,136	14,264,218	14,550,142	14,128,755	13,968,396	14,653,288
12,709,979	15,768,736	17,128,355	17,190,847	18,287,784	19,503,467
16,608,413	17,317,785	17,985,385	17,201,828	17,614,327	18,395,742
2,558,384	2,863,235	3,037,429	3,151,051	3,114,393	3,207,076
1,660,073	1,788,340	2,202,160	2,168,958	2,115,383	1,844,432
4,152,460	5,141,381	4,311,285	4,799,554	5,319,012	5,176,571
15,773,165	17,199,684	13,702,005	10,276,508	10,685,872	9,374,169
206,338,742	207,652,021	225,751,242	226,447,387	223,604,743	240,488,429
\$ 244,905,465	\$ 256,905,817	\$ 277,596,057	\$ 308,346,192	\$ 273,628,515	\$ 290,931,900
\$ (48,406,828)	\$ (38,290,357)	\$ (46,241,542)	\$ (27,257,773)	\$ (56,785,395)	\$ (44,847,388)
22,662,008	12,864,720	2,452,483	(7,372,520)	(1,167,201)	9,519,720
\$ (25,744,820)	\$ (25,425,637)	\$ (43,789,059)	\$ (34,630,293)	\$ (57,952,596)	\$ (35,327,668)

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

	Fiscal Year			
	2001-02	2002-03	2003-04	2004-05
<b>General Revenue and</b>				
<b>Other Changes in Net Assets</b>				
Governmental Activities				
Taxes				
Sales taxes	\$ 18,004,770	\$ 19,327,138	\$ 20,297,843	\$ 21,696,313
Property taxes	12,055,646	13,275,953	16,965,869	17,900,941
In lieu	4,765,460	5,047,821	5,753,770	-
Transient and occupancy taxes	3,027,116	3,178,073	3,275,325	3,512,022
Motor vehicle in-lieu taxes	4,619,185	4,833,438	3,960,686	6,971,460
Franchise taxes	826,600	794,739	828,940	827,175
Other taxes	924,976	1,037,862	1,129,334	1,329,072
Investment earnings	3,572,026	3,276,758	2,031,348	3,106,598
Gain on sale of property	2,066,225	231,587	(337,650)	-
Miscellaneous	18,116	25,597	68,789	120,092
Transfers	(4,273,590)	(2,852,381)	(4,180,250)	7,666,014
Other items	-	-	-	-
<b>Total governmental activities</b>	<b>45,606,530</b>	<b>48,176,585</b>	<b>49,794,004</b>	<b>63,129,687</b>
Business-type activities				
Investment earnings	5,752,313	3,940,608	1,866,949	3,657,749
Gain on sale of property	(883,213)	(430,458)	(42,005)	-
Miscellaneous	-	250	-	-
Transfers	4,273,590	2,852,381	4,180,250	(7,666,014)
Other items	-	-	(150,684)	-
<b>Total business activities</b>	<b>9,142,690</b>	<b>6,362,781</b>	<b>5,854,510</b>	<b>(4,008,265)</b>
<b>Total primary government</b>	<b>\$ 54,749,220</b>	<b>\$ 54,539,366</b>	<b>\$ 55,648,514</b>	<b>\$ 59,121,422</b>
<b>Change in Net Assets</b>				
Governmental activities	\$ 11,230,659	\$ 15,654,869	\$ 35,776,513	\$ 14,386,973
Adjustments	(7)	(7)	(237,621)	(738,651)
<b>Total governmental activities</b>	<b>11,230,652</b>	<b>15,654,862</b>	<b>35,538,892</b>	<b>13,648,322</b>
Business-type activities	23,469,415	5,995,648	17,575,828	8,476,381
Adjustments - business activities	(1,554,377)	1,935,651	-	-
<b>Total business activities</b>	<b>21,915,038</b>	<b>7,931,299</b>	<b>17,575,828</b>	<b>8,476,381</b>
<b>Total changes in net assets - primary government</b>	<b>\$ 33,145,690</b>	<b>\$ 23,586,161</b>	<b>\$ 53,114,720</b>	<b>\$ 22,124,703</b>

Source: City of Redding Comprehensive Annual Financial Report

Fiscal Year						
2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	
\$ 23,857,074	\$ 23,184,177	\$ 21,647,441	\$ 19,375,971	\$ 18,480,866	\$ 19,157,880	
25,735,494	30,017,785	33,238,207	34,820,263	33,540,288	30,583,596	
-	-	-	-	-	-	
3,747,553	3,966,328	3,957,034	3,625,101	3,497,627	3,635,090	
611,129	479,622	384,059	260,061	268,465	293,986	
916,818	997,756	967,150	992,321	888,406	911,180	
1,364,821	1,221,396	1,150,466	996,583	931,504	935,173	
3,355,569	5,916,734	6,492,706	4,065,026	1,284,562	1,101,518	
-	-	-	-	76,085	122,183	
103,125	101,000	100,000	100,000	100,000	100,000	
3,794,368	1,941,445	2,612,585	2,421,943	4,535,210	4,153,367	
<u>63,485,951</u>	<u>67,826,243</u>	<u>70,549,648</u>	<u>66,657,269</u>	<u>63,603,013</u>	<u>60,993,973</u>	
3,785,359	8,459,278	7,738,038	6,272,631	3,398,687	1,150,239	
-	-	-	-	-	-	
-	-	-	-	-	-	
(3,794,368)	(1,941,445)	(2,612,585)	(2,421,943)	(4,535,210)	(4,153,367)	
-	4,685	2,496	979	315	945	
<u>(9,009)</u>	<u>6,522,518</u>	<u>5,127,949</u>	<u>3,851,667</u>	<u>(1,136,208)</u>	<u>(3,002,183)</u>	
\$ 63,476,942	\$ 74,348,761	\$ 75,677,597	\$ 70,508,936	\$ 62,466,805	\$ 57,991,790	
\$ 15,079,123	\$ 29,535,886	\$ 24,308,106	\$ 39,399,496	\$ 6,817,618	\$ 16,146,585	
165,381	10,592	-	-	-	-	
<u>15,244,504</u>	<u>29,546,478</u>	<u>24,308,106</u>	<u>39,399,496</u>	<u>6,817,618</u>	<u>16,146,585</u>	
22,652,999	19,387,238	7,580,432	(3,520,853)	(2,303,409)	6,517,537	
497,306	(3,146,337)	-	-	-	-	
<u>23,150,305</u>	<u>16,240,901</u>	<u>7,580,432</u>	<u>(3,520,853)</u>	<u>(2,303,409)</u>	<u>6,517,537</u>	
\$ 38,394,809	\$ 45,787,379	\$ 31,888,538	\$ 35,878,643	\$ 4,514,209	\$ 22,664,122	



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

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

	Fiscal Year			
	2001-02	2002-03	2003-04	2004-05
<b>Revenues</b>				
Taxes	\$ 34,765,295	\$ 37,607,285	\$ 42,463,395	\$ 43,856,582
Licenses and permits	1,657,421	1,822,042	1,868,324	2,159,509
Intergovernmental revenues	20,029,676	24,465,420	26,857,196	29,538,610
Charges for services	1,906,412	2,128,300	2,343,447	2,698,496
Fines	812,678	852,813	985,786	1,063,502
Use of money and property	7,772,780	8,212,771	9,255,389	3,679,150
Interest revenue	3,140,148	2,922,392	1,833,241	2,854,682
Special assessments	1,348,315	1,599,284	1,522,665	2,887,274
Miscellaneous	4,297,682	3,845,229	5,197,696	6,145,044
<b>Total revenues</b>	<b>75,730,407</b>	<b>83,455,536</b>	<b>92,327,139</b>	<b>94,882,849</b>
<b>Expenditures</b>				
Community development	8,802,958	10,888,839	12,439,346	14,226,661
General government	5,675,997	6,339,169	6,403,628	6,648,418
Public safety	25,128,752	29,378,432	31,269,917	35,625,481
Public works	4,430,424	4,184,655	4,750,695	5,915,842
Planning	3,134,055	3,409,124	4,031,899	4,859,683
Recreation and culture	3,742,962	3,661,822	4,459,732	5,755,954
Midtown Mall	-	-	-	-
Capital outlay	17,094,408	16,912,493	21,921,650	13,206,504
Debt service:				
Principal retirement	1,962,251	2,770,161	2,016,759	4,012,357
Interest and fiscal charges	3,517,467	3,490,765	4,076,484	3,901,201
Bond issuance costs	-	246,818	982,578	349,311
<b>Total expenditures</b>	<b>73,489,274</b>	<b>81,282,278</b>	<b>92,352,688</b>	<b>94,501,412</b>
<b>Excess of revenues over (under) expenditures</b>	<b>2,241,133</b>	<b>2,173,258</b>	<b>(25,549)</b>	<b>381,437</b>

Fiscal Year					
2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
\$ 55,488,972	\$ 59,524,861	\$ 60,575,049	\$ 59,231,951	\$ 56,847,912	\$ 55,531,852
2,244,909	1,589,747	1,409,549	919,484	904,249	853,202
20,651,015	25,835,843	32,130,286	44,205,365	30,291,860	41,308,531
3,087,242	3,730,253	4,828,400	3,693,777	3,218,326	2,697,345
800,275	926,522	1,089,317	1,333,019	1,395,523	1,046,207
5,452,555	5,639,155	6,318,669	6,434,661	6,015,841	6,311,596
3,167,557	5,526,660	6,120,195	3,624,089	1,007,459	1,001,286
1,524,188	1,464,323	1,671,937	1,684,815	796,878	751,326
8,676,756	6,853,688	4,936,950	6,115,887	3,045,835	3,048,462
<u>101,093,469</u>	<u>111,091,052</u>	<u>119,080,352</u>	<u>127,243,048</u>	<u>103,523,883</u>	<u>112,549,807</u>
17,004,289	14,262,851	15,625,733	6,997,295	5,795,422	5,202,372
6,994,486	7,296,375	6,926,626	21,607,335	25,226,846	18,035,641
37,684,535	38,417,064	42,538,068	44,305,381	42,179,779	41,483,662
7,690,555	5,920,843	5,878,230	7,861,504	5,031,215	4,456,262
4,392,294	4,714,858	5,419,587	5,437,393	4,172,970	3,485,319
5,051,006	5,719,996	7,418,515	7,439,993	6,889,257	6,372,869
-	-	-	-	-	-
15,007,032	26,539,273	35,872,742	50,136,882	24,231,055	24,467,682
4,562,460	4,324,708	5,533,870	5,710,487	6,775,043	5,229,044
4,133,488	4,493,534	5,473,145	5,231,749	4,781,807	4,698,793
-	677,851	5,650	-	-	-
<u>102,520,145</u>	<u>112,367,353</u>	<u>130,692,166</u>	<u>154,728,019</u>	<u>125,083,394</u>	<u>113,431,644</u>
<u>(1,426,676)</u>	<u>(1,276,301)</u>	<u>(11,611,814)</u>	<u>(27,484,971)</u>	<u>(21,559,511)</u>	<u>(881,837)</u>

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

	Fiscal Year			
	2001-02	2002-03	2003-04	2004-05
<b>Other Financing Sources (Uses)</b>				
Sale of capital asset	1,093,768	280,637	77,735	33,058
Financing proceeds	1,094,430	235,193	-	290,891
Long-term debt issued	9,500,000	7,977,616	44,430,000	16,970,000
Bond discount	(92,860)	(40,250)	(51,342)	-
Premium on bonds issued	-	17,271	365,639	611,624
Proceeds of refunding bonds	-	-	-	-
Payment to refunding bond escrow agent	-	(2,001,298)	(29,465,181)	(10,548,316)
Transfers in	4,956,979	15,910,603	18,368,202	33,800,013
Transfers out	(9,230,569)	(18,762,985)	(22,548,453)	(29,764,223)
<b>Total other financing sources (uses)</b>	<b>7,321,748</b>	<b>3,616,787</b>	<b>11,176,600</b>	<b>11,393,047</b>
<b>Net change in fund balances</b>	<b>\$ 9,562,881</b>	<b>\$ 5,790,045</b>	<b>\$ 11,151,051</b>	<b>\$ 11,774,484</b>
Fund Balances (deficit), beginning of year, as originally stated	\$ 71,181,539	\$ 80,744,420	\$ 86,534,465	\$ 97,447,895
Prior period adjustment	-	-	(237,621)	(266,332)
Change in accounting principal	-	-	-	-
Fund Balances (deficit), beginning of year, as restated	71,181,539	80,744,420	86,296,844	97,181,563
Residual equity transfer in	-	-	-	-
<b>Fund balances (deficit), end of year</b>	<b>\$ 80,744,420</b>	<b>\$ 86,534,465</b>	<b>\$ 97,447,895</b>	<b>\$ 108,956,047</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>9%</b>	<b>10%</b>	<b>13%</b>	<b>10%</b>

(Source: City of Redding Comprehensive Annual Financial Report)

Fiscal Year					
2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
838,344	696,456	1,851,372	233,399	1,804,652	169,672
39,878	250,000	400,000	-	-	-
-	36,415,000	-	-	662,993	343,770
-	(266,824)	-	-	-	-
-	76,427	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,230,516	11,213,114	11,351,753	19,768,205	17,190,872	10,531,521
(11,646,084)	(8,738,168)	(8,667,508)	(15,085,816)	(12,692,996)	(6,178,154)
4,462,654	39,646,005	4,935,617	4,915,788	6,965,521	4,866,809
<u>\$ 3,035,978</u>	<u>\$ 38,369,704</u>	<u>\$ (6,676,197)</u>	<u>\$ (22,569,183)</u>	<u>\$ (14,593,990)</u>	<u>\$ 3,984,972</u>
\$ 108,956,047	\$ 108,956,047	\$ 150,276,504	\$ 143,600,307	\$ 121,031,125	\$ 106,437,134
-	(85,225)	-	-	-	-
-	-	-	-	-	-
108,956,047	108,870,822	150,276,504	143,600,307	121,031,125	106,437,134
-	-	-	-	-	-
<u>\$ 111,992,025</u>	<u>\$ 147,240,526</u>	<u>\$ 143,600,307</u>	<u>\$ 121,031,124</u>	<u>\$ 106,437,135</u>	<u>\$ 110,422,106</u>
10%	11%	12%	10%	11%	11%

**City of Redding**  
**General Governmental Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(in thousands)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Transient Occupancy Tax</b>	<b>Sales Tax</b>	<b>Other Taxes</b>	<b>Total</b>
2001-2002	11,982	3,027	18,005	1,752	34,766
2002-2003	13,269	3,178	19,327	1,833	37,607
2003-2004	16,932	3,275	20,298	1,959	42,464
2004-2005	17,913	3,512	20,276	2,156	43,857
2005-2006	25,885	3,748	23,575	2,281	55,489
2006-2007	29,781	3,966	23,558	2,220	59,525
2007-2008	32,884	3,957	21,616	2,118	60,575
2008-2009	34,311	3,625	19,307	1,989	59,232
2009-2010	33,447	3,498	18,083	1,820	56,848
2010-2011	30,571	3,616	19,479	1,866	55,532

*Source: City of Redding Comprehensive Annual Financial Report*

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

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

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

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

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

Fiscal Year ended June 30, 2011	
Base rate customers	Electricity Sold (MWHs)
36,824	377,161
5,032	332,375
355	13,586
902	44,610
<u>43,113</u>	<u>767,732</u>

**City of Redding**  
**Electric Utility Rates**  
**Last Eight Fiscal Years\***

Fiscal Year	Residential		Commercial			
	Monthly Base Rate	Energy charge per kwh	Monthly Base Rate		Energy charge	
			Small Commercial (< 15,000 kwh)	Large Commercial (> 15,000 kwh)	All kwh	Per kwh in excess of 15,000
2004	5.46	0.0848	5.41	12.48	0.0950	0.0441
2005	5.68	0.0882	5.63	12.98	0.0988	0.0459
2006	5.68	0.0882	5.63	12.98	0.0988	0.0459
2007	6.01	0.0934	5.96	13.74	0.1046	0.0486
2008	6.36	0.989	6.31	14.54	0.1107	0.0514
2009	6.86	0.1067	6.86	15.70	0.1288	0.0598
2010	7.40	0.1151	7.40	16.90	0.1288	0.0598
2011	8.50	0.1239	11.00	21.00	0.137	0.0345

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

Source: City of Redding Utility Rate Schedules

Industrial				
Monthly Base Rate	On Peak Energy Charge		Off Peak Energy Charge	
	All kwh	Per kWh in excess of 15,000	If off-peak demand exceeds on- peak demand	If off-peak demand is less than on-peak demand
26.00	0.0964	0.0447	0.0378	0.0447
27.04	0.1003	0.0465	0.0393	0.0465
27.04	0.1003	0.0465	0.0393	0.0465
28.62	0.1062	0.0492	0.0416	0.0492
30.29	0.1124	0.0521	0.0440	0.0521
32.65	0.1212	0.0562	0.0475	0.0562
35.20	0.1307	0.0606	0.0606	0.0562
42.00	0.1409	0.0654	0.0552	0.0654

**City of Redding**  
**Principal Electric Utility Payers**  
**Fiscal Years 2010-11 and 2005-06\***

Utility Payer	June 30, 2011 Fiscal Year			June 30, 2006 Fiscal Year		
	2011 Utilities Paid	Rank	Percentage of City Total Utilities Paid	2006 Utilities Paid	Rank	Percentage of City Total Utilities Paid
Customer #1	\$4,797,076	1	4.84%	\$3,465,972	1	4.38%
Customer #2	1,418,740	2	1.43%	1,300,615	2	1.64%
Customer #3	1,406,805	3	1.42%	999,336	3	1.26%
Customer #4	1,029,750	4	1.04%	862,444	4	1.09%
Customer #5	733,987	5	0.74%			
Customer #6	724,859	6	0.73%			
Customer #7	673,584	7	0.68%			
Customer #8	597,764	8	0.60%	478,871	5	0.60%
Customer #9	560,394	9	0.57%			
Customer #10	548,694	10	0.55%	426,104	8	0.54%
Customer #11				445,379	6	0.56%
Customer #12				429,352	7	0.54%
Customer #13				406,238	9	0.51%
Customer #14				391,892	10	0.49%
<b>Total</b>	<b>\$12,491,653</b>		<b>12.60%</b>	<b>\$9,206,203</b>		<b>11.63%</b>

\* Data nine years previous is not readily available

Source: City of Redding Electric Utility

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

Fiscal Year Ending	Governmental Activities				
	Revenue Bonds	Tax Allocation Bonds	Loans	Special Assessment Bonds	Capital Leases
2002	20,301	31,370	511	10,694	973
2003	25,852	30,395	246	9,817	1,009
2004	28,090	42,925	194	8,940	773
2005	34,426	41,425	138	7,367	839
2006	32,892	39,885	78	6,160	688
2007	52,688	53,300	52	5,321	715
2008	50,260	51,420	34	4,393	868
2009	47,838	49,475	16	3,452	559
2010	45,328	47,460	401	1,661	377
2011	42,719	45,360	316	1,379	567

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

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

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**Business-Type Activities**

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General Obligation Bonds	Revenue Bonds	Certificates of Participation	Loans	Special Assessment Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
1,629	56,089	127,648	5,241	253	796	255,504	11.76%	3,022
700	55,643	106,600	15,536	227	681	246,705	11.17%	2,879
350	45,275	102,830	15,108	200	561	245,246	10.68%	2,810
-	42,304	98,915	14,433	171	436	240,454	9.67%	2,718
-	39,713	125,560	13,740	140	429	259,286	10.02%	2,908
-	37,057	121,355	16,258	108	375	287,228	10.22%	3,203
-	34,330	192,940	22,562	74	317	357,198	11.56%	3,960
-	31,532	188,285	35,940	-	256	357,352	11.22%	3,930
-	28,632	183,290	39,750	-	199	347,098	11.10%	3,791
-	25,641	178,160	44,289	-	3,238	341,669	10.67%	3,791

**City of Redding**  
**Computation of Direct and Overlapping Debt**  
**As of June 30, 2011**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Redding (4)</u>	<u>Amount Applicable to City of Redding</u>
<b>Direct:</b>			
City of Redding: (1)			
City of Redding 1915 Act Bonds	\$ 1,379,000	100.000%	\$ 1,379,000
<b>Total direct debt</b>	<u>1,379,000</u>		<u>1,379,000</u>
<b>Overlapping:</b>			
Redding Redevelopment Agency (1)	45,360,000	100.000%	45,360,000
Shasta County Schools: (2)			
Enterprise School District	31,449,516	99.042%	31,148,230
Shasta Union High	23,643,217	69.191%	16,358,978
Gateway School	26,330,685	39.819%	10,484,615
Redding School District	14,185,000	99.166%	14,066,697
Columbia School District	3,620,000	74.993%	2,714,747
Shasta College	29,480,000	51.179%	15,087,569
Cascade School	3,352,733	2.256%	75,638
Pacheco School	3,424,956	55.558%	1,902,837
Grant School	1,314,405	4.185%	55,008
Centerville (3)	103,575	23.961%	24,818
<b>Total overlapping debt</b>	<u>182,264,087</u>		<u>137,279,136</u>
<b>Total direct and overlapping debt</b>	<u>\$183,643,087</u>		<u>\$138,658,136</u>

Source: (1) City of Redding  
(2) Shasta County Auditor-Controller's Office  
(3) Centerville District Office  
(4) Percentages for Computation of Direct and Overlapping Debt Calculated using the Shasta County valuations by taxing district for fiscal year 2009-10.

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Debt Limit	\$ 165,865	\$ 178,629	\$ 193,720	\$ 211,455	\$ 233,010
Total net debt applicable to limit	1,629	700	350	0	0
Legal debt margin	<u>\$ 164,236</u>	<u>\$ 177,929</u>	<u>\$ 193,370</u>	<u>\$ 211,455</u>	<u>\$ 233,010</u>
Total net debt applicable to the limit as a percentage of debt limit	0.98%	0.39%	0.18%	0.00%	0.00%

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

(1) Assessed valuation includes supplemental tax rolls.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 262,662	\$ 286,996	\$ 300,235	\$ 292,840	\$ 279,873
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 262,662</u>	<u>\$ 286,996</u>	<u>\$ 300,235</u>	<u>\$ 292,840</u>	<u>\$ 279,873</u>
0.00%	0.00%	0.00%	0.00%	0.00%

**Legal Debt Margin Calculation for Fiscal Year 2010-11**

Assessed Value (1)	<u>\$ 7,463,282</u>
Debt Limit - 3.75% of Total Assessed Value	\$ 279,873
Amount of Debt Applicable to the Limit	<u>0</u>
Legal Debt Margin	<u>\$ 279,873</u>

**City of Redding**  
**Wastewater Revenue Bond Coverage**  
**Last Ten Fiscal Years**

	Fiscal Year Ending			
	2002	2003	2004	2005
Operating Revenue	9,039,453	9,492,114	10,459,146	11,806,688
Other Revenue**	90	49,248	470	-
Interest Revenue	732,672	599,133	229,254	585,167
<b>Adjusted Revenue</b>	<b>9,772,215</b>	<b>10,140,495</b>	<b>10,688,870</b>	<b>12,391,855</b>
25% of Adjusted Revenue	2,443,054	2,535,124	2,672,218	3,097,964
Actual Connection Fees	1,952,468	2,615,896	2,547,755	2,812,014
<b>Allowable Connection Fees</b>	<b>1,952,468</b>	<b>2,535,124</b>	<b>2,547,755</b>	<b>2,812,014</b>
<b>Total Revenue</b>	<b>11,724,683</b>	<b>12,675,619</b>	<b>13,236,625</b>	<b>15,203,869</b>
Operating Expense	(8,336,914)	(8,609,979)	(10,057,528)	(9,392,352)
Add back In-Lieu	894,230	903,180	1,337,400	1,237,100
Add back Depreciation/Amortization	2,843,330	2,957,227	3,389,830	3,488,037
<b>Net Operating Expense</b>	<b>(4,599,354)</b>	<b>(4,749,572)</b>	<b>(5,330,298)</b>	<b>(4,667,215)</b>
<b>Net Wastewater Revenues*</b>	<b>7,125,329</b>	<b>7,926,047</b>	<b>7,906,327</b>	<b>10,536,654</b>
<b>Total Debt Service</b>	<b>2,164,639</b>	<b>1,000,984</b>	<b>2,916,912</b>	<b>2,915,058</b>
<b>Debt Coverage Ratio</b>	<b>3.29</b>	<b>7.92</b>	<b>2.71</b>	<b>3.61</b>

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

\*\* Excludes capital grants.

Fiscal Year Ending					
2006	2007	2008	2009	2010	2011
12,700,189	15,696,939	17,108,790	17,165,662	18,280,681	19,492,643
12,459	88,188	19,663	25,186	2,152	10,824
613,530	1,473,122	1,605,727	1,266,665	649,481	215,469
<u>13,326,178</u>	<u>17,258,249</u>	<u>18,734,180</u>	<u>18,457,513</u>	<u>18,932,314</u>	<u>19,718,936</u>
3,331,545	4,314,562	4,683,545	4,614,378	4,733,079	4,929,734
3,458,536	2,941,713	2,933,424	1,680,074	1,717,427	1,335,741
<u>3,331,545</u>	<u>2,941,713</u>	<u>2,933,424</u>	<u>1,680,074</u>	<u>1,717,427</u>	<u>1,335,741</u>
<u>16,657,723</u>	<u>20,199,962</u>	<u>21,667,604</u>	<u>20,137,587</u>	<u>20,649,741</u>	<u>21,054,677</u>
(10,551,395)	(11,277,304)	(12,424,166)	(12,894,743)	(14,214,867)	(15,275,899)
751,380	-	-	-	-	-
3,564,164	3,488,891	3,817,656	4,021,167	4,361,325	4,896,408
<u>(6,235,851)</u>	<u>(7,788,413)</u>	<u>(8,606,510)</u>	<u>(8,873,576)</u>	<u>(9,853,542)</u>	<u>(10,379,491)</u>
<u>10,421,872</u>	<u>12,411,549</u>	<u>13,061,094</u>	<u>11,264,011</u>	<u>10,796,199</u>	<u>10,675,186</u>
<u>2,925,508</u>	<u>3,042,063</u>	<u>3,040,868</u>	<u>3,309,313</u>	<u>3,621,312</u>	<u>4,838,627</u>
<u>3.56</u>	<u>4.08</u>	<u>4.30</u>	<u>3.40</u>	<u>2.98</u>	<u>2.21</u>

**City of Redding**  
**Water Revenue Bond Coverage**  
**Last Ten Fiscal Years**

	Fiscal Year Ending			
	2002	2003	2004	2005
Operating Revenue	10,312,158	11,314,044	12,174,497	11,862,077
Other Revenue**	234,782	137,302	139,532	291,151
Interest Revenue	614,900	478,117	207,585	506,373
<b>Adjusted Revenue</b>	<b>11,161,840</b>	<b>11,929,463</b>	<b>12,521,614</b>	<b>12,659,601</b>
25% of Adjusted Revenue	2,790,460	2,982,366	3,130,404	3,164,900
Actual Connection Fees	1,305,576	1,884,456	1,506,985	1,541,114
<b>Allowable Connection Fees</b>	<b>1,305,576</b>	<b>1,884,456</b>	<b>1,506,985</b>	<b>1,541,114</b>
<b>Total Revenue</b>	<b>12,467,416</b>	<b>13,813,919</b>	<b>14,028,599</b>	<b>14,200,715</b>
Operating Expense	(8,432,657)	(8,691,621)	(9,472,975)	(9,288,618)
Add back In-Lieu	607,830	613,900	739,850	754,450
Add back Depreciation/Amortization	1,924,400	1,924,183	2,073,982	2,166,769
<b>Net Operating Expense</b>	<b>(5,900,427)</b>	<b>(6,153,538)</b>	<b>(6,659,143)</b>	<b>(6,367,399)</b>
<b>Net Water Revenues*</b>	<b>6,566,989</b>	<b>7,660,381</b>	<b>7,369,456</b>	<b>7,833,316</b>
<b>Total Debt Service</b>	<b>1,662,060</b>	<b>682,851</b>	<b>1,600,112</b>	<b>1,602,593</b>
<b>Debt Coverage Ratio</b>	<b>3.95</b>	<b>11.22</b>	<b>4.61</b>	<b>4.89</b>

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

\*\* Excludes capital grants.

Fiscal Year Ending					
2006	2007	2008	2009	2010	2011
12,403,356	13,824,991	14,341,120	13,914,397	13,748,499	14,427,814
821,377	661,080	209,022	194,358	219,897	225,474
517,974	1,139,710	907,870	734,418	479,524	199,863
<u>13,742,707</u>	<u>15,625,781</u>	<u>15,458,012</u>	<u>14,843,173</u>	<u>14,447,920</u>	<u>14,853,151</u>
3,435,677	3,906,445	3,864,503	3,710,793	3,611,980	3,713,288
3,047,465	2,779,003	2,049,142	1,437,290	1,294,343	1,018,718
<u>3,047,465</u>	<u>2,779,003</u>	<u>2,049,142</u>	<u>1,437,290</u>	<u>1,294,343</u>	<u>1,018,718</u>
<u>16,790,172</u>	<u>18,404,784</u>	<u>17,507,154</u>	<u>16,280,463</u>	<u>15,742,263</u>	<u>15,871,869</u>
(10,321,364)	(11,397,057)	(12,280,801)	(12,456,147)	(14,044,979)	(14,179,843)
455,230	-	-	-	-	-
2,277,378	2,431,867	2,705,995	3,020,054	3,300,595	3,322,769
<u>(7,588,756)</u>	<u>(8,965,190)</u>	<u>(9,574,806)</u>	<u>(9,436,093)</u>	<u>(10,744,384)</u>	<u>(10,857,074)</u>
<u>9,201,416</u>	<u>9,439,594</u>	<u>7,932,348</u>	<u>6,844,370</u>	<u>4,997,879</u>	<u>5,014,795</u>
<u>1,206,493</u>	<u>1,217,893</u>	<u>1,228,088</u>	<u>1,224,838</u>	<u>1,222,488</u>	<u>1,217,626</u>
<u>7.63</u>	<u>7.75</u>	<u>6.46</u>	<u>5.59</u>	<u>4.09</u>	<u>4.12</u>

**City of Redding**  
**Electric Revenue Bond Coverage**  
**Last Ten Fiscal Years**

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<u>Fiscal Year</u>	<u>Revenue</u>	<u>Expense</u>	<u>Available Reserves</u>	<u>Funds Available for Debt Service</u>
2001-2002	107,883,690	83,450,503	0	24,433,187
2002-2003	93,712,191	79,638,278	27,410,488	41,484,401
2003-2004	125,727,720	95,701,838	37,774,186	67,800,068
2004-2005	128,446,969	114,995,623	28,789,991	42,241,337
2005-2006	142,606,354	112,583,106	46,005,959	76,029,207
2006-2007	138,035,984	120,052,752	41,649,569	59,632,801
2007-2008	156,839,571	143,390,672	38,929,919	52,378,818
2008-2009	157,477,449	154,020,919	37,000,967	40,457,497
2009-2010	153,119,347	143,344,316	33,562,914	43,337,945
2010-2011	168,305,285	147,966,315	31,793,172	52,132,142

*Source: Electric Utility Bond Disclosure Reports*

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<u>Debt Service</u>	<u>Debt Service Coverage</u>
9,397,874	2.60
9,182,291	4.52
8,519,088	7.96
8,629,285	4.90
8,989,562	8.46
9,573,078	6.23
9,083,139	5.77
5,067,968	7.98
10,110,131	4.29
13,754,317	3.79

**City of Redding**  
**Demographic Statistics**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Square Miles (1)</u>	<u>Population (2)</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rates (4)</u>
2001-2002	59.77	84,560	2,172,093	25,687	6.90
2002-2003	59.82	85,703	2,208,823	25,773	7.50
2003-2004	59.82	87,280	2,295,813	26,304	7.50
2004-2005	59.82	88,459	2,485,963	28,103	7.10
2005-2006	59.82	89,162	2,586,590	29,010	6.30
2006-2007	59.82	89,682	2,810,455	31,338	7.00
2007-2008	59.82	90,192	3,089,978	34,260	9.20
2008-2009	59.82	90,931	3,184,495	35,021	14.50
2009-2010	59.82	89,878	3,127,934	34,802	15.40
2010-2011	59.82	90,250	3,203,063	35,491	15.00

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

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

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

<u>Employer</u>	2011			2002		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Area Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Area Employment</u>
Shasta County *	1,769	1	2.50%	1,943	1	2.69%
Mercy Medical Center	1,600	2	2.26%	1,570	2	2.18%
City of Redding **	790	3	1.12%	783	5	1.09%
Shasta Regional Medical Center	700	4	0.99%			
Shasta Community College	650	5	0.92%			
Wal Mart	500	6	0.71%			
Blue Shield of California	470	7	0.66%			
Redding Rancheria	310	8	0.44%	565	8	0.78%
United States Post Office	300	9	0.42%			
Shascade	250	10	0.35%			
Redding Medical Center				1,200	3	1.66%
Shasta Nursery				850	4	1.18%
Sierra Pacific Industries				650	6	0.90%
J & A Food Service				600	7	0.83%
Holiday Markets				425	9	0.59%
<b>Total</b>	<b>7,339</b>			<b>8,586</b>		

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

\*\* Full-time budgeted positions.

In 2010-11 there were 709 full-time and 360 part-time/temporary positions filled.

In 2001-02 there were 783 full-time and 231 part-time/temporary positions filled.

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

**City of Redding**  
**Full-Time Budgeted City Government Employees by Function/Program**  
**Last Eight Fiscal Years\***

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

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

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<u>2010</u>	<u>2011</u>
90	89
150	141
80	70
67	66
39	32
25	23
22	20
183	183
28	28
32	32
5	5
81	81
7	7
13	13
<u>822</u>	<u>790</u>

# CITY OF REDDING

## Capital Asset Statistics by Function/Program Last Eight Fiscal Years\*

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

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

Source: *City of Redding*

2010	2011
1	1
38	39
8	7
464.0	464.0
7,568	7,575
62	62
593	593
487	487
705	710
558	558
430	430
32	32
440.5	440.5
10,253	10,253
17	17
1	1

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

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

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

2007	2008	2009	2010	2011
85,213	84,981	85,885	84,236	85,206
2,665	2,365	2,328	2,524	2,383
5,647	6,611	6,957	8,353	4,847
8,312	8,976	9,285	10,877	7,230
520	477	454	402	381
9,037	9,166	9,308	9,032	9,212
2,989	2,965	3,745	4,590	3,762
2.9	0.5	8.0	2.4	7.8
11.5	0	26	0	0
3,887	3,380	2,819	2,634	2,744
2,789	2,803	2,807	2,800	2,800
13,191	13,547	13,682	13,597	13,613
1,364	1,394	1,546	1,470	1,471
20	32	55	22	17
41	6	-	29	9
42,639	42,810	42,910	43,035	43,144
0.35	0.18	0.28	0.43	0.31
9.6	10.3	10.9	11.8	12.7
29,390	29,486	27,446	25,818	23,201
40,506	41,207	42,079	41,523	41,431
7.6	7.3	7.5	7.2	7.8
2.6	2.5	2.6	2.6	3.1
0.9%	1.3%	1.4%	1.4%	4.5%
107,228	85,305	77,944	78,868	77,793
13,760	8,581	8,486	8,447	8,180
66,307	63,394	63,205	57,105	51,088
728,614	735,568	743,455	723,452	727,094
130	135	103	158	135
133,450	185,926	154,915	160,359	138,761

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# **SUPPLEMENTAL HISTORICAL INFORMATION**



## CITY OF REDDING

### AIRPORTS

#### **Redding Municipal Airport**

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

There are 38 permanently assigned tie-downs, 95 more aircraft and eight helicopter tie-downs for transients, and 111 T-hangars maintained and leased out by the City of Redding. The T-hangars are close to being full, with a few vacancies. Last fiscal year, a total of approximately 86,004 operations were recorded during the FAA Control Tower operating hours from 6:30 a.m. to 9:30 p.m.

The Airport features a 22,000 square foot terminal to serve the traveling public and is planning an 8,000 square foot addition over the next two years. It also features a full-service restaurant and lounge, as well as full services for all business tenants. There is a 333 space public automobile parking lot as well as 64 spaces for rental cars adjacent to the terminal. The passenger terminal aircraft parking ramp is capable of receiving six medium-size jet aircraft at one time. During the 2010 calendar year, over 114,105 passengers traveled through the terminal building. The airport property includes a total of 1,810 acres.

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

#### **Benton Airpark**

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

**CITY OF REDDING**  
**ELECTRIC UTILITY SYSTEM**

**History**

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

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

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

**Distribution Service**

The City's Electric Utility currently provides service to its customers in an area approximately 61 square miles in size, with 67.3 miles of 115-kV lines and 642 miles of overhead and underground 12-kV distribution lines. The City is proud of its record over the past five years of 99.99 percent electric service availability to its customers.

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

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

Design and right-of-way acquisition for distribution service to the Stillwater Business Park was completed in FY08. The Stillwater 115-kV line termination work was completed on August 15, 2008. The City's current distribution system consists of eleven 115/12-kV distribution substations where power is transformed from 115-kV to 12-kV distribution voltage and connected to the service distribution transformers via the 12-kV distribution lines. The 12-kV distribution system is a very reliable radial-type system designed such that all customers can be served from another feeder if the normal source is experiencing a problem.

### **Power Supply**

The City's retail power supply comes from a diverse portfolio. Redding typically receives about 30% of its power supply from Western in an average hydro year. FY 2010-11 was a near normal hydro year and as a result Western provided 31% of the City's retail supply portfolio. Western's power is generated at Shasta Dam and other facilities, which are a part of the Central Valley Project (CVP). Redding also relies on the City's existing generation resources and other power-purchase and exchange contracts, as well as short-term firm purchases to provide low-cost service to all of the City's customers.

In order to accommodate anticipated growth, the City has developed several projects to generate power. The City's Whiskeytown Hydroelectric Project became operational on September 3, 1986. In August 1991, the City purchased a 28-MW steam turbine generation project located within the City's limits at Redding Power Plant. Three combustion turbine generators totaling 70-MW were added in 1996. In June 2002, the City commissioned Unit 5, a 43-MW highly efficient combined-cycle gas turbine with a heat recovery steam generator, bringing total on site generation to 141-MW. Construction began in September 2008 on Unit 6, which is a 47-MW combined cycle gas turbine nearly identical to the existing Unit 5. Unit 6 is scheduled to be in service by August 22, 2011. In addition to its own generation, the City has acquired several other sources of electric power through long-term, purchase-power contracts and through its membership in a joint powers agency consisting of Modesto Irrigation District, City of Santa Clara, and City of Redding (M-S-R). Through the M-S-R joint powers agency, the City entered into a long-term power purchase agreement for 70-MW of wind generated energy, with deliveries that began October 1, 2006. Further, on April 19, 2011, Redding entered into a thirty (30) year renewable energy purchase agreement with Trinity Public Utilities District (TPUD). Under the agreement, Redding will purchase the "Excess" energy and subsequent "Renewable Energy Credits (REC's)" from the upgrade of the Lewiston Dam Hydroelectric generator. This resource is anticipated to begin service in late 2013. The renewable energy from this small hydro project will qualify under California's renewable energy laws. On June 1, 1994, the City began scheduling and dispatching the power produced by these various resources. The scheduling and dispatching operations allow Redding to take advantage of relatively inexpensive energy, which becomes available from time to time in the short-term wholesale power market.

The City is a member of various organizations and agencies including: Northern California Power Agency, M-S-R, Transmission Agency of Northern California, and Western Systems Power Pool. Through these affiliations, the City contracted for and developed various power generation and

transmission resources including: partial ownership of the San Juan coal-fired generating station, the Desert Southwest Transmission Project, and the California-Oregon Transmission Project.

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

**Customer Base**

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

Fiscal Year Ending June 30	Number of Customer Accounts		
	Residential	Non-Residential	Total
2007	36,436	6,203	42,639
2008	36,495	6,315	42,810
2009	36,616	6,294	42,910
2010	36,762	6,273	43,035
2011	36,832	6,312	43,144

*Source: Utility Billing System Marketing Report of Quarterly NAICS Usage*

The total number of electric system customer accounts increased 2 percent during the last five years. The number of residential accounts increased 1 percent, while non-residential accounts increased 2 percent.

**WASTEWATER UTILITY SYSTEM**

**History**

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

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

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

### **Existing Facilities**

The Wastewater System consists of the domestic and industrial sewage collection, treatment, and disposal facilities serving the City, including over 426 miles of interceptor and trunk sewers, seventeen sewage lift stations, and two secondary wastewater and effluent filtration treatment plants.

### **Clear Creek Wastewater Treatment Plant**

The Clear Creek Wastewater Treatment Plant, is located at the confluence of Clear Creek and the Sacramento River. The plant was designed to have a dry weather daily flow capacity of 8.8 million gallons per day (MGD) and a peak day flow capacity of 16.2 MGD. The plant was designed to serve 29,333 Household Equivalents (as defined under "The Wastewater System - Rate Policies and Collection Procedures") (based upon 300 gallons per day per Household Equivalent). The unit processes utilized at the plant include, among other things, the Clear Creek Lift Station, with an estimated effective pump capacity of 40 MGD, primary and secondary clarification, gravity filtration, chlorination for disinfection and sulfonation for dechlorination prior to discharge into the Sacramento River outfall via a new diffuser system. In addition, a series of eight flow equalization ponds provide raw sewage and/or primary effluent temporary flow storage should the influent flow exceed the capacity of the secondary treatment and filtration processes. Solids handling process include primary and secondary waste sludge streams being mixed, thickened and anaerobically digested. Additional solids treatment can take place in facultative sludge lagoons. This plant is currently at 89% of capacity. The City Council has authorized modifications to the Clear Creek Plant at an estimated cost exceeding \$70 million. The design is being done to allow for construction in eight Bid Packages. Bid Package I began construction in the fall of 2006. Bid Package II began construction in the fall of 2007. Bid Package III began construction in the spring of 2008. Bid Package IV began construction in the fall of

2008. Bid Package V began construction in summer 2011. Bid Package VI began construction in the winter 2010. The Plant expansion and upgrades are being funded by a loan from the State of California revolving Loan Fund, ARRA Stimulus funds, with repayment through a combination of new connection fee revenue and monthly service charges.

### **Stillwater Regional Wastewater Treatment Plant.**

The plant, designated the Stillwater Regional Wastewater Treatment Plant, is located on an approximately 300-acre site along Airport Road at the Sacramento River. Initially, the plant was designed for an average dry weather flow of 4 MGD and a peak wet weather flow of 12 MGD.

Facility planning for the Plant expansion began in fiscal year 2007-08. The Plant will be expanded to treat an average dry weather flow capacity to 8 MGD and its peak wet weather flow capacity to 24 MGD. This plant expansion project is expected to begin construction in the spring of 2012. This Plant expansion is being funded by Wastewater Utility funds, and a loan from the State of California Revolving Loan Fund, with repayment through a combination of new connection fee revenue and monthly service charges.

### **Environmental Compliance**

The present discharge requirements for the Wastewater System are established by the State of California Regional Water Quality Control Board, Central Valley Region (the "Regional Board") which administers and enforces all federal and State of California discharge requirements. The Regional Board administers regulations promulgated under the National Pollutant Discharge Elimination System by the United States Environmental Protection Agency (the "EPA"). The Clear Creek Wastewater System's present discharge permit was adopted in 2003 and is expected to be renewed in late 2010. The Stillwater Wastewater system permit was adopted in 2007 and will expire in 2012.

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

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

### **Service Area**

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

## Historical Operations

The following table shows the historical number of residential customer household equivalents and the combined commercial and industrial customer household equivalents for the five fiscal years ending June 30, 2010. One household equivalent (HE) is the quantity of wastewater produced in the City of Redding by an average single-family residential household, which is 240 gallons per day (GPD). Prior to 2007, this number had been calculated at 300 GPD. However, updated analysis has resulted in the modification. Since customer fees and charges are based on the HE for each customer, the revenue amounts are proportional to these HE counts.

### Historical Residential and Commercial/Industrial Household Equivalents

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Residential HEs</b>	27481	28112	29164	29669	30714	30959
<b>Commercial/Industrial HEs</b>	10932	10613	11342	11538	11365	10047
<b>Total System HEs</b>	38725	40506	41207	42079	42100	41006
<b>Annual System Growth</b>	0.81%	4.6%	1.7%	2.1%	0.01%	(2.50%)

The Wastewater System currently has an average dry weather daily design flow capacity of 12.8 MGD. The actual average dry weather daily flow of the Wastewater System for the five fiscal years ending June 30, 2011 is shown below.

### Average Dry Weather Daily Flows Fiscal Years Ended June 30, 2011

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Clear Creek Plant	7.73	7.56	7.29	7.5	7.2	7.8
Stillwater Plant	2.6	2.6	2.5	2.6	2.6	3.1
<b>Total Wastewater System</b>	10.33	10.16	9.79	10.1	9.8	10.9

## WATER UTILITY SYSTEM

### History

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

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

Since 1939 when the City of Redding assumed control and operation of the water system, the City's population has grown from approximately 7,500 to 92,690. This growth included two large increases in 1976 and 1977, when Redding annexed the Cascade Community Services District (serving approximately 4,450 residents) and the Enterprise Public Utility District (serving approximately 13,500 residents). In addition, the City assumed operation of a system serving about 1,500 residents outside the City in 1967, primarily in the Buckeye community.

A 1966 contract with the Bureau of Reclamation was renegotiated in June of 2005, with the Bureau of Reclamation extending the contract for an additional 40 years through March 31, 2045. It details Redding's principal rights to the Sacramento River. The "Sacramento River" contract permits renegotiation at any time for more or less water subject to need and availability of water in the river. Water to be diverted consists of "base supply" and "project water supply." The Base Supply is 85 percent of the total. The Project Water Supply is 15 percent of the river water supply. The total entitlement is 21,000 acre-feet.

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

In 1967 the City of Redding took over Buckeye County Water District facilities and the rights to a 1964 USBR contract. In February 1971, the City executed a new USBR contract to serve the Buckeye service area. The City, in November of 1994, amended this contract with the Bureau of Reclamation to add the Spring Creek Conduit as a point of diversion for the new Buckeye Water Treatment Plant. This contract with the Bureau of Reclamation, which runs through February 28, 2045, allows Redding to obtain 6,140 acre-feet of water per year. The 2009-10 delivery from that contract was 5,782 acre-feet. Water charges under this contract total \$48.80 per acre-foot (\$15.00 water cost, \$18.23 restoration fee and \$30.00 foregone power charge).

Foothill Water Treatment Plant was constructed in 1981. The plant has a rated 28 million gallons per day (MGD). Facilities provide for filtration following the existing sedimentation basin and a 6 million gallon (MG) covered storage reservoir. Both these additions were needed to meet the requirements of the State of California, Department of Health Services Division of Drinking Water and Environmental Management.

## Performance Measures and Workload Indicators

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

ACTIVITY	2006-07	2007-08	2008-2009	2009-2010	2010-2011
Number of customers/services	28,614	27,907	28,051	28,165	28,817
Number of new meter sets	313	142	154	114	102
Quantity of water produced (acre feet)	29,390	29,486	27,446	25,818	23,201
Percentage of days water quality met standards	100%	100%	100%	100%	100%
Number of service calls (Includes water quality)	1,218	1,624	1,333	1,639	1,552
Miles of water mains	485	550	556	558	559
Number of main and water service failures/disruptions per year	404	346	542	526	502
Miles of substandard mains	69.3	44	43	42	42
Customers/service connections per employee	1,060	1,034	1,122	1,173	1,173

## **Current System**

### **Buckeye Zone**

The Buckeye Water District water system was acquired by the City of Redding in 1967 following dissolution of that District. Water supply for that District was extremely limited. Upon assuming the operation of the Buckeye system, the City of Redding provided the additional supply by pumping from the northern end of its water system. Pump House No. 3, located at the foot of North Market Street hill, and Pump House No. 4, off Benton Drive northeast of the Diestlehorst Bridge, serve the Buckeye Zone. Storage for the Buckeye Zone is located on Lake Boulevard in north Redding, with two steel reservoirs at this site--one 200,000-gallon tank and one 2 MG tank with a high water surface of 955 feet. In 2002, an additional 4MG reservoir was constructed ¼ mile east of the Buckeye Water Treatment Plant with a high water surface of 1,034 feet.

The Buckeye Water Treatment Plant completed in January 1995 is now serving the Buckeye Zone. The new Buckeye Water Treatment Plant is located off of Benson Drive near the Spring Creek Conduit. The water plant has an interconnection to the U.S. Bureau of Reclamation (USBR) Spring Creek Conduit through an existing turnout structure. Treated water is conveyed from the treatment plant through 25,000 feet of off-site piping to the Buckeye area. The initial treatment capacity is 7 MGD with the ability to expand to 28 MGD capacity. In 2007 the construction was completed on an expansion of the treatment plant to 14 MGD capacity. Along with the treatment plant expansion 8,000 feet of 30-inch water transmission main was installed to provide treated water to the Buckeye Pressure Zone. This treatment plant meets all the existing United States Environmental Protection Agency (USEPA) regulations, including the 1986 Safe Water Drinking Act and meets all the requirements of the State of California, Department of Health Services Division of Drinking Water and Environmental Management.

### **Foothill and Hill 900 Zones**

Construction of Redding's Foothill Water Treatment Plant (FWTP) was completed in September 1981. The treatment plant consists of chemical treatment followed by flocculation, sedimentation, chlorination, and filtration. River water from Pump Plant No. 1 located on the south side of the Sacramento River, west of the Diestlehorst Bridge, enters the treatment plant through a 36-inch main. In 2006 Pump Station No. 1 Fish Screen Retrofit Project was completed to meet the requirements of the CAL-FED Anadromous Fish Screen Program. In 2010, an additional 30-inch main from Pump Plant No. 1 was installed to the FWTP.

At the FWTP, chlorine is added for disinfection and odor control. Polymer and aluminum sulfate are injected, and the water passes into a flocculation basin which is integrally constructed within a large 2 MG sedimentation basin, where it is allowed to settle and clarify. After clarification, water flows through dual media filtration and is post-chlorinated prior to entering a 6 MG covered storage reservoir.

Storage is provided at three locations: 1.) one 6 MG covered storage reservoir at the treatment plant-- Since 2006, one 4 MG steel reservoir at Foothill Blvd with a high water surface of 743 feet; 2.) one 2.0 MG pre-stressed concrete reservoir; and 3.) one 2 MG steel reservoir having a high water surface of 925 feet to the south of the treatment plant at the top of Hill 900.

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

### **Enterprise Zone**

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

The system was served originally by five wells; however, in 1978, the Cross Town Main, a large pipeline, was constructed which enabled the City to serve the Enterprise and Cascade areas with water from the Foothill treatment plant. In 1985 approximately five miles of 12-, 16- and 24-inch transmission mains were constructed from the Enterprise well fields on Goodwater Avenue to serve the U.S. Forest Service and Municipal Airport off Airport Road. In 1986 three new 2 MGD capacity wells were added to the Enterprise Zone. In 1988 a 24-inch transmission main was constructed from Goodwater Avenue along Rancho Road westerly via South Bonnyview Road to the Cascade Zone. In 2002, 2.5 miles of 24-inch transmission main was constructed from Rancho Road north along Airport Road in the Enterprise Zone to maximize the production of the groundwater wells. In 1991 another 2 MGD capacity well was added to the Enterprise Zone. Two additional 2MGD capacity wells were added during 2003. In 2007 another 2 MGD capacity well was added to the Enterprise Zone and in 2008 an additional 2 MGD capacity well was added.

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

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

## **Hilltop-Dana Zone**

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

## **Cascade Zone**

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

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

## **Condition of System**

The City of Redding maintains a well-trained and well-equipped work force. Its primary function is to operate the system, make systematic inspections as part of the preventive maintenance program, and plan and construct replacements. City forces will replace approximately 6,000 polybutylene (PB) water services, which are leaking because of premature pipe material failure, through a fifteen-year replacement program. City forces have replaced the majority of the polybutylene services, and continue to replace services as necessary in the course of their normal workload. Undersized and old lines are being replaced when maintenance costs indicate that they should be replaced or additional capacities are needed. The City of Redding maintains a Master Water Plan; revisions to the system are programmed, designed, and installed in accordance with this plan. The system is well maintained in all regards, including raw water supply, pumping structures, equipment, transmission lines, and water treatment facilities. However, continual renewed investment in capital facilities such as distribution pipelines, reservoirs, and wells will be necessary to maintain the current level of service, due to the demands of population growth and aging infrastructure.

## STORM DRAINAGE UTILITY

### History

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

### Service Area and Customers

The service area encompasses storm drainage facilities within the City limits. The overall conveyance system is comprised of both public and private segments. The Storm Drain Utility responds to the needs of the public component of the overall conveyance system. The following table provides an overview of the storm drainage system as of June 30, 2011:

<b>Workload and Performance Measures</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Miles of Storm Drain Pipe	235.6	241	240.4	243
Miles of Channels/Ditches	193.4	195	191.1	197
Miles of Maintained Channels/Ditches	46.2	47	22.31	22
Number of Inlets	9,328	10,090	10,253	10,553
Number of Outfalls	1,545	1,665	1,719	1,719

The Storm Drainage Utility charges are based on impervious area. An impervious area is one that prohibits the natural drainage of rainwater into the ground (i.e., building, parking lot, etc.). The monthly Storm Drain service fees have been frozen since 1993 and are as follows:

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

### Condition of System

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

The Storm Drain Utility staff consists of five employees, which has not changed since 1993, even with increased permit requirements for inspection and maintenance of storm drain facilities.

In 2003, the City applied for a National Pollution Discharge Elimination System (NPDES Phase II) permit that was to be implemented over the five years of the permit life. The State of California Water Quality Control Board, however, did not approve the permit and its proposed work plan until 2005. There was also no adjustment to the five year implementation schedule and, as a result, the City of Redding's implementation process has incorporated many of the plan components. Additional components will be outlined in the permit application for the 2008-13 time period. The submittal of this application update is pending due to the State of California overall permit update, which Redding will work under.

# **OTHER SUPPLEMENTAL INFORMATION**



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

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

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Gerald R. Tadina, CPA

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redding, California, as of and for the year ended June 30, 2011, which collectively comprise the City of Redding, California's financial statements and have issued our report thereon dated December 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

*D.H. Scott & Company LLP*

Redding, California  
December 9, 2011

# City of Redding

## Redding Municipal Airport

### Schedule of Passenger Facility Charges Collected and Expended and Interest Collected

For the quarters ended September 30, 2010, December 31, 2010, March 31, 2011, and June 30, 2011

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

	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011
Unexpended (over expended) passenger facility charges and interest, beginning of period	\$ (47,371)	\$ 5,097	\$ 41,745	\$ 88,966
Passenger facility charges collected	52,801	41,870	51,307	35,754
Interest earned (Note 1)	-	-	-	-
Subtotal	5,430	46,967	93,052	124,720
Expenses for approved passenger facility charges projects	(333)	(5,222)	(4,086)	(31)
Unexpended (over expended) passenger facility charges and interest, end of period	\$ 5,097	\$ 41,745	\$ 88,966	\$ 124,689

Note 1: No interest was allocated on Passenger Facility Charges since the Airport expended \$149,549 on Application #11-04-C-00-RDD (No. 4) prior to June 30, 2011. Per the FAA, reporting on Application No. 4 will not commence until Application No. 3 is closed.