

CITY OF REDDING
JUNE 30, 2003
FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

Honorable City Council
City of Redding
Redding, CA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redding, as of and for the year ended June 30, 2003, which collectively comprise the City of Redding's financial statements as listed in the table of contents. These financial statements are the responsibility of City of Redding's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 9, 2003, on our consideration of the City of Redding's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

December 9, 2003

CITY OF REDDING
Statement of Net Assets
June 30, 2003

ASSETS:	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and investments	\$57,644,849	\$77,754,859	\$135,399,708
Receivables:			
Interest	500,461	613,035	1,113,496
Accounts, net	707,568	17,523,196	18,230,764
Taxes	4,736,194	—	4,736,194
Intergovernmental	7,719,645	1,305,088	9,024,733
Notes	16,707,075	—	16,707,075
Special assessments	11,545,137	—	11,545,137
PacifiCorp Energy	—	2,023,200	2,023,200
PG&E rebate	—	1,456,335	1,456,335
Other	475,939	—	475,939
Internal balances	2,684,991	(2,684,991)	—
Inventories	273,117	3,877,994	4,151,111
Prepaid items	224,652	2,110,000	2,334,652
Deposits	372,395	—	372,395
Assets held for sale	1,343,178	—	1,343,178
Restricted assets:			
Cash and investments	21,157,142	24,747,677	45,904,819
Interest receivable	174,218	39	174,257
Taxes receivable	485,400	—	485,400
Purchased power	—	1,974,576	1,974,576
Prepaid power	—	12,750,000	12,750,000
Financing costs, net	531,177	1,352,811	1,883,988
Capital assets	203,228,773	550,712,244	753,941,017
Accumulated depreciation	(58,458,918)	(217,406,276)	(275,865,194)
Investment in JPA	—	27,938	27,938
	<u>272,052,993</u>	<u>478,137,725</u>	<u>750,190,718</u>
Total assets			

(continued)

LIABILITIES:	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts payable	\$ 2,421,193	\$ 3,050,543	\$ 5,471,736
Accrued liabilities	4,541,816	2,050,981	6,592,797
Intergovernmental payable	334,951	6,662,029	6,996,980
Accrued interest payable	1,066,246	1,492,626	2,558,872
Deferred revenue	3,929,777	1,134,021	5,063,798
Deposits	127,549	3,089,530	3,217,079
Accrued interest from restricted	—	37,883	37,883
Claims and judgements payable	8,590,000	—	8,590,000
Landfill closing costs	—	681,125	681,125
Long-term accrued liabilities	5,451,846	3,324,668	8,776,514
Noncurrent liabilities:			
Due within one year	3,131,107	6,910,672	10,041,779
Due in more than one year	<u>63,995,057</u>	<u>158,414,295</u>	<u>222,409,352</u>
 Total liabilities	 <u>93,589,542</u>	 <u>186,848,373</u>	 <u>280,437,915</u>
 NET ASSETS:			
Invested in capital assets, net of related debt	113,740,928	196,489,648	310,230,576
Restricted for:			
Capital outlay	—	11,941,575	11,941,575
Debt service	14,505,431	2,621,326	17,126,757
Housing	18,406,942	—	18,406,942
Community development	12,926,870	—	12,926,870
Public works	2,277,320	—	2,277,320
Other	—	115,566	115,566
Unrestricted	<u>16,605,960</u>	<u>80,121,237</u>	<u>96,727,197</u>
 Total net assets	 <u>\$178,463,451</u>	 <u>\$291,289,352</u>	 <u>\$469,752,803</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Activities
For the Year Ended June 30, 2003

<u>Functions/Programs</u>	Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 6,355,591	\$ 2,014,549	\$ 261,108	\$ 100
Police	18,636,632	907,410	1,363,139	—
Fire	11,674,640	183,894	6,100	49,017
Public works	9,227,910	1,141,885	4,066,282	7,896,305
Planning	3,468,665	2,594,993	—	—
Recreation and culture	7,237,374	524,997	1,006,853	6,962,072
Community development	8,829,726	187,647	7,179,937	14,850
Interest on long-term debt	<u>3,452,316</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total governmental activities	<u>68,882,854</u>	<u>7,555,375</u>	<u>13,883,419</u>	<u>14,922,344</u>
Business-type activities:				
Electric	101,853,586	91,766,907	—	1,018,253
Water	9,424,821	11,314,044	53,683	2,899,515
Wastewater	10,023,354	9,492,114	1,248	3,610,505
Storm drainage	1,523,000	902,985	—	1,528,685
Solid waste	12,125,866	14,858,534	103,720	—
Transportation	7,680,703	2,116,890	3,076,777	1,087,163
Convention center	<u>2,059,258</u>	<u>450,373</u>	<u>—</u>	<u>42,059</u>
Total business-type activities	<u>144,690,588</u>	<u>130,901,847</u>	<u>3,235,428</u>	<u>10,186,180</u>
Total government	<u>213,573,442</u>	<u>138,457,222</u>	<u>17,118,847</u>	<u>25,108,524</u>

General revenues:

Taxes

 Property taxes, levied for general purpose

 In lieu property taxes

 Transient occupancy taxes

 Sales taxes

 Motor vehicle taxes

 Franchise taxes

 Other taxes

Investment income

Other

Gain on sale of assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning

Adjustments

Net assets, beginning (as restated)

Net assets, ending

Net (Expense) Revenue and
Changes in Net Assets

Total Governmental	Total Business-type	Total
\$ (4,079,834)	\$ —	\$ (4,079,834)
(16,366,083)	—	(16,366,083)
(11,435,629)	—	(11,435,629)
3,876,562	—	3,876,562
(873,672)	—	(873,672)
1,256,548	—	1,256,548
(1,447,292)	—	(1,447,292)
<u>(3,452,316)</u>	<u>—</u>	<u>(3,452,316)</u>
<u>(32,521,716)</u>	<u>—</u>	<u>(32,521,716)</u>
—	(9,068,426)	(9,068,426)
—	4,842,421	4,842,421
—	3,080,513	3,080,513
—	908,670	908,670
—	2,836,388	2,836,388
—	(1,399,873)	(1,399,873)
<u>—</u>	<u>(1,566,826)</u>	<u>(1,566,826)</u>
<u>—</u>	<u>(367,133)</u>	<u>(367,133)</u>
<u>(32,521,716)</u>	<u>(367,133)</u>	<u>(32,888,849)</u>
13,275,953	—	13,275,953
5,047,821	—	5,047,821
3,178,073	—	3,178,073
19,327,138	—	19,327,138
4,833,438	—	4,833,438
794,739	—	794,739
1,037,862	—	1,037,862
3,276,758	3,940,608	7,217,366
25,597	250	25,847
231,587	(430,458)	(198,871)
<u>(2,852,381)</u>	<u>2,852,381</u>	<u>—</u>
<u>48,176,585</u>	<u>6,362,781</u>	<u>54,539,366</u>
<u>15,654,869</u>	<u>5,995,648</u>	<u>21,650,517</u>
162,808,582	283,358,054	446,166,636
<u>—</u>	<u>1,935,650</u>	<u>1,935,650</u>
<u>162,808,582</u>	<u>285,293,704</u>	<u>448,102,286</u>
<u>\$178,463,451</u>	<u>\$291,289,352</u>	<u>\$469,752,803</u>

See accompanying notes to financial statements.

CITY OF REDDING
Balance Sheet
Governmental Funds
June 30, 2003

ASSETS	General Fund	1915 Act Assessment District Bonds	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 7,041,039	\$ —	\$40,031,947	\$47,072,986
Interest receivable	106,031	—	335,675	441,706
Accounts receivable, net	476,682	—	210,976	687,658
Intergovernmental receivable	1,962,725	—	5,756,920	7,719,645
Taxes receivable	4,254,304	—	317,429	4,571,733
Other receivable	—	—	475,939	475,939
Due from other funds	646,289	—	42,331	688,620
Inventories	194,779	—	—	194,779
Prepaid items	3,385	—	—	3,385
Restricted assets:				
Cash and investments	275,674	4,142,135	16,739,333	21,157,142
Interest receivable	19,935	17,133	137,150	174,218
Taxes receivable	—	—	485,400	485,400
Interfund receivable	372,605	—	15,988	388,593
Deposits	—	—	372,395	372,395
Assets held for sale	—	—	1,343,178	1,343,178
Advances to other funds	4,075,714	—	1,123,973	5,199,687
Special assessments receivable	—	11,530,941	14,196	11,545,137
Notes receivable	—	—	16,707,075	16,707,075
 Total assets	 <u>\$19,429,162</u>	 <u>\$15,690,209</u>	 <u>\$84,109,905</u>	 <u>\$119,229,276</u>

(continued)

LIABILITIES AND FUND BALANCES:	General Fund	1915 Act Assessment District Bonds	Other Governmental Funds	Total Governmental Funds
Liabilities:				
Accounts payable	\$ 587,853	\$ —	\$ 1,592,186	\$ 2,180,039
Accrued liabilities	1,204,808	47,093	838,807	2,090,708
Intergovernmental payable	243,869	—	91,082	334,951
Due to other funds	42,331	—	560,176	602,507
Deferred revenues	2,245,621	11,126,317	9,823,085	23,195,023
Interfund payables	—	—	56,988	56,988
Deposits	7,203	—	111,713	118,916
Advances from other funds	—	652,521	3,463,158	4,115,679
Total liabilities	<u>4,331,685</u>	<u>11,825,931</u>	<u>16,537,195</u>	<u>32,694,811</u>
Fund balances:				
Reserved for encumbrances	2,008,952	—	13,127,381	15,136,333
Reserved for inventories	194,779	—	—	194,779
Reserved for prepaid items	3,385	—	—	3,385
Reserved for noncurrent advances	4,075,714	—	112,081	4,187,795
Reserved for debt service	—	3,864,278	5,352,298	9,216,576
Reserved for capital projects	56,143	—	10,623,992	10,680,135
Reserved for school projects	—	—	626,337	626,337
Reserved for noncurrent notes receivable	—	—	17,464,620	17,464,620
Unreserved, reported in:				
General fund	3,883,960	—	—	3,883,960
Special revenue funds	—	—	2,548,815	2,548,815
Capital project funds	—	—	(593,847)	(593,847)
Debt service funds	—	—	9,101,683	9,101,683
Designated for continuing projects:				
Capital projects fund	—	—	9,209,350	9,209,350
Designated for rolling stock	597,544	—	—	597,544
Designated for future expenditures	<u>4,277,000</u>	<u>—</u>	<u>4,277,000</u>	
Total fund balances	<u>15,097,477</u>	<u>3,864,278</u>	<u>67,572,710</u>	<u>86,534,465</u>
Total liabilities and fund balances	<u>\$19,429,162</u>	<u>\$15,690,209</u>	<u>\$84,109,905</u>	<u>\$119,229,276</u>

See accompanying notes to financial statements.

CITY OF REDDING
 Governmental Funds
 Reconciliation of the Balance Sheet of
 Governmental Funds to the Statement of Net Assets
 June 30, 2003

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

Total Fund Balances	\$ 86,534,465
Capital assets have not been included as financial resources in governmental fund activity.	191,729,677
Accumulated depreciation has not been included in the fund financial statements.	(50,952,825)
Financing costs net of amortization	531,177
Current portion of long-term debt that has not been included in the governmental fund activity.	(3,131,107)
Long-term debt that has not been included in the governmental fund activity.	(63,995,057)
Capital leases included in internal service funds.	117,591
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(1,066,246)
Revenue reported as deferred revenue in the governmental funds was recorded as revenue in the statement of activities.	19,265,246
Internal service fund revenue included in the governmental activities on the statement of activities.	6,288,809
Accrued vacation and other leave not reported in governmental funds, but recorded as expense in the statement of activities.	<u>(6,858,279)</u>
Net assets of governmental activities	<u>\$178,463,451</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2003

	General Fund	1915 Act Assessment District Bonds	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 6,025,215	\$ —	\$ 7,244,258	\$13,269,473
Sales and use taxes	19,053,618	—	273,520	19,327,138
Other taxes	5,010,674	—	—	5,010,674
Special assessments	—	1,482,231	117,053	1,599,284
Licenses and permits	1,758,537	—	63,505	1,822,042
Intergovernmental revenues	7,530,996	—	16,934,424	24,465,420
Charges for services	2,128,300	—	—	2,128,300
Fines, forfeitures, and penalties	731,178	—	121,635	852,813
Use of money and property	8,158,292	—	54,479	8,212,771
Interest revenue	973,468,875	1,810,055	2,922,392	
Other	<u>540,740</u>	<u>—</u>	<u>3,304,489</u>	<u>3,845,229</u>
Total revenues	<u>51,911,012</u>	<u>1,621,106</u>	<u>29,923,418</u>	<u>83,455,536</u>
EXPENDITURES:				
Current:				
Community development	—	—	10,888,839	10,888,839
General government	6,201,835	16,198	121,136	6,339,169
Public safety:				
Police	18,055,073	—	144,594	18,199,667
Fire	11,178,765	—	—	11,178,765
Public works	4,036,720	—	147,935	4,184,655
Planning	3,409,124	—	—	3,409,124
Recreation and culture	3,661,822	—	—	3,661,822
Capital outlay	3,829,759	—	13,082,734	16,912,493
Debt service:				
Principal retirement	817,161	903,000	1,050,000	2,770,161
Interest and fiscal charges	1,056,242	622,377	1,812,146	3,490,765
Bond issuance costs	<u>153,405</u>	<u>—</u>	<u>93,413</u>	<u>246,818</u>
Total expenditures	<u>52,399,906</u>	<u>1,541,575</u>	<u>27,340,797</u>	<u>81,282,278</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(488,894)</u>	<u>79,531</u>	<u>2,582,621</u>	<u>2,173,258</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	276,898	—	3,739	280,637
Capital leases	235,193	—	—	235,193
Long-term debt issued	5,210,250	—	2,767,366	7,977,616
Bond discounts	(18,105)	—	(22,145)	(40,250)
Premium on bonds issued	17,271	—	—	17,271
Payment to refunding bonds escrow agent	(2,001,298)	—	—	(2,001,298)
Transfers in	3,194,568	—	12,716,035	15,910,603
Transfers out	<u>(13,046,809)</u>	<u>—</u>	<u>(5,716,176)</u>	<u>(18,762,985)</u>
Total other financing sources (uses)	<u>(6,132,032)</u>	<u>—</u>	<u>9,748,819</u>	<u>3,616,787</u>
Net change in fund balance	<u>(6,620,926)</u>	<u>79,531</u>	<u>12,331,440</u>	<u>5,790,045</u>
FUND BALANCE, beginning of year	<u>21,718,403</u>	<u>3,784,747</u>	<u>55,241,270</u>	<u>80,744,420</u>
FUND BALANCE, end of year	<u>\$15,097,477</u>	<u>\$ 3,864,278</u>	<u>\$67,572,710</u>	<u>\$86,534,465</u>

See accompanying notes to financial statements.

CITY OF REDDING
Governmental Funds
Reconciliation of The Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to
the Statement of Activities
For the Year Ending June 30, 2003

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

Net Change in Fund Balances - Total Governmental Funds	\$ 5,790,045
Governmental funds report capital outlays as expenditures.	16,418,278
In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation/amortization expense.	(5,647,069)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the net book value of the assets which were disposed.	(49,052)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,101,334
Repayment of bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	4,789,092
Proceeds from debt are a financing source in the governmental funds, but a liability in the statement of net assets.	(8,189,829)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(115,088)
In the statement of activities, financing costs are capitalized, whereas in the governmental funds, an expenditure is reported.	
246,818	
Compensated absences in the statement of activities is reported as an expense but is not reported in the governmental funds.	16,765
Internal service funds revenue that is recognized in the governmental activities in the statement of activities.	<u>293,575</u>
Change in Net Assets of Governmental Activities	<u>\$15,654,869</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Revenues, Expenditures, and Changes
In Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>	Budgetary Basis	Positive (Negative)
REVENUES:				
Property taxes	\$ 5,634,000	\$ 5,710,000	\$ 6,025,215	\$ 315,215
Sales and use taxes	16,950,000	17,950,000	18,746,349	796,349
Other taxes	4,350,000	4,570,000	5,072,340	502,340
Licenses and permits	1,252,000	1,752,500	1,758,537	6,037
Intergovernmental revenues	5,580,920	6,859,350	7,677,331	817,981
Charges for services	1,238,200	1,932,430	2,107,063	174,633
Fines, forfeitures, and penalties	603,000	603,000	731,178	128,178
Use of money and property	8,257,940	8,257,940	8,158,292	(99,648)
Investment revenue	351,950	551,950	932,405	380,455
Other revenue	<u>316,900</u>	<u>713,935</u>	<u>825,256</u>	<u>111,321</u>
 Total revenues	 <u>44,534,910</u>	 <u>48,901,105</u>	 <u>52,033,966</u>	 <u>3,132,861</u>
EXPENDITURES:				
Current:				
General government	6,528,810	7,571,125	6,643,492	927,633
Public safety:				
Police	17,676,150	19,744,700	19,081,477	663,223
Fire safety	9,323,635	11,440,107	11,394,991	45,116
Public works	6,891,190	8,170,940	5,175,641	2,995,299
Planning	3,863,200	4,111,490	3,861,539	249,951
Recreation and culture	6,297,130	6,424,350	6,329,613	94,737
Principal payments	1,022,370	1,133,790	709,591	424,199
Interest payments	1,084,060	1,093,060	1,211,342	(118,282)
Bond administrative charges	<u>15,000</u>	<u>15,000</u>	<u>14,974</u>	<u>26</u>
 Total expenditures	 <u>52,701,545</u>	 <u>59,704,562</u>	 <u>54,422,660</u>	 <u>5,281,902</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(8,166,635)</u>	 <u>(10,803,457)</u>	 <u>(2,388,694)</u>	 <u>8,414,763</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	56,000	56,000	262,750	206,750
Financing proceeds	—	3,412,740	3,389,722	(23,018)
Transfers in	3,493,060	4,444,615	3,316,040	(1,128,575)
Transfers out	<u>(2,600,610)</u>	<u>(2,976,370)</u>	<u>(3,180,735)</u>	<u>(204,365)</u>
 Total other financing sources (uses)	 <u>948,450</u>	 <u>4,936,985</u>	 <u>3,787,777</u>	 <u>(1,149,208)</u>

(continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Net change in fund balances	(7,218,185)	(5,866,472)	1,399,083	7,265,555
BUDGETARY FUND BALANCES, beginning of year	<u>21,718,403</u>	<u>21,718,403</u>	<u>21,718,403</u>	<u>—</u>
BUDGETARY FUND BALANCES, end of year	<u>\$14,500,218</u>	<u>\$15,851,931</u>	<u>\$23,117,486</u>	<u>\$ 7,265,555</u>

Fund balance from the Statement of Revenues, Expenditures
and Changes in Fund Balance:

\$15,097,477

1. The City budgets for taxes on a cash basis. (117,994)
2. The City budgets for grants on a cash basis. 18,727
3. Timing difference due to GASB 33. 329,498
4. The City does not budget for accounts payable adjustments. (155,550)
5. The City does not budget for benefit accruals. (18,895)
6. Financial statement only interest income adjustment per GASB 31. (34,343)
7. The City does not budget for the rolling stock fund. (1,099,729)
8. The City does not budget for the cash transfer to and from the
Airport Fund to cover grant revenue not received as of year end. (48,024)
9. The City budgets for the cash transfer to Airports for a PFC advance,
but records the advance in advances receivable in the balance sheet. (180,000)
10. Fire truck budgeted and paid for in prior year, but received in current year. 550,282
11. The City does not budget for the refunding of bonds. (164,264)
12. Encumbrances are not included in the Statement of Revenues, Expenditures
and Changes in Fund Balance. (2,450,626)
13. The City budgets for and records advance repayments in the revenue accounts,
but adjusts the actual payment to advances receivable. 82,500
14. The City did not budget for transfers in from the SHASCOM Fund. (118,512)
15. The City did not budget for the transfer out to set up a debt service fund. 11,067,939
16. The City did not budget for the transfer out to the Parking Fund. 359,000

Budgetary fund balance

\$23,117,486

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Net Assets
Proprietary Funds
June 30, 2003

ASSETS	Business-Type Activities			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
Current assets:				
Cash and investments	\$31,853,020	\$11,658,045	\$17,530,845	\$13,201,400
Interest receivable	288,260	70,798	98,492	138,362
Accounts receivable, net	13,336,744	1,590,864	966,747	1,448,648
Prepaid items	2,110,000	—	—	—
Intergovernmental receivable	—	20,000	—	6,269
Inventories	3,256,048	420,268	69,121	—
Interfund receivable	—	—	—	—
Pacificorp Energy receivable	2,023,200	—	—	—
PG&E rebate receivable	<u>1,456,335</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total current assets	<u>54,323,607</u>	<u>13,759,975</u>	<u>18,665,205</u>	<u>14,794,679</u>
Non-current assets:				
Restricted assets:				
Cash and investments	16,554,806	1,572,083	5,344	6,250,583
Interest receivable	—	—	—	—
Total restricted assets	<u>16,554,806</u>	<u>1,572,083</u>	<u>5,344</u>	<u>6,250,583</u>
Capital assets:				
Land	3,360,967	214,150	2,596,630	957,092
Utility plants	253,016,154	59,559,764	102,600,119	—
Buildings	4,248,862	3,073,924	2,323,037	13,601,111
Improvements other than buildings	—	65,984	214,264	—
Automotive equipment	3,020,393	1,138,444	804,926	9,874,673
Furnishings and equipment	6,321,815	473,984	807,486	6,183,175
Assets under capital lease	—	—	—	—
Construction in progress	<u>29,152</u>	<u>611,871</u>	<u>181,857</u>	<u>93,500</u>
Total capital assets	272,435,999	65,072,137	109,380,039	30,923,815
Less: accumulated depreciation	<u>(107,414,567)</u>	<u>(26,197,058)</u>	<u>(39,695,694)</u>	<u>(12,182,090)</u>
Net capital assets	<u>165,021,432</u>	<u>38,875,079</u>	<u>69,684,345</u>	<u>18,741,725</u>
Other assets:				
Power acquisition costs, net	1,974,576	—	—	—
Prepaid purchase cost	12,750,000	—	—	—
Advances to other funds	1,249,969	116,105	1,524,724	—
Financing costs, net	—	261,618	360,221	698,910
Investment in JPA	<u>27,938</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other assets	<u>16,002,483</u>	<u>377,723</u>	<u>1,884,945</u>	<u>698,910</u>
Total non-current assets	<u>197,578,721</u>	<u>40,824,885</u>	<u>71,574,634</u>	<u>25,691,218</u>
Total assets	<u>251,902,328</u>	<u>54,584,860</u>	<u>90,239,839</u>	<u>40,485,897</u>

(continued)

<u>Business-Type Activities</u>		<u>Governmental</u>
Non-Major Enterprise		<u>Activities</u>
<u>Funds</u>	<u>Total</u>	Internal Service
		<u>Funds</u>
\$ 3,511,549	\$77,754,859	\$10,571,863
17,123	613,035	58,755
180,193	17,523,196	19,910
—	2,110,000	221,267
1,278,819	1,305,088	—
132,557	3,877,994	78,338
—	—	126,000
—	2,023,200	—
—	<u>1,456,335</u>	<u>—</u>
<u>5,120,241</u>	<u>106,663,707</u>	<u>11,076,133</u>
364,861	24,747,677	—
<u>39</u>	<u>39</u>	<u>—</u>
<u>364,900</u>	<u>24,747,716</u>	<u>—</u>
7,769,469	14,898,308	8,310
13,386,765	428,562,802	—
16,701,510	39,948,444	—
23,388,885	26,107,789	187,445
7,404,831	22,243,267	9,135,819
1,787,739	15,574,199	1,616,205
1,049,602	1,049,602	551,317
<u>1,411,453</u>	<u>2,327,833</u>	<u>—</u>
72,900,254	550,712,244	11,499,096
<u>(31,916,867)</u>	<u>(217,406,276)</u>	<u>(7,506,093)</u>
<u>40,983,387</u>	<u>333,305,968</u>	<u>3,993,003</u>
—	1,974,576	—
—	12,750,000	—
—	2,890,798	1,041,358
32,062	1,352,811	—
—	<u>27,938</u>	<u>—</u>
<u>32,062</u>	<u>18,996,123</u>	<u>1,041,358</u>
<u>41,380,349</u>	<u>377,049,807</u>	<u>5,034,361</u>
<u>46,500,590</u>	<u>483,713,514</u>	<u>16,110,494</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Net Assets
Proprietary Funds
June 30, 2003

LIABILITIES AND NET ASSETS	Business-Type Activities			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
Current liabilities (payable from current assets):				
Accounts payable	\$ 1,912,969	\$ 260,837	\$ 327,559	\$ 91,593
Accrued liabilities	1,183,560	195,423	197,811	351,131
Accrued interest payable	505,901	161,269	434,327	359,196
Claims and judgements payable	—	—	—	—
Intergovernmental payable	6,609,222	26,273	2,243	21,433
Due to other funds	—	—	—	—
Deferred revenues	177,999	—	—	1,361
Deposits	1,635,532	—	—	1,453,998
Interfund payable	—	—	—	—
Capital leases, current	—	—	—	—
Long-term debt, current	4,120,000	920,000	1,190,000	456,251
State loan, current	—	—	—	—
Total current liabilities (payable from current assets)	<u>16,145,183</u>	<u>1,563,802</u>	<u>2,151,940</u>	<u>2,734,963</u>
Current liabilities (payable from restricted assets):				
Accrued interest payable	—	—	—	37,883
Total current liabilities (payable from restricted assets)	<u>—</u>	<u>—</u>	<u>—</u>	<u>37,883</u>
Long-term liabilities:				
Accrued compensated absences	1,800,653	358,285	358,401	586,327
Landfill closure costs	—	—	—	681,125
Advances from other funds	—	—	—	27,411
Capital leases, net of current	—	—	—	—
Long-term debt, net of current	93,077,140	13,329,246	19,611,854	15,069,030
State loan, net of current	—	—	15,113,340	—
Total long-term liabilities	<u>94,877,793</u>	<u>13,687,531</u>	<u>35,083,595</u>	<u>16,363,893</u>
Total liabilities	<u>111,022,976</u>	<u>15,251,333</u>	<u>37,235,535</u>	<u>19,136,739</u>
NET ASSETS:				
Invested in capital assets, net of related debt	84,224,805	25,073,731	46,115,849	3,220,080
Restricted:				
Capital projects	—	777,640	9,258,116	—
Debt service	103,782	—	—	2,517,544
Other	—	—	—	115,566
Unrestricted	<u>56,550,765</u>	<u>13,482,156</u>	<u>(2,369,661)</u>	<u>15,495,968</u>
Total net assets	<u>\$140,879,352</u>	<u>\$39,333,527</u>	<u>\$53,004,304</u>	<u>\$21,349,158</u>

<u>Business-Type Activities</u>		<u>Governmental</u>	
<u>Non-Major</u>		<u>Activities</u>	
<u>Enterprise</u>		<u>Internal</u>	
<u>Funds</u>	<u>Total</u>	<u>Service</u>	
		<u>Funds</u>	
\$ 457,585	\$ 3,050,543	\$ 241,154	Reconciliation of the Statement of Net Assets -
123,056	2,050,981	338,520	Proprietary Funds to the government-wide
31,933	1,492,626	—	Statement of Net Assets:
—	—	8,590,000	
2,858	6,662,029	—	Statement of Net Assets
86,114	86,114	—	Proprietary Funds
954,661	1,134,021	—	Total net assets
—	3,089,530	8,633	\$291,305,259
457,605	457,605	—	Less business-type portion of
119,633	119,633	72,870	Internal Service Funds loss
42,229	6,728,480	—	<u>15,907</u>
<u>62,559</u>	<u>62,559</u>	<u>—</u>	Statement of Activities:
			Total net assets
<u>2,338,233</u>	<u>24,934,121</u>	<u>9,251,177</u>	<u>\$291,289,352</u>
<u>—</u>	<u>37,883</u>	<u>—</u>	
<u>—</u>	<u>37,883</u>	<u>—</u>	
221,002	3,324,668	541,694	
—	681,125	—	
4,988,752	5,016,163	—	
560,869	560,869	44,721	
1,292,512	142,379,782	—	
<u>360,304</u>	<u>15,473,644</u>	<u>—</u>	
<u>7,423,439</u>	<u>167,436,251</u>	<u>586,415</u>	
<u>9,761,672</u>	<u>192,408,255</u>	<u>9,837,592</u>	
37,855,183	196,489,648	213,598	
1,905,819	11,941,575	—	
—	2,621,326	—	
—	115,566	—	
<u>(3,022,084)</u>	<u>80,137,144</u>	<u>6,059,304</u>	
<u>\$36,738,918</u>	<u>\$291,305,259</u>	<u>\$ 6,272,902</u>	

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Revenues, Expenses
and Changes in Net Assets - Proprietary Funds
For the Year Ended June 30, 2003

	Business-Type Activities			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
OPERATING REVENUES:				
User fees and charges	\$64,289,254	\$11,282,325	\$ 9,457,454	\$13,723,224
Wholesale power sales	26,697,719	—	—	—
Rental charges	—	—	11,160	—
Other operating revenue	<u>783,134</u>	<u>31,719</u>	<u>23,500</u>	<u>1,090,439</u>
Total operating revenues	<u>91,770,107</u>	<u>11,314,044</u>	<u>9,492,114</u>	<u>14,813,663</u>
OPERATING EXPENSES:				
Cost of power, water, and transportation	57,540,449	250,826	—	—
Maintenance, operations, and administration	25,255,088	6,516,612	5,652,752	9,790,853
Depreciation and amortization	<u>13,191,424</u>	<u>1,924,183</u>	<u>2,957,227</u>	<u>1,751,458</u>
Total operating expenses	<u>95,986,961</u>	<u>8,691,621</u>	<u>8,609,979</u>	<u>11,542,311</u>
Operating income (loss)	<u>(4,216,854)</u>	<u>2,622,423</u>	<u>882,135</u>	<u>3,271,352</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest revenue	2,124,879	478,117	599,133	619,198
Interest expense	(5,791,017)	(736,531)	(1,410,797)	(811,158)
Rent	—	—	—	—
Intergovernmental revenues	—	53,683	34,248	103,720
Gain (loss) on disposal of assets	(369,097)	3,412	(32,109)	—
Other non-operating revenues (expenses)	<u>154,800</u>	<u>1,968,075</u>	<u>2,630,896</u>	<u>44,871</u>
Total non-operating revenues (expenses)	<u>(3,880,435)</u>	<u>1,766,756</u>	<u>1,821,371</u>	<u>(43,369)</u>
Income (loss) before operating transfers and capital contributions	(8,097,289)	4,389,179	2,703,506	3,227,983
Capital contributions	860,253	931,439	946,609	—
Transfers in	—	—	—	—
Transfers out	<u>(49,744)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in net assets	<u>(7,286,780)</u>	<u>5,320,618</u>	<u>3,650,115</u>	<u>3,227,983</u>
Net assets, beginning of year	146,230,482	34,012,909	49,354,189	18,121,175
Prior period adjustments	<u>1,935,650</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net assets, beginning of year (as restated)	<u>148,166,132</u>	<u>34,012,909</u>	<u>49,354,189</u>	<u>18,121,175</u>
Net assets, end of year	<u>\$140,879,352</u>	<u>\$39,333,527</u>	<u>\$53,004,304</u>	<u>\$21,349,158</u>

<u>Business-Type Activities</u>		<u>Governmental</u>	
<u>Non-Major</u>		<u>Activities</u>	
<u>Enterprise</u>		<u>Internal</u>	
<u>Funds</u>	<u>Total</u>	<u>Service</u>	
		<u>Funds</u>	
\$ 1,964,966	\$100,717,223	\$20,789,602	Reconciliation of Statement of Revenues, Expenses
—	26,697,719	—	and Changes in Net Assets - Proprietary Funds
881,801	892,961	—	to the Statement of Activities:
<u>501,123</u>	<u>2,429,915</u>	<u>22,755</u>	
<u>3,347,890</u>	<u>130,737,818</u>	<u>20,812,357</u>	Proprietary Funds changes in net
			assets. \$ 5,831,854
2,237,480	60,028,755	—	Add Internal Service Funds income -
5,439,171	52,654,476	21,246,129	business-type activity portion. <u>163,794</u>
<u>3,460,075</u>	<u>23,284,367</u>	<u>958,619</u>	Statement of Activities:
<u>11,136,726</u>	<u>135,967,598</u>	<u>22,204,748</u>	Change in net assets. <u>\$ 5,995,648</u>
<u>(7,788,836)</u>	<u>(5,229,780)</u>	<u>(1,392,391)</u>	
119,281	3,940,608	383,900	
(137,280)	(8,886,783)	(7,091)	
250	250	—	
3,076,777	3,268,428	—	
(32,664)	(430,458)	26,042	
<u>541,665</u>	<u>5,340,307</u>	<u>—</u>	
<u>3,568,029</u>	<u>3,232,352</u>	<u>402,851</u>	
(4,220,807)	(1,997,428)	(989,540)	
2,238,600	4,976,901	1,446,909	
2,902,125	2,902,125	—	
—	(49,744)	—	
<u>919,918</u>	<u>5,831,854</u>	<u>457,369</u>	
35,819,000	283,537,755	5,815,533	
—	<u>1,935,650</u>	—	
<u>35,819,000</u>	<u>285,473,405</u>	<u>5,815,533</u>	
<u>\$36,738,918</u>	<u>\$291,305,259</u>	<u>\$ 6,272,902</u>	

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2003

	Business-Type Activities			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
Cash flows from operating activities:				
Cash received from customers	\$89,474,358	\$11,188,679	\$ 9,762,481	\$14,752,643
Cash paid to suppliers	(70,418,635)	(4,623,811)	(3,581,295)	(5,657,951)
Cash paid to employees	(12,714,026)	(1,995,097)	(2,010,445)	(3,861,909)
Other income received	<u>890,309</u>	<u>31,719</u>	<u>23,500</u>	<u>—</u>
Net cash provided (used) by operating activities	<u>7,232,006</u>	<u>4,601,490</u>	<u>4,194,241</u>	<u>5,232,783</u>
Cash flows from noncapital financing activities:				
Intergovernmental revenue received	—	44,304	—	100,166
Advances from other funds	—	—	—	27,410
Advances to other funds	46	(13,602)	83,321	—
Repayment of advances to other funds	—	—	—	—
Transfers in	—	—	—	—
Other non-operating revenues (expense), net	<u>—</u>	<u>—</u>	<u>—</u>	<u>44,871</u>
Net cash provided (used) by noncapital financing activities	<u>46</u>	<u>30,702</u>	<u>83,321</u>	<u>172,447</u>
Cash flows from capital and related financing activities:				
Refunds to developers	—	—	—	—
Capital grant received	—	—	—	—
Proceeds from sale of assets	19,488	11,000	13,000	—
Purchase of capital assets	(6,503,485)	(3,643,523)	(9,542,402)	(633,361)
Interest paid	(4,929,956)	(684,007)	(988,032)	(823,374)
Principal paid on long-term debt	(21,612,867)	(969,301)	(1,357,155)	(463,574)
Long-term debt issued	—	—	10,381,895	—
Principal paid on capital leases	—	—	—	—
Other non-operating revenues (expense), net	<u>154,800</u>	<u>1,968,075</u>	<u>2,665,144</u>	<u>—</u>
Net cash provided (used) by capital and related financing activities	<u>(32,872,020)</u>	<u>(3,317,756)</u>	<u>1,172,450</u>	<u>(1,920,309)</u>
Cash flows from investing activities:				
Investment revenue received	<u>2,520,420</u>	<u>521,138</u>	<u>613,314</u>	<u>660,813</u>
Net cash provided (used) by investing activities	<u>2,520,420</u>	<u>521,138</u>	<u>613,314</u>	<u>660,813</u>
Net increase (decrease) in cash	(23,119,548)	1,835,574	6,063,326	4,145,734
Cash and investments, beginning of year	<u>71,527,374</u>	<u>11,394,554</u>	<u>11,472,863</u>	<u>15,306,249</u>
Cash and investments, end of year	<u>\$48,407,826</u>	<u>\$13,230,128</u>	<u>\$17,536,189</u>	<u>\$19,451,983</u>

(continued)

<u>Business-Type Activities</u>		<u>Governmental</u>
Non-Major		<u>Activities</u>
Enterprise		Internal
<u>Funds</u>	<u>Total</u>	Service
		<u>Funds</u>
\$ 3,370,008	\$128,548,169	\$20,817,935
(6,228,605)	(90,510,297)	(16,476,313)
(1,657,526)	(22,239,003)	(3,680,298)
<u>—</u>	<u>945,528</u>	<u>—</u>
<u>(4,516,123)</u>	<u>16,744,397</u>	<u>661,324</u>
3,421,395	3,565,865	—
152,264	179,674	—
—	69,765	—
(70,000)	(70,000)	135,314
2,852,381	2,852,381	—
<u>—</u>	<u>44,871</u>	<u>—</u>
<u>6,356,040</u>	<u>6,642,556</u>	<u>135,314</u>
(89,026)	(89,026)	—
854,251	854,251	—
2,875	46,363	32,803
(2,405,113)	(22,727,884)	(113,097)
(124,375)	(7,549,744)	(7,091)
(138,363)	(24,541,260)	—
—	10,381,895	—
(115,118)	(115,118)	(69,699)
<u>541,665</u>	<u>5,329,684</u>	<u>—</u>
<u>(1,473,204)</u>	<u>(38,410,839)</u>	<u>(157,084)</u>
<u>109,185</u>	<u>4,424,870</u>	<u>419,321</u>
<u>109,185</u>	<u>4,424,870</u>	<u>419,321</u>
475,898	(10,599,016)	1,058,875
<u>3,400,512</u>	<u>113,101,552</u>	<u>9,512,988</u>
<u>\$ 3,876,410</u>	<u>\$102,502,536</u>	<u>\$10,571,863</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2003

	Business-Type Activities			
	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Waste Water Utility</u>	<u>Solid Waste Collection/ Disposal</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$(4,216,854)	\$ 2,622,423	\$ 882,135	\$ 3,271,352
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	13,191,424	1,924,183	2,957,227	1,751,458
(Increase) decrease in accounts receivable	(1,622,789)	(93,646)	293,867	(44,173)
(Increase) decrease in inventories	163,069	29,529	(21,324)	—
(Increase) decrease in prepaid items	—	—	—	—
(Increase) decrease in investment in JPA	107,175	—	—	—
Increase (decrease) in accounts payable	(4,216,972)	21,936	15,595	(5,456)
Increase (decrease) in accrued liabilities	59,452	19,697	17,133	20,442
Increase (decrease) in interfund payable	—	—	—	—
Increase (decrease) in claims and judgments payable	—	—	—	—
Increase (decrease) in deposits	242,844	—	—	276,799
Increase (decrease) in intergovernmental payable	6,605,531	23,001	2,231	(2,884)
Provision for contract write-down	(3,087,170)	—	—	—
Increase (decrease) in deferred revenues	(132,670)	—	—	(16,846)
Increase (decrease) in accrued compensated absences	138,966	54,367	47,377	61,254
Increase (decrease) in accrued landfill closure costs	—	—	—	(79,163)
Total adjustments	<u>11,448,860</u>	<u>1,979,067</u>	<u>3,312,106</u>	<u>1,961,431</u>
Net cash provided (used) by operating activities	<u>\$ 7,232,006</u>	<u>\$ 4,601,490</u>	<u>\$ 4,194,241</u>	<u>\$ 5,232,783</u>
Schedule of noncash capital and related financing activities:				
Plant contributed from developers	\$ 860,253	\$ 931,439	\$ 946,609	\$ —
Equipment contributed from customers	—	—	—	—
Total contributed capital	<u>\$ 860,253</u>	<u>\$ 931,439</u>	<u>\$ 946,609</u>	<u>\$ —</u>

See Note 22 on defeasance of debt.

<u>Business-Type Activities</u>		<u>Governmental</u>
<u>Non-Major</u>		<u>Activities</u>
<u>Enterprise</u>		<u>Internal</u>
<u>Funds</u>	<u>Total</u>	<u>Service</u>
		<u>Funds</u>
\$(7,788,836)	\$(5,229,780)	\$(1,392,391)
3,460,075	23,284,367	958,619
16,446	(1,450,295)	5,755
(9,744)	161,530	(3,111)
—	—	56,869
—	107,175	—
(296,492)	(4,481,389)	(2,422)
(4,104)	112,620	18,777
50,881	50,881	—
—	—	963,000
—	519,643	(2,617)
53,411	6,681,290	(177)
—	(3,087,170)	—
30,408	(119,108)	—
(28,168)	273,796	59,022
—	(79,163)	—
<u>3,272,713</u>	<u>21,974,177</u>	<u>2,053,715</u>
<u>\$(4,516,123)</u>	<u>\$16,744,397</u>	<u>\$ 661,324</u>
\$ 1,361,916	\$ 4,100,217	\$ —
—	—	<u>1,446,909</u>
<u>\$ 1,361,916</u>	<u>\$ 4,100,217</u>	<u>\$ 1,446,909</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Agency Net Assets
Agency Funds
June 30, 2003

ASSETS

Cash and cash equivalents	\$ 1,832,118
Accounts receivable	143,103
Interest receivable	<u>25,009</u>
Total assets	<u>2,000,230</u>

LIABILITIES

Deposits	<u>2,000,230</u>
Total liabilities	<u>2,000,230</u>

NET ASSETS

\$ —

See accompanying notes to financial statements.

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

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

A. Reporting Entity - (Continued)

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

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

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

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

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

D. Basis of Presentation

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

Governmental Funds:

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

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

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

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

Proprietary Funds:

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

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

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

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

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

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

Fiduciary Funds:

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

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

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

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

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

Electric	\$ 5,791,017
Water	736,531
Wastewater	1,410,797
Storm drainage	11,749
Solid waste	811,158
Transportation - Airport	102,799
Convention Center	<u>22,732</u>
 Total	 <u>\$ 8,886,783</u>

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

E. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

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

General Receivables and Property Taxes Receivable

The City records an allowance for doubtful accounts on general accounts receivable based on the experience method. At June 30, 2003 accounts receivable included the following allowances by fund type:

General fund	\$ 71,269
Special revenue funds	174,405
Enterprise funds	2,003,085
Internal service funds	9,633

The County of Shasta assesses, bills, and collects property taxes for the City. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1. They become due November 1 and February 1 and become delinquent December 10 and April 10. City property tax revenue is recognized when levied to the extent that it results in current receivables.

Inventories

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

Capital Assets

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

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

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

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

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

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

Pension Plan

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

Vacation and Sick Pay

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

Vacation pay and one-third to six-tenths of the sick pay of employees with terms of services equal to or exceeding ten years have been accrued in the accompanying government-wide financial statements and the accompanying proprietary fund financial statements. For governmental funds, the amount matured is reported as a liability in the governmental fund financial statements.

Deferred Revenue

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

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

Long-Term Obligations

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

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

Fund Equity

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

Net Assets

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

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

Use of Estimates

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Data

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

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

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

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

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

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

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

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2003, are as follows:

Cash and investments	\$135,399,708
Restricted cash and investments	45,904,819
Agency funds	<u>1,832,118</u>
Total	<u>\$183,136,645</u>

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 3 - CASH AND INVESTMENTS - (Continued)

Deposits - At June 30, 2003, the carrying amount of the City's deposits was \$12,177,522. The bank balance was \$14,599,253. Of the bank balance, \$345,393 was covered by Federal depository insurance, and \$14,253,860 was covered by collateral held in the pledging bank's trust department. Such collateral was not in the City's name. (There is no Government or City Code requirement that collateral be held in the City's name.)

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

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

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

In accordance with authorized investment laws, the State Treasurer's investment pool (LAIF) invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2003, 2.327% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities.

The City's investments are categorized in the following manner:

Category 1 - Investments that are insured, registered, or for which the securities are held by the City or its agents in the City's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the bank's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the bank or its trust department or agent but not in the City's name.

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 3 - CASH AND INVESTMENTS - (Continued)

At June 30, 2003, the City's investments and deposits were as follows:

	Category			Reported
	1	2	3	Amount
				Fair Value
Commercial Paper	\$ —	\$ —	\$ —	\$ —
Medium-Term Corporate Notes	—	16,727,910	—	16,727,910
U. S. Government Securities	—	35,300,809	—	35,300,809
Total categorized investments	\$ —	\$ 52,028,719	\$ —	52,028,719
Investments not subject to categorization:				
Investment in State Treasurer's Investment Pool				96,868,088
Guaranteed investment agreements				15,282,617
Mutual funds				6,779,699
Total investments				170,959,123
Deposits				12,177,522
Total deposits and investments				\$183,136,645

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables/payables:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Business-Type - Airports	\$ 372,605
Nonmajor Governmental Funds	Nonmajor Governmental Fund	15,988
Internal Service Funds	Nonmajor Business-Type - Airports	85,000
	Nonmajor Governmental Fund	41,000
	Total Internal Service Fund	126,000
	Total interfund receivables/payables	\$ 514,593

NOTE 5 - CAPITAL ASSETS

Changes in capital assets consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 16,452,770	\$ 1,510,688	\$ (524,180)	\$17,439,278
Construction in progress	8,378,404	7,162,276	(1,249,255)	14,291,425
Total capital assets, not being depreciated	24,831,174	8,672,964	(1,773,435)	31,730,703

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 5 - CAPITAL ASSETS - (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings	37,124,110	420,769	—	37,544,879
Improvements other than buildings	109,474,408	8,832,094	(35,728)	118,270,774
Automotive equipment	7,890,154	1,469,712	(224,048)	9,135,818
Furnishings and equipment	5,925,239	373,856	(553,817)	5,745,278
Assets under capital lease	<u>801,321</u>	<u>—</u>	<u>—</u>	<u>801,321</u>
 Total capital assets, being depreciated	 <u>161,215,232</u>	 <u>11,096,431</u>	 <u>(813,593)</u>	 <u>171,498,070</u>
Less accumulated depreciation for:				
Buildings	(8,685,209)	(1,196,483)	—	(9,881,692)
Improvements other than buildings	(33,793,042)	(4,054,688)	35,728	(37,812,002)
Automotive equipment	(5,227,003)	(818,160)	217,287	(5,827,876)
Furnishings and equipment	(4,613,213)	(442,769)	503,825	(4,552,157)
Assets under capital lease	<u>(303,818)</u>	<u>(81,373)</u>	<u>—</u>	<u>(385,191)</u>
 Total accumulated depreciation	 <u>(52,622,285)</u>	 <u>(6,593,473)</u>	 <u>756,840</u>	 <u>(58,485,918)</u>
Total capital assets, being depreciated, net	 <u>108,592,947</u>	 <u>4,502,958</u>	 <u>(56,753)</u>	 <u>113,039,152</u>
 Governmental activities capital assets, net	 <u>\$133,424,121</u>	 <u>\$13,175,922</u>	 <u>\$(1,830,188)</u>	 <u>\$144,769,855</u>

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

	<u>Depreciation Expense</u>	<u>Amortization Expense</u>	<u>Total</u>
Governmental activities:			
General government	\$ 1,179,792	\$ —	\$ 1,179,792
Police	285,466	—	285,466
Fire	107,682	—	107,682
Public works	3,314,004	—	3,314,004
Planning	1,653	—	1,653
Recreation and culture	722,632	—	722,632
Community development	<u>6,889</u>	<u>20,685</u>	<u>27,574</u>
Total	5,618,118	20,685	5,638,803
 Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	 <u>958,619</u>	 <u>—</u>	 <u>958,619</u>
 Total depreciation expense - government activities	 <u>\$ 6,576,737</u>	 <u>\$ 20,685</u>	 <u>\$ 6,597,422</u>

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 5 - CAPITAL ASSETS - (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 12,830,446	\$ 2,067,863	\$ —	\$ 14,898,309
Construction in progress	<u>16,793,694</u>	<u>629,960</u>	<u>(15,095,823)</u>	<u>2,327,831</u>
Total capital assets, not being depreciated	<u>29,624,140</u>	<u>2,697,823</u>	<u>(15,095,823)</u>	<u>17,226,140</u>
Capital assets, being depreciated:				
Utility plants	395,219,397	33,988,249	(644,841)	428,562,805
Buildings	39,979,935	—	(31,491)	39,948,444
Improvements other than buildings	25,649,425	458,364	—	26,107,789
Automotive equipment	21,513,221	1,140,629	(410,584)	22,246,266
Furnishings and equipment	13,995,159	2,083,300	(504,262)	15,574,197
Assets under capital lease	<u>1,049,603</u>	<u>—</u>	<u>—</u>	<u>1,049,603</u>
Total capital assets, being depreciated	<u>497,406,740</u>	<u>37,670,542</u>	<u>(1,591,178)</u>	<u>533,486,104</u>
Less accumulated depreciation for:				
Utility plants	(152,276,391)	(14,479,600)	729,080	(166,026,911)
Buildings	(15,835,237)	(1,243,351)	29,669	(17,048,919)
Improvements other than buildings	(10,979,217)	(1,708,346)	—	(12,687,563)
Automotive equipment	(10,676,188)	(1,730,146)	338,493	(12,067,841)
Furnishings and equipment	(7,736,418)	(1,840,044)	299,642	(9,276,820)
Assets under capital lease	<u>(167,917)</u>	<u>(130,305)</u>	<u>—</u>	<u>(298,222)</u>
Total accumulated depreciation	<u>(197,671,368)</u>	<u>(21,131,792)</u>	<u>1,396,884</u>	<u>(217,406,276)</u>
Total capital assets, being depreciated, net	<u>299,735,372</u>	<u>16,538,750</u>	<u>(194,294)</u>	<u>316,079,828</u>
Business-type capital assets, net	<u>\$329,359,512</u>	<u>\$19,236,573</u>	<u>\$(15,290,117)</u>	<u>\$333,305,968</u>

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

	<u>Depreciation Expense</u>	<u>Amortization Expense</u>	<u>Total</u>
Business-type activities:			
Electric	\$10,849,356	\$ 2,342,068	\$13,191,424
Water	1,919,749	4,434	1,924,183
Wastewater	2,938,268	18,959	2,957,227
Storm drainage	735,272	—	735,272
Solid waste	1,717,085	34,373	1,751,458
Transportation	2,466,347	417	2,466,764
Convention center	<u>257,774</u>	<u>265</u>	<u>258,039</u>
Total depreciation and amortization expense-business-type activities	<u>\$20,883,851</u>	<u>\$ 2,400,516</u>	<u>\$23,284,367</u>

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 6 - SELF-INSURANCE

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

Employee Health Insurance is administered through a private carrier. The City is self-insured up to \$150,000 with an insurance company co-insuring claims from \$150,001 to the statutory limit. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of total claims expense. The interfund charges are reported as an expense or expenditure in the at risk fund. The estimated liability for pending and incurred but not reported employee health insurance claims at June 30, 2003, 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 \$300,000 with an insurance company co-insuring claims from \$300,001 to the statutory limit. Claim payments are charged to the fund that employs the claimant. The estimated liability for pending and incurred but not reported claims at June 30, 2003, has been included in the Risk Management Fund's claims payable amount as of June 30, 2003.

Liability Insurance is administered as a co-insurance plan. The City is self-insured up to \$500,000 with an insurance company co-insuring claims from \$500,001 to \$25 million. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience, and the interfund charges are reported as an expense or expenditure in the at risk fund. Incurred but not reported claims liability has been included in the claims payable amount as of June 30, 2003.

Property Insurance is administered as a co-insurance plan. The City is self-insured for claims up to \$25,000. An insurance company co-insures claims over \$25,000. Additionally, the City has acquired earthquake and flood coverage for the Redding Power Plant up to \$10,000,000. The deductibles on these policies are 5% of insured value and \$500,000 respectively. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience, and the interfund charges are reported as an expense or expenditure in the at risk fund. Incurred but not reported claims liability has been included in the claims payable amount as of June 30, 2003.

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

	<u>Liability at July 1, 2001</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2002</u>
Fiscal Year Ended June 30, 2002:				
Workers' Compensation	\$ 4,684,300	\$ 2,008,922	\$ 1,557,222	\$ 5,136,000
General Liability	1,772,642	517,709	549,351	1,741,000
Health and Dental	1,422,000	7,007,420	7,679,420	970,000
Total	<u>\$ 7,878,942</u>	<u>\$9,534,051</u>	<u>\$ 9,785,993</u>	<u>\$ 7,627,000</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 6 - SELF-INSURANCE - (Continued)

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

	<u>Liability at July 1, 2002</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2003</u>
Fiscal Year Ended June 30, 2003:				
Workers' Compensation	\$ 5,136,000	\$ 2,249,338	\$ 1,725,338	\$ 5,660,000
General Liability	1,741,000	871,370	652,370	1,960,000
Health and Dental	<u>750,000</u>	<u>7,900,965</u>	<u>7,680,965</u>	<u>970,000</u>
Total	<u>\$ 7,627,000</u>	<u>\$11,021,673</u>	<u>\$10,058,673</u>	<u>\$ 8,590,000</u>

NOTE 7 - LEASES

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

<u>Fiscal Year Ended June 30,</u>	<u>Capital Leases</u>
2004	\$ 437,632
2005	404,559
2006	283,041
2007	217,785
2008	191,711
2009-2013	442,396
2014-2015	<u>82,227</u>
Total minimum lease payments	2,059,351
Less amount representing interest	<u>369,870</u>
Present value of minimum lease payments	<u>\$ 1,689,481</u>

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

General	\$ 891,387
Convention center	509,139
Storm drainage utility	171,364
Information systems	99,379
General support services	<u>18,212</u>
Total debt service	<u>\$ 1,689,481</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 8 - JOINT VENTURES

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

M-S-R Public Power Agency

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

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

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

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

Summary audited financial information of the M-S-R Public Power Agency as of and for the year ended December 31, 2002, is as follows (in thousands):

Total assets	<u>\$ 317,848</u>	Total revenues	91,870
		Total expenses	<u>(105,691)</u>
Total liabilities	\$ 532,308		
Total members' deficit	<u>(214,460)</u>	Net (loss) income	(13,821)
		Distributions	(6,704)
Total liabilities and members' deficit	<u>\$ 317,848</u>	Members' deficit, January 1, 2001	<u>(193,935)</u>
		Members' deficit, December 31, 2002	<u>\$ (214,460)</u>

The debt of the Agency is comprised entirely of revenue bonds totaling \$487.7 million. These bonds are secured by a pledge and assignment of the net electric revenues of the Agency and are supported by take-and-pay commitments of the participants.

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 8 - JOINT VENTURES - (Continued)

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

The City utilizes the equity method of accounting for M-S-R Public Power Agency. The City has invested \$17.4 million in this joint venture. However, operating losses have caused the City to have a deficit equity in the Agency of \$32.2 million at December 31, 2002. Because the City's equity in M-S-R's net loss exceeds its investment, the equity method of accounting for the investment has been suspended. At the time the equity investment value of the Agency becomes a positive amount, the electric utility fund will resume presenting such values in its balance sheet.

Transmission Agency of Northern California

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

Also TANC receives from PG&E 300 MW of bi-directional transmission service over PG&E's system between the Tesla and Midway Substations. The City's share of this South of Tesla agreement is 10.33% at June 30, 2003.

The City's share of total outstanding debt at June 30, 2003 is \$37.2 million.

Summarized financial information of TANC as of and for the year ended June 30, 2003 is as follows (in thousands):

Total assets	<u>\$ 488,980</u>
Total liabilities	\$ 488,627
Total net assets	<u>353</u>
Total liabilities and net assets	<u>\$ 488,980</u>
Net increase (decrease) in net assets	<u>\$ 9</u>

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 9 - LONG-TERM LIABILITIES

The following is a summary of long-term obligations of the City of Redding at June 30, 2003.

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions/</u> <u>Transfers</u>	<u>Reductions/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Long-term debt:					
Redevelopment bonds	\$31,445,000	\$ —	\$ 1,050,000	\$30,395,000	\$ 865,000
Special assessment debt with governmental commitment	10,693,746	—	876,904	9,816,842	1,366,530
Revenue bonds	20,226,008	7,977,616	2,351,288	25,852,336	622,916
State loans	510,918	—	265,169	245,749	40,543
Capital leases	972,881	235,193	199,095	1,008,974	231,118
Bond premiums	—	17,271	360	16,911	—
Bond discount	(89,701)	(40,250)	(6,028)	(123,923)	—
Unamortized deferred loss on defeasance of debt	—	(90,242)	(4,512)	(85,730)	—
Total long-term debt	<u>63,758,852</u>	<u>8,099,588</u>	<u>4,732,276</u>	<u>67,126,164</u>	<u>3,131,107</u>
Long-term accrued liability:					
Compensated absences	7,989,892	109,204	—	8,099,096	2,811,711
Housing set-aside	158,706	5,755	—	164,461	—
Total long-term accrued liability	<u>8,148,598</u>	<u>114,959</u>	<u>—</u>	<u>8,263,557</u>	<u>2,811,711</u>
Total governmental activity	<u>71,907,450</u>	<u>8,214,547</u>	<u>4,732,276</u>	<u>75,389,721</u>	<u>5,942,818</u>
Business-type activities:					
Long-term debt:					
Special assessment debt	253,254	—	26,096	227,158	—
Revenue bonds	56,088,992	40,089,974	40,536,302	55,642,664	2,608,479
State loans payable	5,240,882	10,381,895	86,573	15,536,204	62,559
General obligation debt	1,629,364	—	929,364	700,000	350,000
Capital leases	795,620	—	115,118	680,502	119,633
Certificates of participation	127,647,641	—	21,047,641	106,600,000	3,770,000
Bond premium	297,500	248,473	29,722	516,252	—
Bond discounts	(704,081)	—	(704,081)	—	—
Unamortized deferred loss on defeasance of debt	(12,416,940)	(3,072,262)	(911,389)	(14,577,813)	—
Total long-term debt	<u>178,832,232</u>	<u>47,648,080</u>	<u>61,155,345</u>	<u>165,324,967</u>	<u>6,910,672</u>
Long-term accrued liability:					
Compensated absences	4,553,578	336,476	208,877	4,890,054	1,565,386
Total long-term accrued liability	<u>4,553,578</u>	<u>336,476</u>	<u>208,877</u>	<u>4,890,054</u>	<u>1,565,386</u>
Total business-type activities	<u>183,385,810</u>	<u>47,984,556</u>	<u>61,155,345</u>	<u>170,215,021</u>	<u>8,476,058</u>
Total long-term liabilities	<u>\$255,293,260</u>	<u>\$56,199,103</u>	<u>\$65,887,621</u>	<u>\$245,604,742</u>	<u>\$14,418,876</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Redevelopment Agency Obligation Bonds</u>		
Tax Allocation Bonds, Series A:		
Interest from 2.61% to 6.4% payable on March 1 and September 1; maturities payable on September 1 in annual redemptions from \$280,000 to \$545,000; final payment September 1, 2016. Original issue: \$6,000,000. Proceeds from the Series A Bonds are used for housing projects.	\$ 5,585,000	\$ —
Tax Allocation Bonds, Series A Market Street:		
Interest of 6.7% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$10,000 to \$170,000; final payment on September 1, 2023. Original issue \$2,285,000. Bonds were issued to finance various capital improvements within the Market Street Redevelopment Project.	1,995,000	—
Tax Allocation Bonds, Series B:		
Interest from 4.5% to 4.875% payable March 1 and September 1; maturities are payable beginning September 1, 2016 in annual redemptions from \$105,000 to \$745,000; final payment September 1, 2021. Original issue: \$3,500,000. Proceeds from the Series B Bond are used for housing projects.	3,500,000	—
Tax Allocation Bonds, Series C:		
Interest from 2.5% to 6% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$85,000 to \$400,000; final payment September 1, 2022. Original issue \$5,905,000. Proceeds from the Series C Bonds are being used to finance various capital improvements within the Canby-Hilltop-Cypress Redevelopment Area.	4,870,000	—
Tax Allocation Bonds, Series D:		
Serial Bonds of \$3,470,000 bear interest from 2.7% to 4.5%, payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$300,000 to \$405,000; final payment September 1, 2003.		
Term Bonds of \$14,040,000 bear interest at 5%, payable March 1 and September 1; \$4,055,000 plus accrued interest due September 1, 2011; \$9,985,000 plus interest due September 1, 2023.		
Bonds were issued to finance various capital improvements within the Canby-Hilltop- Cypress Redevelopment Area.	<u>14,445,000</u>	<u>—</u>
Total Redevelopment Agency obligation	<u>\$30,395,000</u>	<u>\$ —</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Special Assessment Debt with Governmental Commitment</u>		
1915 Act Assessment District Bonds:		
Interest from 4.70% to 9.25% payable on March 2 and September 2; maturities payable on September 2 in annual redemptions from \$2,000 to \$820,000; final payment September 2, 2019. Original issues totaled \$22,778,150.	\$ 9,816,842	\$ —
Interest from 4.40% to 5.6%, payable on March 2 and September 2; maturities payable on September 2 in annual redemptions ranging from \$27,470 to \$38,076, final payment September 2, 2011. Reassessment issues totaled \$345,964.	<u>—</u>	<u>227,158</u>
Total 1915 Act Assessment District Bonds	<u>\$ 9,816,842</u>	<u>\$ 227,158</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.	\$ —	\$15,360,000
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 from \$1,190,000 to \$1,885,000 final payment due December 1, 2018.	—	23,575,000

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
1997 Lease Revenue Bond, Series A: Issued to finance the Construction of the Civic Center. Interest from 4% to 5.5% payable on March 1 and September 1; maturities payable on March 1 in annual redemptions from \$185,000 to \$350,000; final payment due March 1, 2026. Original issue \$11,425,000.	10,200,000	—
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.		
Series A, Serial/Term Bonds: <u>Serial Bonds</u> interest from 2% to 5% payable on March 1 and September 1; maturities payable annually on March 1 in annual redemptions from \$170,000 to \$290,000; final payment due March 1, 2019. Original issue \$3,535,000. <u>Term Bonds</u> , (1) bear interest at 4.75% maturity payable on March 1, 2023, in the amount of \$1,310,000; (2) bear interest at 4.875%, maturity payable on March 1, 2028, in the amount of \$680,000; (3) bear interest at 5.0% maturity payable on March 1, 2033, in the amount of \$865,000.	5,207,616	1,182,384
Series B, Serial/Term Bonds: <u>Serial Bonds</u> interest from 1.8% to 5.0% payable on March 1 and September 1; maturities payable on March 1 in annual redemptions from \$35,000 to \$60,000; final payment due March 1, 2013. <u>Term Bonds</u> , 5.875% interest, maturity payable on March 1, 2033, in the amount of \$2,280,000.	2,770,000	—
1993 Lease Revenue Bonds: \$32,325,000 issued by Redding Joint Powers Financing Authority to finance the construction of the Corporation Yard:		
Serial Bonds of \$6,855,000 bear interest from 3.75% to 5.0%, payable January 1 and July 1; maturities are payable January 1 in annual redemptions from \$565,000 to \$835,000; final payment January 1, 2005.		
Term Bonds of \$25,470,000 bear interest from 5.0% to 5.5%, payable January 1 and July 1; \$8,530,000 plus accrued interest due January 1, 2013; \$7,440,000 plus accrued interest due January 1, 2018; \$9,500,000 plus accrued interest due January 1, 2023.		
During the fiscal year ending June 30, 2003 the Water Utility Fund defeased \$2,100,644 of this issue and the Wastewater Utility Fund defeased \$1,880,550 of this issue.	<u>7,674,720</u>	<u>15,525,280</u>
Total revenue bonds	<u>\$25,852,336</u>	<u>\$55,642,664</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>State Loans:</u>		
1984 California Airport Loan (Municipal): Original loan amount \$88,705; annual installments of \$3,548 plus interest at 9.2499%, due in January; final payment due January 2010.	\$ —	\$ 24,838
1986 California Airport Loan (Municipal): Original loan amount \$33,640; annual installments of \$1,346 plus interest at 7.4258%, due in February; final payment is due February 2011.	—	10,765
1989 California Airport Loan (Municipal): Original loan amount \$19,400; annual installments of \$1,293 plus interest at 7.2470%, due in September; final payment due September 2004.	—	2,587
1990 California Airport Loan (Benton): Original loan amount \$250,000; annual installments of \$16,667, plus interest at 6.8450%, due in April; final payment is due April, 2006.	—	50,000
1990 California Loan Agreement (Benton): Original loan amount \$140,000; annual installments of \$9,333, plus interest at 6.845%, due in March; final payment due in 2007.	—	37,333
1997 California Airport Loan (Benton): Original loan amount \$235,000; annual installments ranging from \$10,740 to \$27,100, including 5.4804% interest; final payment due in 2010.	—	164,980
1998 California Airport Loan (Municipal): Original loan amount \$83,000; annual installments ranging from \$3,793 to \$9,571, including 4.9874% interest; final payment due in 2011.	—	64,368
1999 California Airport Loan (Municipal): Original loan amount \$80,746; annual installments ranging from \$43,690 to \$9,311, including 4.78% interest; final payment due 2012.	—	67,993
<u>SWRCB Interceptor Loan:</u>		
The total loan was \$15,113,340, \$4,731,445 was advanced in 2002 and \$10,381,895 in 2003 to construct the Westside Wastewater interceptor; annual installments ranging from \$552,597 to \$956,032 plus interest; final payment due in 2024.	—	15,113,340

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Streets - LED:		
Original loan amount \$381,080; biannual installments of \$22,742, including 5.4% interest due in December and June; final payment due in 2012.	128,289	—
Police and Fire:		
Original loan amount \$163,068; biannual installments of \$10,144, including 5.4% interest due in December and June; final payment due in 2013.	<u>117,460</u>	<u>—</u>
Total state loans	<u>\$ 245,749</u>	<u>\$15,536,204</u>
 <u>General Obligation Bonds:</u>		
The following general obligation bonds are being serviced by the Electric Utility Fund:		
1977 Electric System Improvement General Obligation Bonds, Series B Interest from 5% to 7% payable on February 1 and August 1; maturities payable on August 1 in annual redemptions of \$350,000; final payment August 1, 2004. Original issue \$5,000,000.	<u>\$ —</u>	<u>\$ 700,000</u>
Total general obligation bonds	<u>\$ —</u>	<u>\$ 700,000</u>
 <u>Capital Leases Payable:</u>		
The capital leases payable from governmental activities were \$891,388 and \$117,591 from internal service funds for fiscal year ended June 30, 2003.	\$ 1,008,979	\$ —
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, 2003, the capital leases in the enterprise funds are \$680,502. The internal service funds capital leases payable have been reported with the governmental activities.	<u>—</u>	<u>680,502</u>
Total capital leases payable	<u>\$ 1,008,979</u>	<u>\$ 680,502</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Certificates of Participation:</u>		
Electric System Revenue Certificates of Participation -Series 2002: \$110,055,000 Bonds due in annual principal installments of \$3,455,000 to \$8,100,000, semi-annual interest installments of \$109,500 to \$2,018,734 as well as weekly variable interest rate payments of \$333,923 to \$2,772,382 on \$67,250,000 of Auction Rate securities. These are subject to a swap agreement with Salomon Smith Barney which results in a fixed rate of 4.1225%. See Swap Payments and Associated Debt below for more information on the swap. Bonds are payable through June 1, 2022; interest accrues at 3.25% to 5.375%. The maximum debt service payments is \$8,239,395.	—	<u>106,600,000</u>
Total Certificated of Participation	<u>\$ —</u>	<u>\$106,600,000</u>

Swap Payments and Associated Debt

Using rates as of June 30, 2003, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

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

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate Swaps, net	Total
	Principal	Interest		
2004	\$ —	\$ 645,600	\$ 2,195,376	\$ 2,840,976
2005	—	645,600	2,195,376	2,840,976
2006	—	645,600	2,195,376	2,840,976
2007	—	645,600	2,195,376	2,840,976
2008	275,000	645,600	2,195,376	3,115,976
2009-2013	13,600,000	2,899,920	9,861,238	26,361,158
2014-2018	23,000,000	2,181,600	7,418,576	32,600,176
2019-2022	<u>30,375,000</u>	<u>744,960</u>	<u>2,533,254</u>	<u>33,653,214</u>
Total	<u>\$67,250,000</u>	<u>\$ 9,054,480</u>	<u>\$30,789,948</u>	<u>\$107,094,428</u>

See Note 23 for additional information on the Interest Rate Swap.

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 9 - LONG-TERM LIABILITIES - (Continued)

	Governmental Activities	Business-Type Activities
Summary of Outstanding Debt:		
Total Outstanding Debt	\$67,318,906	\$179,386,528
Add: Bond Premiums	16,911	516,252
Less: Bond Discounts	(123,923)	—
Less: Unamortized deferred loss on defeased debt (14,577,813)		(85,730)
Total Outstanding Debt, net of premiums, discounts, unamortized deferred loss	\$67,126,164	\$165,324,967
Other Long-Term Liabilities:		
Compensated absences	\$ 8,099,096	\$ 4,890,054
Housing set-aside	164,461	—
Total other long-term liabilities	8,263,557	4,890,054
Less: Due within one year	(2,811,711)	(1,565,386)
Total other long-term liabilities, net of current	\$ 5,451,846	\$ 3,324,668

The annual requirements to amortize all debt outstanding as of June 30, 2003, excluding obligations associated with compensated absences and housing set aside, are as follows:

	Governmental Activities		Business-Type Activities		Government-Wide	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 3,131,107	\$ 3,535,944	\$ 6,910,672	\$ 7,216,643	\$10,041,779	\$10,752,587
2005	2,812,605	3,380,017	7,826,342	6,908,502	10,638,947	10,288,519
2006	2,878,903	3,238,144	7,307,582	6,630,378	10,186,485	9,868,522
2007	2,830,570	3,092,458	7,491,706	6,389,892	10,322,276	9,482,350
2008	2,889,623	2,938,167	7,750,629	6,134,560	10,640,252	9,072,727
2009-2013	14,540,475	12,321,053	42,845,854	25,944,136	57,386,329	38,265,189
2014-2018	14,658,293	8,353,709	51,540,724	16,346,264	66,199,017	24,699,973
2019-2023	17,207,330	4,134,998	46,729,517	5,245,431	63,936,847	9,380,429
2024-2028	4,680,000	927,103	983,502	24,857	5,663,502	951,960
Thereafter	1,690,000	281,931	—	—	1,690,000	281,931
Totals	\$67,318,906	\$42,203,524	\$179,386,528	\$80,840,663	\$246,705,434	\$123,044,187

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 10 - ADVANCES TO/FROM OTHER FUNDS

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

<u>Receivable Fund</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Fund - Parking	\$ 591,365
	Nonmajor Business-Type - Airports	2,573,502
	Nonmajor Business-Type - Convention Center	<u>910,847</u>
	Total General Fund	<u>\$ 4,075,714</u>
Electric Utility	Nonmajor Governmental Fund - Parking	\$ 729,272
	Nonmajor Governmental Fund - RRA	<u>520,697</u>
	Total Electric	<u>\$ 1,249,969</u>
Water Utility	Solid Waste Utility	\$ 11,660
	Nonmajor Business-Type - Airports	<u>104,445</u>
	Total Water	<u>\$ 116,105</u>
Wastewater Utility	Solid Waste Utility	\$ 15,750
	Assessment District	652,521
	Nonmajor Business-Type - Airports	<u>856,452</u>
Total Wastewater	<u>\$ 1,524,723</u>	
Nonmajor Governmental Fund	Nonmajor Governmental Fund	<u>\$ 1,123,973</u>
Internal Service Funds - Risk		<u>\$ 1,041,358</u>

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

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

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

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

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

- (2) In recent years the General Fund has advanced \$5,275,747 to the Airport Fund to finance improvements and operating expenses. The Airport Fund has repaid \$2,329,640 to date. This leaves a balance of \$2,573,502 due to the General Fund, of which \$372,605 has been classified as an interfund receivable/payable.
- (3) In recent years the General Fund has advanced \$1,040,847 to the Convention Center Fund to finance improvements and operating expenses. The Convention Center has repaid \$130,000 to date. This leaves a balance of \$910,847 due to the General Fund.
- (4) The Water and Wastewater Fund advanced funds to the Solid Waste Utility as a result of defeasing debt on the 1993 Corporation Yard Bonds. Funds to be repaid through scheduled principal payments.
- (5) The Water and Wastewater Funds advanced funds to the Airport Fund to cover costs (not covered by grants or advances from other funds) related to the new industrial park.
- (6) Under an agreement, the Wastewater Fund is paying the Airport Fund's sewer special assessment. The advance is to be repaid December 31, 2005, including interest at the City's average earnings on its pooled cash accounts.
- (7) The Wastewater Fund advanced funds to the 1915 Act Assessment District Bonds Funds to cover delinquent assessments on wastewater improvements in the assessment districts.

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 11 - INDIVIDUAL FUND DISCLOSURES

Parking Special Revenue Fund - The deficit (\$835,837) arose from advances received by the Parking Fund in prior years from the Electric Utility Enterprise Fund to construct the bi-level and underground parking structures. This project is being financed by parking meter funds, parking fines and property tax increment payments. The deficit will take a number of years to eliminate.

Midtown Project Debt Service Fund - The deficit (\$983,317) arose as a result of Proposition 13 whereby property tax increment revenues in the project area have not increased to the level necessary to make debt service payments. Funds have been advanced from the Parking Special Revenue Fund to meet debt service requirements.

Buckeye Capital Project Fund - The deficit (\$117,053) is the result of a new project area. The deficit should be eliminated as future tax increments are received.

Convention Center Enterprise Fund - The deficit (\$390,074) 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.

NOTE 12 - PENSION PLAN

Information for the year ended June 30, 2003, has been used in the following note when possible. However, information provided by the California Public Employees Retirement System (PERS) for the years ended June 30, 2001 and 2002 was not available. Therefore, PERS information has been prepared using information for the year ended June 30, 2001.

A. Plan Description

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 12 - PENSION PLAN - (Continued)

B. Funding Policy

Miscellaneous Plan - Active plan members are required to contribute 7% of their annual covered salary. This member contribution is paid by the City in accordance with labor agreements. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2002/03 was 0%. The contribution requirements of the plan members are established by State statute and the employer contribution rates are established and may be amended by CalPERS.

Safety Plan - The funding policy for the Safety Plan is the same as for the Miscellaneous except that active plan members are required to contribute 9% of their annual covered salary and the required employer contribution rate for fiscal year 2002/03 was 0%. The required member contribution is paid by the City in accordance with labor agreements.

C. Annual Pension Cost

For fiscal year 2002/03 the City of Redding's annual pension cost was \$2,191,283 for the Miscellaneous Plan and \$1,140,689 for the Safety Plan. The City actually contributed \$2,364,764 for the Miscellaneous Plan and \$2,236,131 for the Safety Plan. The excess of actual contribution over annual pension costs consist of additional employee contributions. The required contributions for fiscal year 2002/03 were determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members and from 4.27% to 11.59% for safety members, and (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5% and a production growth component of 0.25%.

The actuarial value of the Plans' assets was determined using a technique that smooths the cumulative effect of short-term volatility in the market value of investments over a three year period. The Plans' unfunded actuarial accrued liabilities or excess assets are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2002 was 12 years for the Miscellaneous Plan and 3 years for the Safety Plan.

D. Three-year Trend Information for PERS

Fiscal Year Ended	<u>Miscellaneous Plan</u>			<u>Safety Plan</u>		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/01	\$ 1,821,619	100 %	\$ —	\$ 1,002,547	100 %	\$ —
6/30/02	1,994,388	100 %	—	1,032,096	100 %	—
6/30/03	2,191,283	100 %	—	1,140,689	100 %	—

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 12 - PENSION PLAN - (Continued)

Miscellaneous Plan:

(1) Actuarial Valuation Date	(2) Entry Age Actuarial Accrued Liability	(3) Actuarial Value of Assets	(4) Total Unfunded Liability/ (Excess Assets)	(5) Funded Status	(6) Annual Covered Payroll	(7) Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/99	\$ 94,360,189	\$126,594,922	\$ (32,234,733)	134.2 %	\$ 24,345,968	(132.403) %
6/30/00	104,855,426	139,334,807	(34,479,381)	132.9 %	25,603,388	(134.667) %
6/30/01	115,396,349	144,408,981	(29,012,632)	125.1 %	26,866,649	(108.0) %

Safety Plan:

(1) Actuarial Valuation Date	(2) Entry Age Actuarial Accrued Liability	(3) Actuarial Value of Assets	(4) Total Unfunded Liability/ (Excess Assets)	(5) Funded Status	(6) Annual Covered Payroll	(7) Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/99	\$ 65,466,375	\$ 76,802,254	\$(11,335,879)	117.3 %	\$ 9,596,193	(118.129) %
6/30/00	72,829,445	85,277,614	(12,448,169)	117.1 %	10,434,268	(119.301) %
6/30/01	90,025,923	92,215,740	(2,189,817)	102.4 %	10,935,670	(20.0) %

NOTE 13 - POST-RETIREMENT BENEFITS

The City provides post-retirement medical coverage to all full-time employees and their dependents who go directly from active status to retirement. The authority for this coverage is union contracts for union employees and council resolution for all other employees. Currently, 211 retirees are eligible to receive this benefit. The cost of the coverage, financed on a pay-as-you-go basis, is shared equally between the City and the retirees. The amounts received and expended for this coverage flow through the risk management internal service fund. The total cost of providing this coverage for the fiscal years ended June 30, 2003, was \$891,540.

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 14 - POSTCLOSURE CARE COSTS

State and federal laws and regulations required the City of Redding to place a final cover on Benton Landfill, which closed in 1990. The City has completed the final cover and other closure items required. The City is also required under state and federal laws and regulations to perform certain maintenance and monitoring functions at the landfill site for the next 25 years. The estimated remaining liability for landfill postclosure care costs has been estimated at \$681,124 as of June 30, 2003. 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, 2003. There is no requirement to currently fund this amount. The cost for postclosure care at the landfill and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) will be covered by charges to solid waste rate payers.

NOTE 15 - PG&E REBATE

The City has entered into an Exceptional Case Facilities Agreement (Agreement) with PG&E whereby the City will, over a period of ten years, purchase sufficient natural gas from PG&E to allow PG&E to recoup the cost for the extension of a gas line to the Redding Power Plant project. The Agreement calls for escrow payments to, or refunds from, PG&E based on several factors including actual gas usage and return on capital as defined in the Agreement.

The terms and conditions of this Agreement were impacted by PG&E's entering into bankruptcy on April 5, 2001. PG&E's bankruptcy status halted the normal process of payments on refunds (as described above). The process was replaced with bankruptcy proceeding whereby Redding filed a claim in PG&E's bankruptcy case. The claim asserted that under the Agreement, Redding is owed a refund of \$1,624,751 as of April 5, 2001.

Under the Agreement, PG&E agreed to install a gas transmission line and other necessary facilities requested by Redding, and Redding provided the capital investment (the MLX Deposit) to support various costs associated with the facilities. The MLX Deposit account balance was approximately \$2,007,516 as of August 2, 2002.

Redding and PG&E engaged in extensive discussions regarding the allowance and treatment of the claim and agreed, subject to conditions stipulated below, that the claim is in the amount of \$1,456,335. In addition, Redding is entitled to accrued post-petition interest in the amount of \$118,236. The remainder of the MLX deposit owed Redding is \$382,945.

As of June 30, 2003, Redding has received a payment from PG&E for the post petition interest (\$118,236) plus the MLX Deposit (\$382,945) equaling \$501,181.

The claim amount of \$1,456,335 under the agreed to stipulation is allowed as an unsecured, non-priority claim and is treated like other allowed general unsecured claims in PG&E's bankruptcy case except that post-petition interest shall accrue on the claim from January 1, 2003. As of June 30, 2003, the PG&E bankruptcy case is still in process and therefore this claim is still pending.

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 16 - COMMITMENTS, CONTINGENT LIABILITIES, AND LITIGATION

- A. Certain general obligation bonds which are issued exclusively as general obligation debt for the benefit of a governmental enterprise, but which, as a matter of discretionary financial policy, are actually serviced by earnings of an enterprise, are presented as an obligation of this enterprise rather than as an obligation of the general government. The City would be responsible for the debt only in the event that funds were not available in the enterprise fund. If this occurred, an interfund receivable would be created and remain until the enterprise fund was able to repay the City.
- B. A number of construction contracts existed at June 30, 2003. The unexpended authorized amount of \$22,260,775 represents a commitment by the City.
- C. The City's Electric Utility (REU) is contractually obligated through M-S-R Public Power Agency (see Note 8) to receive 22.5 MW of firm capacity from the Bonneville Power Administration (BPA) until September 2005. The annual obligation is approximately \$2.9 million. The REU is obligated to purchase this power regardless of demand.
- D. The City's Electric Utility (REU) is obligated to purchase from M-S-R Public Power Agency on a take-or-pay basis a 15% entitlement share of M-S-R's share in the San Juan Resource, which includes approximately 21.5 MW of capacity and associated energy from M-S-R San Juan Unit No. 4. REU has entered into an exchange agreement with PacifiCorp in the Southwest on a year-round basis. In exchange, PacifiCorp delivers energy (50 MW of capacity) to REU at the California Oregon border during the summer months (May-October).
- E. The City's Electric Utility (REU) has recently negotiated the termination of its ENRON contract and replaced the contract power with a new supplier American Electric Power (AEP). The AEP contract is for the delivery of 25 MW of capacity and associated energy (219,000 Mwh per year). Deliveries will begin in November 2004 and continue till October 31, 2014. REU is obligated to purchase this power regardless of the City's demand. The annual obligation is approximately \$9 million per year.
- F. The City's Electric Utility (REU), under nine new contracts, is contractually obligated to purchase 7,500 decatherms per day (dem) of natural gas pipeline capacity from several pipelines. The pipeline capacity will allow REU to deliver approximately 75% of the gas needs of Redding Power Unit No. 5. Additionally, REU has also contracted for the purchase of several blocks of gas commodity extending into 2005. Approximately 30% of REU's gas needs have been forward purchased for delivery over REU's pipeline capacity.
- G. The City's Electric Utility (REU) has entered a 15-year contract with Kern River Gas Transportation Company for 1,000 Dths/day of gas pipeline capacity on a take-or-pay basis. This pipeline brings natural gas from the Rocky Mountain gas fields to California. The contract began in May 2003. The contract stipulates that the gas transportation costs will be charged at the current FERC Tariff rates when the gas is transported.

Conduit Debt

In 1985, the City of Redding issued conduit bonds to provide financing for the acquisition, construction and equipping of a 100 unit multifamily rental housing project in the City of Redding known as the "River Oaks Retirement Center" (the project). The bonds were retired in 1995 by issuing new conduit bonds. The new bonds and the interest thereon are limited obligations of the City of Redding and do not constitute an obligation of the City of Redding. The bonds are secured by an indenture and deed of trust on the project. At June 30, 2003 the total outstanding principle on the bonds is \$4,875,000. The bonds were redeemed on July 10, 2003 through a private party.

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 16 - COMMITMENTS, CONTINGENT LIABILITIES, AND LITIGATION - (Continued)

Conduit Debt - (Continued)

In 2001, Redding Redevelopment Agency issued conduit bonds to provide financing for improvements at various school sites for the Redding School District. The bonds do not constitute an obligation of the Redding Redevelopment Agency. The bonds are secured by the land and improvements to Bonny View Elementary School located at 5080 Bidwell Road, Redding, CA 96001. On June 30, 2003, the total outstanding principle on the bonds was \$5,290,000.

NOTE 17 - TRANSFERS

The following operating transfers were made during the fiscal year ended June 30, 2003:

	Transfer In:			Total
	General Fund	Nonmajor Governmental	Nonmajor Business Type	
Transfer out:				
General Fund	\$ —	\$11,426,930	\$1,619,870	\$13,046,809
Electric	—	—	49,744	49,744
Nonmajor governmental funds	<u>3,194,568</u>	<u>1,289,097</u>	<u>1,232,511</u>	<u>5,716,176</u>
Total transfers out	<u>\$ 3,194,568</u>	<u>\$12,716,036</u>	<u>\$2,902,125</u>	<u>\$18,812,729</u>

The General Fund transferred funds to the General Debt Service Fund to cover future required debt service payments. In addition, one half of the transient occupancy tax was transferred to the Convention Center per City policy.

The Electric Utility transferred capital assets used by the Convention Center to the Convention Center.

NOTE 18 - BUDGETARY BASIS RECONCILIATION

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

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 19 - ADJUSTMENTS TO EQUITY AND NET ASSETS

Adjustments to Equity and Net Assets at June 30, 2003 consists of the following items:

	Government Activities	Business Activities	Total
Prior period adjustments	<u>\$ —</u>	<u>\$ 1,935,650</u>	<u>\$ 1,935,650</u>

Prior Period Adjustments:

Business-type Activities - Enterprise Funds:

Energy receivable from Pacifcorp under a long-term exchange as of June 30, 2002 which was not recorded in the prior year.	<u>\$ 1,935,650</u>
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The effect on the change in net assets for the year ended June 30, 2002 was immaterial.

NOTE 20 - SPECIAL ASSESSMENTS

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

As a result of the implementation of Statement No. 6, it was determined that the City is obligated in some manner on the 1915 Act assessment district bonds. The obligation is a result of the City management prior practice of temporarily advancing funds to the assessment districts when delinquencies exceed the amounts available in the assessment district's cash reserve fund if directed by Council. These advances are repaid when delinquencies are received. In 1999, council directed staff not to advance funds to assessment districts unless legally obligated to do so. As a result, during the year, interest payments on two special assessment bond issues were not made due to a high delinquency rate in those assessment districts. The City is not liable for these bonds. The security for the bondholders is the property which have assessments. The City has no obligation to advance funds to these assessment districts. Principal of \$145,000 due September 2, 2001, \$155,000 due September 2, 2002 and interest totaling \$102,385 due March 2, 2003 on Tierra Oaks Assessment District No. 1993-1 Limited Obligation Improvement Bonds was outstanding on June 30, 2003. The September 2, 2003 principal payment was not made. Interest due through September 2, 2003 was brought current on September 2, 2003. Principal remaining of \$5,000 due September 2, 2000, \$20,000 due September 2, 2001 and \$20,000 due September 2, 2002 on Churn Creek Road Extension #2 Assessment District No. 1990-5 Limited Obligation Improvement Bonds was outstanding on June 30, 2003. The Assessment District made a principal payment totaling \$5,000 towards the outstanding debt due September 2, 2000 subsequent to the fiscal year end. The September 2, 2003 debt service payment was not made.

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 20 - SPECIAL ASSESSMENTS - (Continued)

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

The amount of outstanding delinquencies for the years ending June 30, 2003 was \$1,772,412.

NOTE 21 - OCJP GRANT INFORMATION

	<u>Expenses to Report in Audit Period, per OCJP 201 Report</u>			
	<u>01/02 Audit</u>	<u>02/03 Audit</u>	<u>Total by Category (From Report)</u>	<u>(Under reported) Over reported Variance</u>
<u>PROJECT NO.: GENF1299</u>				
C-CAP Grant				
Personnel	\$ —	\$ —	\$ —	\$ —
Operating expenses	55,771	2,153	57,924	—
Equipment	<u>28,996</u>	<u>3,906</u>	<u>32,902</u>	<u>—</u>
Total	<u>\$ 84,767</u>	<u>\$ 6,059</u>	<u>\$ 90,826</u>	<u>\$ —</u>

<u>Expenses to Report in Audit Period, no OCJP 201 Report Required</u>	
<u>PROJECT NO.: GENF1299</u>	
CLEEP Formula Grant 00/01	
Personnel	\$ — No OCJP 201 Report Required
Operating expenses	—
Equipment	<u>9,663</u>
Total	<u>\$ 9,663</u>
CLEEP Formula Grant 01/02	
Personnel	\$ —
Operating expenses	—
Equipment	<u>20,145</u>
Total	<u>\$ 20,145</u>
CLEEP Formula Grant 02/03	
Personnel	\$ —
Operating expenses	—
Equipment	<u>19,202</u>
Total	<u>\$ 19,202</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 22 - DEFEASANCE OF DEBT

During the year ended June 30, 2003, the City used \$18,832,845 from the Electric rate reduction fund to defease \$16,100,000 of the Series A 1992 Electric System Revenue Certificates of Participation. The transaction resulted in an extraordinary loss under generally accepted accounting principles of \$2,732,845. The \$18,832,845 was used to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the defeased debt. As a result, the liability relating to the defeased debt was removed from the enterprise fund's balance sheet.

During the year ended June 30, 2003, the City used \$1,725,482 from the Electric rate reduction fund to pay \$643,232 in accrued interest and to defease \$892,759 of the Series A 1993 Capital Appreciation Certificates. The transaction resulted in an extraordinary loss under generally accepted accounting principles of \$189,491. The \$1,725,482 was used to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the defeased debt. As a result, the liability relating to the defeased debt was removed from the enterprise fund's balance sheet.

On February 12, 2003, the City of Redding issued Series 2003 A and B Lease Revenue Bonds of \$9,160,000 with an aggregate interest rate of approximately 5.059%. A portion (\$3.22 million) of these bonds were used to refund Series 1993 Lease Revenue Bonds with an aggregate interest rate of 6.25% and a par value of \$3,020,000. The refunded bonds and the newly issued bonds are divided by the following percentages: 63.28% for general debt service, 22.47% for Airports and 14.25% for the Convention Center. As a result of the refunding, the City decreased its total debt service requirements by \$476,640. This resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$667,313.

On March 18, 2003, the City of Redding issued \$15.36 million of Water Utility Revenue Bonds with an average interest rate of 4.28 percent. The net proceeds of \$13,132,269 (after payment of \$260,052 in underwriting fees, insurance, other issuance costs, and \$594,591 in Drought relief loan payoff) plus an additional \$1,429,809 in 1993 Series bond sinking fund, and \$1,132,405 in Water Utility capital deposit monies were used to purchase US government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for both the 1993 Series A Water Revenue Bonds, and the Water Utilities portion of the 1993A Corporation Yard Bonds. As a result, both the 1993 Series A Water Revenue Bonds, and the Water Utilities portion of the 1993A Corporation Yard Bonds are considered to be defeased and the liability for those bonds has been removed from the City's government-wide financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,187,493. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2023 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over the next 20 years by \$1,065,281 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,074,436.

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 22 - DEFEASANCE OF DEBT - (Continued)

On October 9, 2002, the City of Redding issued \$23.575 million of Wastewater Utility Revenue bonds with an average interest rate of 3.51 percent. The net proceeds of \$23,415,973 (after payment of \$379,180 in underwriting fees, insurance, and other issuance costs) plus an additional \$148,850 in 1992A Series bond sinking fund, and \$1,534,076 in Wastewater Utility capital deposit monies were used to purchase US government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for both the 1992A Series Wastewater Revenue Bonds, and the Wastewater Utilities portion of the 1993A Corporation Yard Bonds. As a result, both the 1992A Series Wastewater Revenue Bonds, and the Wastewater Utilities portion of the 1993A Corporation Yard Bonds are considered to be defeased and the liability for those bonds has been removed from the City's government-wide financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,795,699. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2019 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over the next 16 years by \$6,067,319 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$4,988,019.

NOTE 23 - INTEREST RATE SWAP

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

Terms Under the exchange, the City of Redding pays the counterparty a fixed payment of 4.1225% and receives a variable payment computes as 65 percent of the London Interbank Offered Rate (LIBOR). As of June 30, 2003, the exchange had a notional amount of \$67.25 million. The exchange was entered into at the same time the bonds were issued (April 2002). The notional amount of the exchange and the outstanding amount of associated Certificates decline starting in June 2009. The Certificates' variable-rate coupons are assumed to be based on The Bond Market Association Municipal Swap Index™ (BMA). The Certificates have a final maturity on June 1, 2022. The exchange terminates on June 1, 2022. As of June 30, 2003, rates were as follows:

Fair Value Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$9,850,000 as of June 30, 2003. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

CITY OF REDDING
Notes to Financial Statements
June 30, 2003

NOTE 23 - INTEREST RATE SWAP - (Continued)

Credit Risk As of June 30, 2003, the City of Redding was not exposed to credit risk because the exchange had a negative fair market value. However, should interest rates change and the fair value of the exchange becomes a positive, the City of Redding would be exposed to credit risk in the amount of the exchange's fair value. The counterparty (Solomon Brothers Holding Company) was rated Aa1 by the Moody's Investors Service, AA- by Standard & Poor's, and AA+ by Fitch Ratings. To mitigate the potential for credit risk, the counterparty is required to post collateral should the fair value exceed certain thresholds. While the counterparty is rated Aa3 or higher by Moody's and AA- or higher by Standard & Poor's, the threshold amount is \$25 million.

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

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

CITY OF REDDING
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003

ASSETS	Total Special Revenue Funds	Total Capital Project Funds	Total Debt Service Funds	Total Nonmajor Governmental Funds
Cash and investments	\$ 6,692,202	\$23,254,745	\$10,085,000	\$40,031,947
Interest receivables	292,368	43,307	—	335,675
Accounts receivable, net	188,648	22,328	—	210,976
Intergovernmental receivable	1,538,356	4,218,564	—	5,756,920
Taxes receivable	205,511	111,918	—	317,429
Other receivables	25,939	450,000	—	475,939
Due from other funds	—	42,331	—	42,331
Restricted assets:				
Cash and investments	8,939,788	2,612,658	5,186,887	16,739,333
Interest receivable	37,762	68,181	31,207	137,150
Taxes receivable	—	—	485,400	485,400
Interfund receivables	15,988	—	—	15,988
Deposits	372,395	—	—	372,395
Assets held for sale	1,343,178	—	—	1,343,178
Advances to other funds	981,892	142,081	—	1,123,973
Special assessments receivable	14,196	—	—	14,196
Notes receivable	<u>16,702,454</u>	<u>4,621</u>	<u>—</u>	<u>16,707,075</u>
Total assets	<u>\$37,350,677</u>	<u>\$30,970,734</u>	<u>\$15,788,494</u>	<u>\$84,109,905</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 26,842	\$ 1,563,994	\$ 1,350	\$ 1,592,186
Accrued liabilities	23,712	815,095	—	838,807
Intergovernmental payable	91,082	—	—	91,082
Due to other funds	387,908	172,268	—	560,176
Deferred revenues	1,708,103	7,770,455	344,527	9,823,085
Interfund payables	—	41,000	15,988	56,988
Deposits	111,713	—	—	111,713
Advances from other funds	<u>1,841,333</u>	<u>639,934</u>	<u>981,891</u>	<u>3,463,158</u>
Total liabilities	<u>4,190,693</u>	<u>11,002,746</u>	<u>1,343,756</u>	<u>16,537,195</u>
Fund balances (deficit):				
Reserved for encumbrances	698,876	12,428,505	—	13,127,381
Reserved for noncurrent advances	—	112,081	—	112,081
Reserved for debt service	9,243	—	5,343,055	5,352,298
Reserved for capital projects	10,623,992	—	—	10,623,992
Reserved for school projects	—	626,337	—	626,337
Reserved for noncurrent notes receivable	17,464,620	—	—	17,464,620
Unreserved:				
Designated for continuing projects	1,814,438	7,394,912	—	9,209,350
Undesignated	<u>2,548,815</u>	<u>(593,847)</u>	<u>9,101,683</u>	<u>11,056,651</u>
Total fund balances (deficit)	<u>33,159,984</u>	<u>19,967,988</u>	<u>14,444,738</u>	<u>67,572,710</u>
Total liabilities and fund balances	<u>\$37,350,677</u>	<u>\$30,970,734</u>	<u>\$15,788,494</u>	<u>\$84,109,905</u>

CITY OF REDDING
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2003

	Total Special Revenue <u>Funds</u>	Total Capital Projects <u>Funds</u>	Total Debt Service <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES:				
Property taxes	\$ 1,873,535	\$ 3,160,775	\$ 2,209,948	\$ 7,244,258
Sales tax revenue	273,520	—	—	273,520
Special assessments	117,053	—	—	117,053
License, fees and permits	63,505	—	—	63,505
Intergovernmental revenues	10,436,228	6,498,196	—	16,934,424
Fines, forfeitures and penalties	121,635	—	—	121,635
Use of money and property	54,479	—	—	54,479
Interest revenue	927,359	721,298	161,398	1,810,055
Other	42,829	3,261,660	—	3,304,489
Total revenues	<u>13,910,143</u>	<u>13,641,929</u>	<u>2,371,346</u>	<u>29,923,418</u>
EXPENDITURES:				
Current:				
Community development	9,406,482	1,482,357	—	10,888,839
General government	—	—	121,136	121,136
Public safety	144,594	—	—	144,594
Public works	147,935	—	—	147,935
Capital outlay	—	13,082,734	—	13,082,734
Debt service:				
Principal retirement	415,000	—	635,000	1,050,000
Interest and fiscal charges	521,048	85,520	1,205,578	1,812,146
Bond issuance costs	—	93,413	—	93,413
Total expenditures	<u>10,635,059</u>	<u>14,744,024</u>	<u>1,961,714</u>	<u>27,340,797</u>
Excess (deficiency) of revenues over(under) expenditures	<u>3,275,084</u>	<u>(1,102,095)</u>	<u>409,632</u>	<u>2,582,621</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	3,739	—	—	3,739
Long-term debt issued	—	2,767,366	—	2,767,366
Bond discounts	—	(22,145)	—	(22,145)
Transfers in	1,051,689	405,070	11,259,276	12,716,035
Transfers out	<u>(3,601,648)</u>	<u>(1,423,848)</u>	<u>(690,680)</u>	<u>(5,716,176)</u>
Total other financing sources (uses)	<u>(2,546,220)</u>	<u>1,726,443</u>	<u>10,568,596</u>	<u>9,748,819</u>
Net change in fund balances	728,864	624,348	10,978,228	12,331,440
FUND BALANCES (DEFICIT), beginning of year, as originally stated	<u>32,431,120</u>	<u>19,343,640</u>	<u>3,466,510</u>	<u>55,241,270</u>
FUND BALANCES (DEFICIT), end of year	<u>\$33,159,984</u>	<u>\$19,967,988</u>	<u>\$14,444,738</u>	<u>\$67,572,710</u>

CITY OF REDDING
Combining Balance Sheet
Special Revenue
Nonmajor Governmental Funds
June 30, 2003

	<u>Parking</u>	<u>Street Maintenance</u>	<u>Community Development</u>	<u>Housing</u>
ASSETS				
Cash and investments	\$ 30,583	\$ 2,219,171	\$ 1,561,171	\$ 2,612,332
Interest receivable, unrestricted	258	—	76,540	214,022
Accounts receivable, net	—	—	—	188,648
Intergovernmental receivable	—	926,310	607,139	4,907
Taxes receivables	—	—	—	205,511
Other receivable	—	—	24,448	1,491
Restricted cash and investment	—	—	—	111,022
Restricted interest receivable	—	—	—	—
Interfund receivables	15,988	—	—	—
Deposits	—	—	—	372,395
Assets held for sale	—	—	—	1,343,178
Advances to other funds	981,892	—	—	—
Special assessments receivable	—	—	—	—
Notes receivable	—	—	<u>10,837,683</u>	<u>5,864,771</u>
 Total assets	 <u>\$ 1,028,721</u>	 <u>\$ 3,145,481</u>	 <u>\$13,106,981</u>	 <u>\$10,918,277</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,280	\$ —	\$ —	\$ 23,562
Accrued liabilities	2,887	—	19,844	981
Intergovernmental payable	1,070	—	90,012	—
Due to other funds	—	—	—	387,908
Deferred revenues	15,988	868,161	70,255	753,699
Deposits	—	—	—	111,713
Advances from other funds	<u>1,841,333</u>	<u>—</u>	<u>—</u>	<u>—</u>
 Total liabilities	 <u>1,864,558</u>	 <u>868,161</u>	 <u>180,111</u>	 <u>1,277,863</u>
Fund balances (deficit):				
Reserved for encumbrances	—	—	150,446	548,430
Reserved for debt service	9,243	—	—	—
Reserved for capital projects	—	1,757,464	—	—
Reserved for noncurrent notes receivable	981,892	—	10,629,106	5,853,622
Unreserved:				
Designated for continuing projects	—	—	—	1,814,438
Undesignated	<u>(1,826,972)</u>	<u>519,856</u>	<u>2,147,318</u>	<u>1,423,924</u>
 Total fund balances (deficit)	 <u>(835,837)</u>	 <u>2,277,320</u>	 <u>12,926,870</u>	 <u>9,640,414</u>
 Total liabilities and fund balances	 <u>\$ 1,028,721</u>	 <u>\$ 3,145,481</u>	 <u>\$13,106,981</u>	 <u>\$10,918,277</u>

<u>Special Project</u>	<u>General Special Revenue</u>	<u>Landscape Maintenance Districts</u>	<u>Total</u>
\$ —	\$ —	\$ 268,945	\$ 6,692,202
—	—	1,548	292,368
—	—	—	188,648
—	—	—	1,538,356
—	—	—	205,511
—	—	—	25,939
8,828,766	—	—	8,939,788
37,762	—	—	37,762
—	—	—	15,988
—	—	—	372,395
—	—	—	1,343,178
—	—	—	981,892
—	—	14,196	14,196
—	—	—	16,702,454
<u>\$ 8,866,528</u>	<u>\$ —</u>	<u>\$ 284,689</u>	<u>\$37,350,677</u>
\$ —	\$ —	\$ —	\$ 26,842
—	—	—	23,712
—	—	—	91,082
—	—	—	387,908
—	—	—	1,708,103
—	—	—	111,713
—	—	—	1,841,333
—	—	—	4,190,693
—	—	—	698,876
—	—	—	9,243
8,866,528	—	—	10,623,992
—	—	—	17,464,620
—	—	—	1,814,438
—	—	284,689	2,548,815
<u>8,866,528</u>	<u>—</u>	<u>284,689</u>	<u>33,159,984</u>
<u>\$ 8,866,528</u>	<u>\$ —</u>	<u>\$ 284,689</u>	<u>\$37,350,677</u>

CITY OF REDDING
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Special Revenue
Nonmajor Governmental Funds
For the Year Ended June 30, 2003

	<u>Parking</u>	<u>Street Maintenance</u>	<u>Community Development</u>	<u>Housing</u>
REVENUES:				
Property taxes	\$ —	\$ —	\$ —	\$ 1,873,535
Sales tax revenue	—	—	—	—
Special assessments	—	—	—	—
Licenses, fees and permits	63,505	—	—	—
Intergovernmental revenues	—	3,142,642	1,933,320	5,360,266
Fines, forfeitures and penalties	121,635	—	—	—
Use of money and property	—	—	54,479	—
Interest revenue	30,040	12,652	345,588	332,534
Other revenues	—	—	1,182	41,647
Total revenues	<u>215,180</u>	<u>3,155,294</u>	<u>2,280,090</u>	<u>7,662,461</u>
EXPENDITURES:				
Community development	—	—	952,220	8,454,262
Public safety	144,594	—	—	—
Public works	68,769	—	—	—
Debt service:				
Principal retirement	—	—	—	415,000
Interest and fiscal charges	<u>9,243</u>	<u>—</u>	<u>511,805</u>	<u>—</u>
Total expenditures	<u>222,606</u>	<u>—</u>	<u>952,220</u>	<u>9,381,067</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,426)</u>	<u>3,155,294</u>	<u>1,327,870</u>	<u>(1,718,606)</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	—	—	—	3,739
Transfers in	359,000	—	105,000	587,689
Transfers out	<u>—</u>	<u>(2,635,439)</u>	<u>—</u>	<u>(105,000)</u>
Total other financing sources (uses)	<u>359,000</u>	<u>(2,635,439)</u>	<u>105,000</u>	<u>486,428</u>
Net change in fund balances	351,574	519,855	(1,232,178)	—
FUND BALANCES (DEFICIT), beginning of year	<u>(1,187,411)</u>	<u>1,757,465</u>	<u>11,494,000</u>	<u>10,872,592</u>
FUND BALANCES (DEFICIT), end of year	<u>\$ (835,837)</u>	<u>\$ 2,277,320</u>	<u>\$12,926,870</u>	<u>\$ 9,640,414</u>

<u>Special Project</u>	<u>General Special Revenues</u>	<u>Landscape Maintenance District</u>	<u>Total Special Revenue</u>
\$ —	\$ —	\$ —	\$ 1,873,535
—	273,520	—	273,520
—	—	117,053	117,053
—	—	—	63,505
—	—	—	10,436,228
—	—	—	121,635
—	—	—	54,479
197,702	—	8,843	927,359
—	—	—	42,829
<u>197,702</u>	<u>273,520</u>	<u>125,896</u>	<u>13,910,143</u>
—	—	—	9,406,482
—	—	—	144,594
—	—	79,166	147,935
—	—	—	415,000
—	—	—	521,048
—	—	79,166	10,635,059
<u>197,702</u>	<u>273,520</u>	<u>46,730</u>	<u>3,275,084</u>
—	—	—	3,739
—	—	—	1,051,689
<u>(587,689)</u>	<u>(273,520)</u>	<u>—</u>	<u>(3,601,648)</u>
<u>(587,689)</u>	<u>(273,520)</u>	<u>—</u>	<u>(2,546,220)</u>
(389,987)	—	46,730	728,864
<u>9,256,515</u>	<u>—</u>	<u>237,959</u>	<u>32,431,120</u>
<u>\$ 8,866,528</u>	<u>\$ —</u>	<u>\$ 284,689</u>	<u>\$33,159,984</u>

CITY OF REDDING
Combining Balance Sheet
Capital Projects
Nonmajor Governmental Funds
June 30, 2003

ASSETS	General Capital Projects	Canby/Hilltop/ Cypress Project	Market Street Project	Buckeye Project
Cash and investments	\$12,572,696	\$ 8,193,773	\$ 1,734,596	\$ 27,856
Interest receivable	—	34,135	6,951	168
Accounts receivable, net	22,328	—	—	—
Intergovernmental receivable	3,813,254	—	—	—
Taxes receivable	—	—	—	7,454
Other receivables	450,000	—	—	—
Due from other funds	—	—	—	—
Restricted assets:				
Cash and investments	2,612,658	—	—	—
Interest receivable	68,181	—	—	—
Advances to other funds	—	142,081	—	—
Notes receivable	—	—	4,621	—
Total assets	<u>\$19,539,117</u>	<u>\$ 8,369,989</u>	<u>\$ 1,746,168</u>	<u>\$ 35,478</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,399,517	\$ 54,510	\$ 16,456	\$ —
Accrued liabilities	450,000	134,995	—	—
Due to other funds	—	101,075	64,114	7,079
Deferred revenues	7,156,258	154,099	—	3,371
Interfund payables	41,000	—	—	—
Advances from other funds	489,247	—	—	142,081
Total liabilities	<u>9,536,022</u>	<u>444,679</u>	<u>80,570</u>	<u>152,531</u>
Fund balances (deficit):				
Reserved for encumbrances	10,479,889	1,619,506	286,412	—
Reserved for noncurrent advances	—	112,081	—	—
Reserved for school projects	—	53,219	573,118	—
Unreserved:				
Designated for continuing projects	—	6,140,504	806,068	—
Undesignated	(476,794)	—	—	(117,053)
Total fund balances (deficit)	<u>10,003,095</u>	<u>7,925,310</u>	<u>1,665,598</u>	<u>(117,053)</u>
Total liabilities and fund balances	<u>\$19,539,117</u>	<u>\$ 8,369,989</u>	<u>\$ 1,746,168</u>	<u>\$ 35,478</u>

SHASTE Project	Total Capital Projects
\$ 725,824	\$23,254,745
2,053	43,307
—	22,328
405,310	4,218,564
104,464	111,918
—	450,000
42,331	42,331
—	2,612,658
—	68,181
—	142,081
—	4,621
<u>\$ 1,279,982</u>	<u>\$30,970,734</u>

\$ 93,511	\$ 1,563,994
230,100	815,095
—	172,268
456,727	7,770,455
—	41,000
<u>8,606</u>	<u>639,934</u>
<u>788,944</u>	<u>11,002,746</u>

42,698	12,428,505
—	112,081
—	626,337
448,340	7,394,912
—	(593,847)
<u>491,038</u>	<u>19,967,988</u>
<u>\$ 1,279,982</u>	<u>\$30,970,734</u>

CITY OF REDDING
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Capital Projects
Nonmajor Governmental Funds
For the Year Ended June 30, 2003

	<u>General Capital Projects</u>	<u>Canby/Hilltop/ Cypress Project</u>	<u>Market Street Project</u>	<u>Buckeye Project</u>
REVENUES:				
Property taxes	\$ —	\$ 1,427,502	\$ 978,531	\$ 48,046
Intergovernmental revenues	5,611,811	—	—	—
Interest revenue	472,476	200,747	31,848	425
Other	<u>3,032,393</u>	<u>605</u>	<u>11,664</u>	<u>—</u>
Total revenues	<u>9,116,680</u>	<u>1,628,854</u>	<u>1,022,043</u>	<u>48,471</u>
EXPENDITURES:				
Current:				
Community development	43,854	662,647	622,244	10,247
Capital outlay	9,395,968	3,337,975	213,423	—
Debt service:				
Interest and fiscal charges	73,601	6	3,307	—
Bond issuance costs	<u>93,413</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>9,606,836</u>	<u>4,000,622</u>	<u>835,673</u>	<u>13,554</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(490,156)</u>	<u>(2,371,768)</u>	<u>186,370</u>	<u>34,917</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land	—	—	—	—
Long-term debt issued	2,767,366	—	—	—
Bond discount	(22,145)	—	—	—
Transfers in	—	401,780	3,290	—
Transfers out	<u>(191,337)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>2,553,884</u>	<u>401,780</u>	<u>3,290</u>	<u>—</u>
Net change in fund balances	2,063,728	(1,969,988)	189,660	34,917
FUND BALANCES (DEFICIT), beginning of year,	<u>7,939,367</u>	<u>9,895,298</u>	<u>1,475,938</u>	<u>(151,970)</u>
FUND BALANCES (DEFICIT), end of year	<u>\$10,003,095</u>	<u>\$ 7,925,310</u>	<u>\$ 1,665,598</u>	<u>\$ (117,053)</u>

<u>SHASTECC</u> <u>Project</u>	<u>Total</u> <u>Capital</u> <u>Projects</u>
\$ 706,696	\$ 3,160,775
886,385	6,498,196
15,802	721,298
<u>216,998</u>	<u>3,261,660</u>
<u>1,825,881</u>	<u>13,641,929</u>
143,365	1,482,357
135,368	13,082,734
8,606	85,520
<u>—</u>	<u>93,413</u>
<u>287,339</u>	<u>14,744,024</u>
<u>1,538,542</u>	<u>(1,102,095)</u>
—	—
—	2,767,366
—	(22,145)
—	405,070
<u>(1,232,511)</u>	<u>(1,423,848)</u>
<u>(1,232,511)</u>	<u>1,726,443</u>
306,031	624,348
<u>185,007</u>	<u>19,343,640</u>
<u>\$ 491,038</u>	<u>\$19,967,988</u>

CITY OF REDDING
Combining Balance Sheet
Debt Service
Nonmajor Governmental Funds
June 30, 2003

ASSETS	<u>Midtown Project Bonds</u>	<u>Canby/Hilltop/ Cypress Project Bonds</u>	<u>Market Street Project Bonds</u>	<u>General Debt Service</u>	<u>Total</u>
Cash and investments	\$ —	\$ —	\$ —	\$10,085,000	\$10,085,000
Restricted assets:					
Cash and investments	13,981	3,020,129	181,073	1,971,704	5,186,887
Interest receivable	—	31,116	91	—	31,207
Taxes receivable	<u>1,990</u>	<u>357,498</u>	<u>125,912</u>	<u>—</u>	<u>485,400</u>
 Total assets	 <u>\$ 15,971</u>	 <u>\$ 3,408,743</u>	 <u>\$ 307,076</u>	 <u>\$12,056,704</u>	 <u>\$15,788,494</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ —	\$ 1,350	\$ —	\$ —	\$ 1,350
Deferred revenues	1,409	253,526	89,592	—	344,527
Interfund payables	15,988	—	—	—	15,988
Advances from other funds	<u>981,891</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>981,891</u>
 Total liabilities	 <u>999,288</u>	 <u>254,876</u>	 <u>89,592</u>	 <u>—</u>	 <u>1,343,756</u>
Fund balances (deficit):					
Reserved for debt service	—	3,153,867	217,484	1,971,704	5,343,055
Unreserved, undesignated	<u>(983,317)</u>	<u>—</u>	<u>10,085,000</u>	<u>9,101,683</u>	<u>14,444,738</u>
 Total fund balances (deficit)	 <u>(983,317)</u>	 <u>3,153,867</u>	 <u>217,484</u>	 <u>12,056,704</u>	 <u>14,444,738</u>
 Total liabilities and fund balances	 <u>\$ 15,971</u>	 <u>\$ 3,408,743</u>	 <u>\$ 307,076</u>	 <u>\$12,056,704</u>	 <u>\$15,788,494</u>

CITY OF REDDING
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Debt Service
Nonmajor Governmental Funds
For the Year Ended June 30, 2003

	Midtown Project Bonds	Canby/Hilltop/ Cypress Project Bond	Market Street Project Bonds	General Debt Service	Total Debt Service
REVENUES:					
Property taxes	\$ 28,774	\$ 1,970,507	\$ 210,667	\$ —	\$ 2,209,948
Interest revenue	<u>742</u>	<u>158,980</u>	<u>1,676</u>	<u>—</u>	<u>161,398</u>
Total revenues	<u>29,516</u>	<u>2,129,487</u>	<u>212,343</u>	<u>—</u>	<u>2,371,346</u>
EXPENDITURES:					
Current:					
General government	1,658	89,222	30,256	—	121,136
Debt service:					
Principal retirement	75,000	515,000	45,000	—	635,000
Interest and fiscal charges	<u>1,032,574</u>	<u>138,973</u>	<u>—</u>	<u>1,205,578</u>	
Total expenditures	<u>110,689</u>	<u>1,636,796</u>	<u>214,229</u>	<u>—</u>	<u>1,961,714</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(81,173)</u>	<u>492,691</u>	<u>(1,886)</u>	<u>—</u>	<u>409,632</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	—	—	—	11,259,276	11,259,276
Transfers out	<u>—</u>	<u>(401,780)</u>	<u>(3,290)</u>	<u>(285,610)</u>	<u>(690,680)</u>
Total other financing sources (uses)	<u>—</u>	<u>(401,780)</u>	<u>(3,290)</u>	<u>10,973,666</u>	<u>10,568,596</u>
Net change in fund balances	90,911	(5,176)	10,973,666	10,978,228	
FUND BALANCES (DEFICIT), beginning of year	<u>(902,144)</u>	<u>3,062,956</u>	<u>222,660</u>	<u>1,083,038</u>	<u>3,466,510</u>
FUND BALANCES (DEFICIT), end of year	<u><u>\$ (983,317)</u></u>	<u><u>\$ 3,153,867</u></u>	<u><u>\$ 217,484</u></u>	<u><u>\$12,056,704</u></u>	<u><u>\$14,444,738</u></u>

CITY OF REDDING
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2003

	<u>Airport</u>	<u>Storm Drainage Utility</u>	<u>Redding Area Bus Authority</u>	<u>Convention Center</u>	<u>Totals</u>
ASSETS					
Current assets:					
Cash and investments	\$ —	\$ 2,475,908	\$ 829,088	\$ 206,553	\$ 3,511,549
Interest receivable	—	11,990	4,967	166	17,123
Accounts receivable, net	50,881	113,079	13,878	2,355	180,193
Intergovernmental receivable	386,519	—	892,300	—	1,278,819
Inventories	<u>—</u>	<u>57,011</u>	<u>75,546</u>	<u>—</u>	<u>132,557</u>
Total current assets	<u>437,400</u>	<u>2,657,988</u>	<u>1,815,779</u>	<u>209,074</u>	<u>5,120,241</u>
Non-current assets:					
Restricted assets:					
Cash and investments	328,918	—	—	35,943	364,861
Interest receivable	<u>39</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>39</u>
Total restricted assets	<u>328,957</u>	<u>—</u>	<u>—</u>	<u>35,943</u>	<u>364,900</u>
Capital assets:					
Land	3,713,281	2,544,318	1,261,870	250,000	7,769,469
Utility plants	—	13,386,765	—	—	13,386,765
Buildings	7,771,132	—	5,488,813	3,441,565	16,701,510
Improvements other than buildings	19,552,511	2,348,779	1,162,335	325,260	23,388,885
Automotive equipment	695,033	352,470	6,250,364	106,964	7,404,831
Furnishings and equipment	126,843	21,724	1,343,036	296,136	1,787,739
Assets under capital lease	321,428	—	728,174	1,049,602	—
Construction in progress	<u>125,670</u>	<u>1,227,668</u>	<u>—</u>	<u>58,115</u>	<u>1,411,453</u>
Total capital assets	31,984,470	20,203,152	15,506,418	5,206,214	72,900,254
Less: accumulated depreciation	<u>(16,716,831)</u>	<u>(5,758,697)</u>	<u>(5,684,416)</u>	<u>(3,756,923)</u>	<u>(31,916,867)</u>
Net capital assets	<u>15,267,639</u>	<u>14,444,455</u>	<u>9,822,002</u>	<u>1,449,291</u>	<u>40,983,387</u>
Other assets:					
Financing costs, net	<u>19,619</u>	<u>—</u>	<u>—</u>	<u>12,443</u>	<u>32,062</u>
Total other assets	<u>19,619</u>	<u>—</u>	<u>—</u>	<u>12,443</u>	<u>32,062</u>
Total non-current assets	<u>15,616,215</u>	<u>14,444,455</u>	<u>9,822,002</u>	<u>1,497,677</u>	<u>41,380,349</u>
Total assets	<u>16,053,615</u>	<u>17,102,443</u>	<u>11,637,781</u>	<u>1,706,751</u>	<u>46,500,590</u>

LIABILITIES AND NET ASSETS	<u>Airport</u>	<u>Storm Drainage Utility</u>	<u>Redding Area Bus Authority</u>	<u>Convention Center</u>	<u>Totals</u>
Current liabilities (payable from current assets):					
Accounts payable	\$ 106,288	\$ 41,725	\$ 266,373	\$ 43,199	\$ 457,585
Accrued liabilities	37,921	15,751	—	69,384	123,056
Accrued interest payable	25,016	—	—	6,917	31,933
Intergovernmental payables	2,858	—	—	—	2,858
Due to other funds	—	—	86,114	—	86,114
Deferred revenues	10,035	—	944,626	—	954,661
Interfund payables	457,605	—	—	—	457,605
Capital leases, current	—	65,829	—	53,804	119,633
Long-term debt, current	25,841	—	—	16,388	42,229
State loan, current	<u>62,559</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>62,559</u>
Total current liabilities (payable from current assets)	<u>728,123</u>	<u>123,305</u>	<u>1,297,113</u>	<u>189,692</u>	<u>2,338,233</u>
Long-term liabilities:					
Accrued compensated absences	65,488	37,868	—	117,646	221,002
Advances from other funds	4,077,905	—	—	910,847	4,988,752
Capital leases, net of current	—	105,534	—	455,335	560,869
Long-term debt, net of current	869,207	—	—	423,305	1,292,512
State loan, net of current	<u>360,304</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>360,304</u>
Total long-term liabilities	<u>5,372,904</u>	<u>—</u>	<u>1,907,133</u>	<u>7,423,439</u>	<u>14,703,476</u>
Total liabilities	<u>6,101,027</u>	<u>266,707</u>	<u>1,297,113</u>	<u>2,096,825</u>	<u>9,761,672</u>
Net assets:					
Invested in capital assets, net of related debt	13,221,953	14,273,091	9,822,002	538,137	37,855,183
Restricted for capital projects	—	1,905,819	—	—	1,905,819
Unrestricted	<u>(3,269,365)</u>	<u>656,826</u>	<u>518,666</u>	<u>(928,211)</u>	<u>(3,022,084)</u>
Total net assets	<u>\$ 9,952,588</u>	<u>\$16,835,736</u>	<u>\$10,340,668</u>	<u>\$ (390,074)</u>	<u>\$36,738,918</u>

CITY OF REDDING
Combining Statement of Revenues, Expenses,
and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2003

	<u>Airport</u>	<u>Storm Drainage Utility</u>	<u>Redding Area Bus Authority</u>	<u>Convention Center</u>	<u>Totals</u>
OPERATING REVENUES:					
User fees and charges	\$ 125,791	\$ 886,305	\$ 702,135	\$ 250,735	\$ 1,964,966
Rental charges	696,301	—	—	185,500	881,801
Other operating revenue	<u>470,305</u>	<u>16,680</u>	<u>—</u>	<u>14,138</u>	<u>501,123</u>
Total operating revenues	<u>1,292,397</u>	<u>902,985</u>	<u>702,135</u>	<u>450,373</u>	<u>3,347,890</u>
OPERATING EXPENSES:					
Cost of power, water, and transportation	—	—	2,237,480	—	2,237,480
Maintenance, operations, and administration	1,588,492	788,974	1,281,376	1,780,329	5,439,171
Depreciation and amortization	<u>735,272</u>	<u>903,921</u>	<u>258,039</u>	<u>3,460,075</u>	<u>5,757,307</u>
Total operating expenses	<u>3,151,335</u>	<u>1,524,246</u>	<u>4,422,777</u>	<u>2,038,368</u>	<u>11,136,726</u>
Operating income (loss)	<u>(1,858,938)</u>	<u>(621,261)</u>	<u>(3,720,642)</u>	<u>(1,587,995)</u>	<u>(7,788,836)</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest revenue	3,129	85,693	27,728	2,731	119,281
Interest expense	(102,799)	(11,749)	—	(22,732)	(137,280)
Rent	—	—	250	—	250
Intergovernmental revenues	322,500	—	2,754,277	—	3,076,777
Gain (loss) on disposal of assets	(27,454)	2,875	(8,085)	—	(32,664)
Other non-operating revenues	<u>255,795</u>	<u>34,538</u>	<u>—</u>	<u>541,665</u>	<u>835,033</u>
Total non-operating revenues (expenses)	<u>446,708</u>	<u>332,614</u>	<u>2,808,708</u>	<u>(20,001)</u>	<u>3,568,029</u>
Income (loss) before operating transfers and capital contributions	<u>(1,412,230)</u>	<u>(288,647)</u>	<u>(911,934)</u>	<u>(1,607,996)</u>	<u>(4,220,807)</u>
Capital contributions	240,553	1,272,890	683,098	42,059	2,238,600
Transfers in	<u>—</u>	<u>1,232,511</u>	<u>—</u>	<u>1,669,614</u>	<u>2,902,125</u>
Change in net assets	(1,171,677)	2,216,754	(228,836)	103,677	919,918
Net assets (deficit), beginning of year	<u>11,124,265</u>	<u>14,618,982</u>	<u>10,569,504</u>	<u>(493,751)</u>	<u>35,819,000</u>
Net assets (deficit), end of year	<u>\$ 9,952,588</u>	<u>\$16,835,736</u>	<u>\$10,340,668</u>	<u>\$ (390,074)</u>	<u>\$36,738,918</u>

CITY OF REDDING
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2003

	<u>Airport</u>	<u>Storm Drainage Utility</u>	<u>Redding Area Bus Authority</u>	<u>Convention Center</u>	<u>Totals</u>
Cash flows from operating activities:					
Cash received from customers	\$ 898,752	\$ 703,622	\$ 448,018	\$ 3,370,008	
Cash paid to suppliers	(1,021,872)	(514,466)	(3,740,630)	(951,637)	(6,228,605)
Cash paid to employees	(490,297)	(284,593)	—	(882,636)	(1,657,526)
Net cash provided (used) by operating activities	<u>(192,553)</u>	<u>99,693</u>	<u>(3,037,008)</u>	<u>(1,386,255)</u>	<u>(4,516,123)</u>
Cash flows from noncapital financing activities:					
Intergovernmental revenue received	324,856	—	3,096,539	—	3,421,395
Advances from other funds	152,014	—	250	—	152,264
Repayment of advances to other funds	—	—	—	(70,000)	(70,000)
Transfers in	—	1,232,511	—	1,619,870	2,852,381
Net cash provided (used) by noncapital financing activities	<u>476,870</u>	<u>1,232,511</u>	<u>3,096,789</u>	<u>1,549,870</u>	<u>6,356,040</u>
Cash flows from capital and related financing activities:					
Refund to developers	—	(89,026)	—	—	(89,026)
Capital grants received	240,553	—	571,639	42,059	854,251
Proceeds from sale of assets	—	2,875	—	—	2,875
Purchase of capital assets	(285,300)	(1,363,438)	(683,098)	(73,277)	(2,405,113)
Interest paid	(94,600)	(11,749)	—	(18,026)	(124,375)
Principal paid on long-term debt	(138,363)	—	—	—	(138,363)
Principal paid on capital leases	—	(62,426)	—	(52,692)	(115,118)
Other revenue received	251,332	255,795	34,538	—	541,665
Net cash provided (used) by capital and related financing activities	<u>(26,378)</u>	<u>(1,267,969)</u>	<u>(76,921)</u>	<u>(101,936)</u>	<u>(1,473,204)</u>
Cash flows from investing activities:					
Investment revenue received	3,243	76,531	26,609	2,802	109,185
Net cash provided (used) by investing activities	<u>3,243</u>	<u>76,531</u>	<u>26,609</u>	<u>2,802</u>	<u>109,185</u>
Net increase (decrease) in cash	261,182	140,766	9,469	64,481	475,898
Cash and investments, beginning of year	67,736	2,335,142	819,619	178,015	3,400,512
Cash and investments, end of year	<u>\$ 328,918</u>	<u>\$ 2,475,908</u>	<u>\$ 829,088</u>	<u>\$ 242,496</u>	<u>\$ 3,876,410</u>

(continued)

	<u>Airport</u>	<u>Storm Drainage Utility</u>	<u>Redding Area Bus Authority</u>	<u>Convention Center</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$(1,858,938)	\$ (621,261)	\$(3,720,642)	\$(1,587,995)	\$(7,788,836)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	735,272	903,921	258,039	3,460,075	
(Increase) decrease in accounts receivable	17,184	130	1,487	(2,355)	16,446
(Increase) decrease in inventories	—	(4,363)	(5,381)	—	(9,744)
Increase (decrease) in accounts payable	11,309	(3,693)	(290,177)	(13,931)	(296,492)
Increase (decrease) in accrued liabilities	3,605	(746)	—	(6,963)	(4,104)
Increase (decrease) in interfund payable	50,881	—	—	—	50,881
Increase (decrease) in intergovernmental payable	—	—	53,411	—	53,411
Increase (decrease) in deferred revenues	10,035	—	20,373	—	30,408
Increase (decrease) in accrued compensated absences	<u>10,528</u>	<u>(5,646)</u>	<u>—</u>	<u>(33,050)</u>	<u>(28,168)</u>
Total adjustments	<u>1,666,385</u>	<u>720,954</u>	<u>683,634</u>	<u>201,740</u>	<u>3,272,713</u>
Net cash provided (used) by operating activities	<u>\$ (192,553)</u>	<u>\$ 99,693</u>	<u>\$(3,037,008)</u>	<u>\$(1,386,255)</u>	<u>\$(4,516,123)</u>
Plant contributed from developers	<u>\$ —</u>	<u>\$ 1,361,916</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,361,916</u>

CITY OF REDDING
Combining Statement of Net Assets
Internal Service Funds
June 30, 2003

	<u>Equipment</u>	<u>Information Systems</u>	<u>General Support Services</u>	<u>Risk Management</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and investments	\$ 894,161	\$ 732,319	\$ 839,661	\$ 8,105,722	\$10,571,863
Interest receivable	5,339	3,702	4,630	45,084	58,755
Accounts receivable, net	9,633	—	144	10,133	19,910
Prepaid items	—	—	—	221,267	221,267
Inventories	78,338	—	—	—	78,338
Interfund receivables	—	—	—	126,000	126,000
	<u>987,471</u>	<u>736,021</u>	<u>844,435</u>	<u>8,508,206</u>	<u>11,076,133</u>
Total current assets					
Non-current assets:					
Capital assets:					
Land	—	—	8,310	—	8,310
Equipment	727,093	—	—	—	727,093
Improvements other than buildings	100,050	71,229	16,166	—	187,445
Automotive equipment	9,021,130	—	114,689	—	9,135,819
Furnishings and equipment	51,205	658,064	179,843	—	889,112
Assets under capital lease	<u>310,437</u>	<u>193,618</u>	<u>47,262</u>	<u>—</u>	<u>551,317</u>
	10,209,915	922,911	366,270	—	11,499,096
Total capital assets	10,209,915	922,911	366,270	—	11,499,096
Less: accumulated depreciation	<u>(6,548,100)</u>	<u>(696,273)</u>	<u>(261,720)</u>	<u>—</u>	<u>(7,506,093)</u>
	<u>3,661,815</u>	<u>226,638</u>	<u>104,550</u>	<u>—</u>	<u>3,993,003</u>
Net capital assets	<u>3,661,815</u>	<u>226,638</u>	<u>104,550</u>	<u>—</u>	<u>3,993,003</u>
Other assets:					
Advances to other funds	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,041,358</u>	<u>1,041,358</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,041,358</u>	<u>1,041,358</u>
Total other assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,041,358</u>	<u>1,041,358</u>
Total non-current assets	<u>3,661,815</u>	<u>226,638</u>	<u>104,550</u>	<u>1,041,358</u>	<u>5,034,361</u>
Total assets	<u>4,649,286</u>	<u>962,659</u>	<u>948,985</u>	<u>9,549,564</u>	<u>16,110,494</u>

(continued)

	<u>Equipment</u>	<u>Information Systems</u>	<u>General Support Services</u>	<u>Risk Management</u>	<u>Total</u>
LIABILITIES AND NET ASSETS					
Current liabilities (payable from current assets):					
Accounts payable	\$ 96,098	\$ 26,393	\$ 75,891	\$ 42,772	\$ 241,154
Accrued liabilities	100,669	110,235	81,070	46,546	338,520
Claims and judgments payable	—	—	—	8,590,000	8,590,000
Deposits	—	—	—	8,633	8,633
Capital leases, current	—	61,994	10,876	—	72,870
Total current liabilities (payable from current assets)	<u>196,767</u>	<u>198,622</u>	<u>167,837</u>	<u>8,687,951</u>	<u>9,251,177</u>
Long-term liabilities:					
Accrued compensated absences	129,574	219,614	179,207	13,299	541,694
Capital leases, net of current	—	37,385	7,336	—	44,721
Total long-term liabilities	<u>129,574</u>	<u>256,999</u>	<u>186,543</u>	<u>13,299</u>	<u>586,415</u>
Total liabilities	<u>326,341</u>	<u>455,621</u>	<u>354,380</u>	<u>8,701,250</u>	<u>9,837,592</u>
Net assets:					
Invested in capital assets, net of related debt	—	127,259	86,339	—	213,598
Unrestricted	<u>4,322,945</u>	<u>379,779</u>	<u>508,266</u>	<u>848,314</u>	<u>6,059,304</u>
Total net assets	<u>\$ 4,322,945</u>	<u>\$ 507,038</u>	<u>\$ 594,605</u>	<u>\$ 848,314</u>	<u>\$ 6,272,902</u>

CITY OF REDDING
Combining Statement of Revenues, Expenses,
and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2003

	<u>Equipment</u>	<u>Information Systems</u>	<u>General Support Services</u>	<u>Risk Management</u>	<u>Total</u>
OPERATING REVENUES:					
User fees and charges	\$ 3,130,032	\$ 1,806,525	\$ 3,072,423	\$12,780,622	\$20,789,602
Other operating revenue	<u>11,801</u>	<u>10</u>	<u>—</u>	<u>10,944</u>	<u>22,755</u>
Total operating revenues	<u>3,141,833</u>	<u>1,806,535</u>	<u>3,072,423</u>	<u>12,791,566</u>	<u>20,812,357</u>
OPERATING EXPENSES:					
Maintenance, operations, and administration	3,026,124	1,728,559	2,969,266	13,522,180	21,246,129
Depreciation and amortization	<u>854,962</u>	<u>72,712</u>	<u>30,945</u>	<u>—</u>	<u>958,619</u>
Total operating expenses	<u>3,881,086</u>	<u>1,801,271</u>	<u>3,000,211</u>	<u>13,522,180</u>	<u>22,204,748</u>
Operating income (loss)	<u>(739,253)</u>	<u>5,264</u>	<u>72,212</u>	<u>(730,614)</u>	<u>(1,392,391)</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest revenue	31,346	24,445	28,008	300,101	383,900
Interest expense	—	(5,547)	(1,544)	—	(7,091)
Gain (loss) on disposal of capital assets	<u>26,042</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,042</u>
Total non-operating revenues (expenses)	<u>57,388</u>	<u>18,898</u>	<u>26,464</u>	<u>300,101</u>	<u>402,851</u>
Income (loss) before transfers	(681,865)	24,162	98,676	(430,513)	(989,540)
Capital contributions	<u>1,446,909</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,446,909</u>
Change in net assets	765,044	24,162	98,676	(430,513)	457,369
Net assets, beginning of year	<u>3,557,901</u>	<u>482,876</u>	<u>495,929</u>	<u>1,278,827</u>	<u>5,815,533</u>
Net assets, end of year	<u>\$ 4,322,945</u>	<u>\$ 507,038</u>	<u>\$ 594,605</u>	<u>\$ 848,314</u>	<u>\$ 6,272,902</u>

CITY OF REDDING
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2003

	<u>Equipment</u>	<u>Information Systems</u>	<u>General Support Services</u>	<u>Risk Management</u>	<u>Total</u>
Cash flows from operating activities:					
Cash received from other funds	\$ 3,138,001	\$ 1,806,535	\$ 3,079,084	\$12,794,315	\$20,817,935
Cash paid to suppliers	(1,911,010)	(407,669)	(1,870,160)	(12,287,474)	(16,476,313)
Cash paid to employees	<u>(1,088,412)</u>	<u>(1,300,934)</u>	<u>(1,087,729)</u>	<u>(203,223)</u>	<u>(3,680,298)</u>
Net cash provided (used) by operating activities	<u>138,579</u>	<u>97,932</u>	<u>121,195</u>	<u>303,618</u>	<u>661,324</u>
Cash flows from noncapital financing activities:					
Repayment of advances to other funds	<u>—</u>	<u>—</u>	<u>—</u>	<u>135,314</u>	<u>135,314</u>
Net cash provided (used) by noncapital financing activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>135,314</u>	<u>135,314</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of assets	32,803	—	—	—	32,803
Purchase of capital assets	(33,820)	(34,028)	(45,249)	—	(113,097)
Interest paid	—	(5,547)	(1,544)	—	(7,091)
Proceeds from long-term debt	—	—	—	—	—
Principal paid on capital leases	<u>—</u>	<u>(59,443)</u>	<u>(10,256)</u>	<u>—</u>	<u>(69,699)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,017)</u>	<u>(99,018)</u>	<u>(57,049)</u>	<u>—</u>	<u>(157,084)</u>
Cash flows from investing activities:					
Investment revenue received	<u>33,728</u>	<u>27,297</u>	<u>29,909</u>	<u>328,387</u>	<u>419,321</u>
Net cash provided by investing activities	<u>33,728</u>	<u>27,297</u>	<u>29,909</u>	<u>328,387</u>	<u>419,321</u>
Net increase (decrease) in cash	171,290	26,211	94,055	767,319	1,058,875
Cash and investments, beginning of year	<u>722,871</u>	<u>706,108</u>	<u>745,606</u>	<u>7,338,403</u>	<u>9,512,988</u>
Cash and investments, end of year	<u>\$ 894,161</u>	<u>\$ 732,319</u>	<u>\$ 839,661</u>	<u>\$ 8,105,722</u>	<u>\$10,571,863</u>

(continued)

	<u>Equipment</u>	<u>Information Systems</u>	<u>General Support Services</u>	<u>Risk Management</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (739,253)	\$ 5,264	\$ 72,212	\$ (730,614)	\$(1,392,391)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	854,962	72,712	30,945	—	958,619
(Increase) decrease in accounts receivable	(3,655)	—	6,661	2,749	5,755
(Increase) decrease in inventories	(3,111)	—	—	—	(3,111)
(Increase) decrease in prepaid items	—	4,027	52,842	56,869	
Increase (decrease) in accounts payable	3,492	(10,888)	(6,687)	11,661	(2,422)
Increase (decrease) in accrued liabilities	5,833	7,327	1,585	4,032	18,777
Increase (decrease) in claims and judgments payable	—	—	—	963,000	963,000
Increase (decrease) in deposits	—	—	—	(2,617)	(2,617)
Increase (decrease) in intergovernmental payable	(177)	—	—	—	(177)
Increase (decrease) in accrued compensated absences	<u>20,488</u>	<u>23,517</u>	<u>12,452</u>	<u>2,565</u>	<u>59,022</u>
Total adjustments	<u>877,832</u>	<u>92,668</u>	<u>48,983</u>	<u>1,034,232</u>	<u>2,053,715</u>
Net cash provided (used) by operating activities	<u>\$ 138,579</u>	<u>\$ 97,932</u>	<u>\$ 121,195</u>	<u>\$ 303,618</u>	<u>\$ 661,324</u>
Schedule of noncash capital activities:					
Equipment contributed from customers	<u>\$ 1,446,909</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,446,909</u>

CITY OF REDDING
Combining Statement of Changes in Agency Net Assets
For the Year Ended June 30, 2003

	Balance June 30, 2002	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2003
SPECIAL DEPOSITS				
Assets				
Cash and cash equivalents	\$ 1,641,403	\$ 3,322,087	\$ 3,302,880	\$ 1,660,610
Accounts receivable	11,639	176,383	163,201	24,821
Interest receivable	<u>44,966</u>	<u>—</u>	<u>20,601</u>	<u>24,365</u>
Total assets	<u>1,698,008</u>	<u>3,498,470</u>	<u>3,486,682</u>	<u>1,709,796</u>
LIABILITIES				
Deposits	<u>1,698,008</u>	<u>3,499,400</u>	<u>3,487,612</u>	<u>1,709,796</u>
Total liabilities	<u>1,698,008</u>	<u>3,499,400</u>	<u>3,487,612</u>	<u>1,709,796</u>
NET ASSETS	<u>\$ —</u>			<u>\$ —</u>
	Balance June 30, 2002	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2003
IPSS				
Assets				
Cash and cash equivalents	\$ 208,841	\$ 296,657	\$ 333,990	\$ 171,508
Accounts receivable	—	390,529	272,247	118,282
Interest receivable	<u>2,195</u>	<u>—</u>	<u>1,551</u>	<u>644</u>
Total assets	<u>211,036</u>	<u>687,186</u>	<u>607,788</u>	<u>290,434</u>
LIABILITIES				
Deposits	<u>211,036</u>	<u>687,186</u>	<u>607,788</u>	<u>290,434</u>
Total liabilities	<u>211,036</u>	<u>687,186</u>	<u>607,788</u>	<u>290,434</u>
NET ASSETS	<u>\$ —</u>			<u>\$ —</u>
	Balance June 30, 2002	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2003
TOTAL				
Assets				
Cash and cash equivalents	\$ 1,850,244	\$ 3,618,744	\$ 3,636,870	\$ 1,832,118
Accounts receivable	11,639	566,912	435,448	143,103
Interest receivable	<u>47,161</u>	<u>—</u>	<u>22,152</u>	<u>25,009</u>
Total assets	<u>1,909,044</u>	<u>4,185,656</u>	<u>4,094,470</u>	<u>2,000,230</u>
LIABILITIES				
Deposits	<u>1,909,044</u>	<u>4,186,586</u>	<u>4,095,400</u>	<u>2,000,230</u>
Total liabilities	<u>1,909,044</u>	<u>4,186,586</u>	<u>4,095,400</u>	<u>2,000,230</u>
NET ASSETS	<u>\$ —</u>			<u>\$ —</u>

CITY OF REDDING
Special Revenue Parking Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 74,450	\$ 74,450	\$ 63,505	\$ (10,945)
Fines, forfeitures and penalties	97,000	97,000	121,635	24,635
Interest revenue	<u>26,980</u>	<u>26,980</u>	<u>3,327</u>	
 Total revenues	 <u>198,430</u>	 <u>215,447</u>	 <u>17,017</u>	
EXPENDITURES:				
Current:				
Public safety	150,810	147,430	150,579	(3,149)
Public works	94,360	91,430	69,799	21,631
Debt service:				
Interest and fiscal charges	<u>—</u>	<u>2,270</u>	<u>—</u>	<u>2,270</u>
 Total expenditures	 <u>245,170</u>	 <u>241,130</u>	 <u>220,378</u>	 <u>20,752</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(46,740)</u>	 <u>(42,700)</u>	 <u>(4,931)</u>	 <u>37,769</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>29,000</u>	<u>29,000</u>	<u>—</u>	<u>(29,000)</u>
Total other financing sources (uses)	<u>29,000</u>	<u>29,000</u>	<u>—</u>	<u>(29,000)</u>
 Net change in fund balance	 <u>(17,740)</u>	 <u>(13,700)</u>	 <u>(4,931)</u>	 <u>8,769</u>
 BUDGETARY FUND BALANCE (DEFICIT), beginning of year	 <u>(1,187,411)</u>	 <u>(1,187,411)</u>	 <u>(1,187,411)</u>	 <u>—</u>
 BUDGETARY FUND BALANCE (DEFICIT), end of year	 <u>\$(1,205,151)</u>	 <u>\$(1,201,111)</u>	 <u>\$(1,192,342)</u>	 <u>\$ 8,769</u>
 Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			 \$ (835,837)	
1. Financial statement only interest income adjustment per GASB 31.			267	
2. The City does not budget for accounts payable adjustments.			(7,017)	
3. The City does not budget for benefit accruals.			2	
4. The City budgets for interest on loans on a cash, not accrual basis.			9,243	
5. The City did not budget for transfers in			<u>(359,000)</u>	
 Budgetary fund balance			 <u>\$(1,192,342)</u>	

CITY OF REDDING
Special Revenue Street Maintenance Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	<u>\$ 2,705,060</u>	<u>\$ 3,656,615</u>	<u>\$ 4,077,879</u>	<u>\$ 421,264</u>
Total revenues	<u>2,705,060</u>	<u>3,656,615</u>	<u>4,077,879</u>	<u>421,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,705,060</u>	<u>3,656,615</u>	<u>4,077,879</u>	<u>421,264</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(3,030,060)</u>	<u>(3,981,615)</u>	<u>(2,635,439)</u>	<u>1,346,176</u>
Total other financing sources (uses)	<u>(3,030,060)</u>	<u>(3,981,615)</u>	<u>(2,635,439)</u>	<u>1,346,176</u>
Net change in fund balance	<u>(325,000)</u>	<u>(325,000)</u>	<u>1,442,440</u>	<u>1,767,440</u>
BUDGETARY FUND BALANCE, beginning of year	<u>1,757,465</u>	<u>1,757,465</u>	<u>1,757,465</u>	<u>—</u>
BUDGETARY FUND BALANCE, end of year	<u>\$ 1,432,465</u>	<u>\$ 1,432,465</u>	<u>\$ 3,199,905</u>	<u>\$ 1,767,440</u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$ 2,277,320	
1. Financial statement only interest income adjustment per GASB 31.			(12,652)	
2. The City budgets for taxes on a cash basis.			<u>935,237</u>	
Budgetary fund balance			<u>\$ 3,199,905</u>	

CITY OF REDDING
Special Revenue Community Development Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 2,921,343	\$ 3,215,943	\$ 3,075,787	\$ (140,156)
Interest revenue 118,650	233,140	364,651	131,511	
Other revenues	<u>475</u>	<u>475</u>	<u>1,182</u>	<u>707</u>
Total revenues <u>3,040,468</u>	<u>3,449,558</u>	<u>3,441,620</u>	<u>(7,938)</u>	
EXPENDITURES:				
Current:				
Community development	<u>2,180,290</u>	<u>5,816,470</u>	<u>2,835,793</u>	<u>2,980,677</u>
Total expenditures	<u>2,180,290</u>	<u>5,816,470</u>	<u>2,835,793</u>	<u>2,980,677</u>
Excess (deficiency) of revenues over (under) expenditures	<u>860,178</u>	<u>(2,366,912)</u>	<u>605,827</u>	<u>2,972,739</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	350,000	105,000	105,000	—
Operating transfers out	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>—</u>
Total other financing sources (uses)	<u>346,000</u>	<u>101,000</u>	<u>101,000</u>	<u>—</u>
Net change in fund balance	<u>1,206,178</u>	<u>(2,265,912)</u>	<u>706,827</u>	<u>2,972,739</u>
BUDGETARY FUND BALANCE,				
beginning of year,	<u>11,494,000</u>	<u>11,494,000</u>	<u>11,494,000</u>	<u>—</u>
BUDGETARY FUND BALANCE, end of year	<u><u>\$12,700,178</u></u>	<u><u>\$ 9,228,088</u></u>	<u><u>\$12,200,827</u></u>	<u><u>\$ 2,972,739</u></u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$12,926,870	
1. Financial statement only interest income adjustment per GASB 31.			(4,857)	
2. The City does not budget for accounts payable adjustments.			23,658	
3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.			(1,740,521)	
4. The City does not budget for the rolling stock fund.			(4,466)	
5. The City does not budget for benefit accruals.			151	
6. The City budgets for investment income on all funds, including refundable interest to HUD.			24,387	
7. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.			891,010	
8. The City budgets for grants on a cash basis.			252,475	
9. End of year encumbrances are included in actual expenditures, budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.			<u>(167,880)</u>	
Budgetary fund balance			<u><u>\$12,200,827</u></u>	

CITY OF REDDING
Special Revenue Housing Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,577,620	\$ 1,577,620	\$ 1,873,535	\$ 295,915
Intergovernmental revenue	5,431,038	5,485,258	5,416,745	(68,513)
Use of money and property	160,000	160,000	617,502	457,502
Interest revenue 185,300	185,300	336,650	151,350	
Other revenues	5,600	13,100	41,696	28,596
Total revenues	<u>7,359,558</u>	<u>8,286,128</u>	<u>864,850</u>	
EXPENDITURES:				
Current:				
Community development	10,283,030	16,513,722	10,533,314	5,980,408
Debt service:				
Bond issuance and other costs	20,000	20,000	6,550	13,450
Principal retirement	86,350	415,000	415,000	—
Interest and fiscal charges	592,260	505,260	505,255	5
Total expenditures	<u>10,981,640</u>	<u>17,453,982</u>	<u>11,460,119</u>	<u>5,993,863</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,622,082)</u>	<u>(10,032,704)</u>	<u>(3,173,991)</u>	<u>6,858,713</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of property	—	105,240	230,136	124,896
Transfers out	(105,000)	(105,000)	(105,000)	—
Total other financing sources (uses)	(105,000)	240	125,136	124,896
Net change in fund balance	<u>(3,727,082)</u>	<u>(10,032,464)</u>	<u>(3,048,855)</u>	<u>6,983,609</u>
BUDGETARY FUND BALANCE,				
beginning of year,	<u>10,872,594</u>	<u>10,872,594</u>	<u>10,872,594</u>	<u>—</u>
BUDGETARY FUND BALANCE, end of year	<u>\$ 7,145,512</u>	<u>\$ 840,130</u>	<u>\$ 7,823,739</u>	<u>\$ 6,983,609</u>

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

	\$ 9,640,414
1. Financial statement only interest income adjustment per GASB 31.	4,193
2. The City does not budget for accounts payable adjustments.	(19,416)
3. The City budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.	(319,241)
4. The City budgets for land purchases in the expenditure accounts, but adjusts the actual payment to assets held for resale for property that is to be sold.	(703,456)
5. The City does not budget for benefit accruals.	(24)
6. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.	563,023
7. The City does not budget for rolling stock.	(74)
8. The City budgets for grants on a cash basis.	56,527
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.	(664,520)
10. The City does not budget for transfers in from the Special Projects Fund.	(587,689)
11. The City budgets for amounts held in deposit for the purchase of land and relocation payments.	(372,395)
12. The City budgets for the sale of assets held for resale, but adjusts the revenue to reduce Assets Held for Resale Account and the gain/loss on the sale.	<u>226,397</u>
Budgetary fund balance	<u>\$ 7,823,739</u>

CITY OF REDDING
Special Revenue Special Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment revenue	\$ 165,000	\$ 165,000	\$ 198,132	\$ 33,132
Total revenues	<u>165,000</u>	<u>165,000</u>	<u>198,132</u>	<u>33,132</u>
BUDGETARY FUND BALANCE, beginning of year	<u>9,256,515</u>	<u>9,256,515</u>	<u>9,256,515</u>	<u>—</u>
BUDGETARY FUND BALANCE end of year	<u>\$ 9,421,515</u>	<u>\$ 9,421,515</u>	<u>\$ 9,454,647</u>	<u>\$ 33,132</u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$ 8,866,528	
1. Financial statement only interest income adjustment per GASB 31.			430	
2. The City does not budget for transfers to the Housing Fund.			<u>587,689</u>	
Budgetary fund balance			<u>\$ 9,454,647</u>	

CITY OF REDDING
Special Revenue General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Sales tax	\$ 323,000	\$ 323,000	\$ 273,520	\$ (49,480)
Total revenues	<u>323,000</u>	<u>323,000</u>	<u>(49,480)</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>323,000</u>	<u>323,000</u>	<u>273,520</u>	<u>(49,480)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(323,000)</u>	<u>(323,000)</u>	<u>(273,520)</u>	<u>49,480</u>
Total other financing sources (uses)	<u>(323,000)</u>	<u>(323,000)</u>	<u>(273,520)</u>	<u>49,480</u>
Net change in fund balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
BUDGETARY FUND BALANCE, beginning of year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
FUND BALANCE, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			<u>\$ —</u>	
Budgetary fund balance			<u>\$ —</u>	

CITY OF REDDING
 General Capital Projects Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ —	\$ (88,830)	\$ 8,229,227	\$ 8,318,057
Investment revenue	395,000	395,000	451,142	56,142
Other	<u>2,218,000</u>	<u>3,487,412</u>	<u>3,389,751</u>	<u>(97,661)</u>
Total revenues	<u>2,613,000</u>	<u>3,793,582</u>	<u>8,276,538</u>	
EXPENDITURES:				
Current:				
Community development	43,854	43,854	43,854	—
Capital outlay	40,455,896	43,441,728	20,310,824	23,130,904
Debt service	<u>132,530</u>	<u>227,760</u>	<u>225,934</u>	<u>1,826</u>
Total expenditures	<u>40,632,280</u>	<u>43,713,342</u>	<u>20,580,612</u>	<u>23,132,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,019,280)</u>	<u>(39,919,760)</u>	<u>(8,510,492)</u>	<u>31,409,268</u>
OTHER FINANCING SOURCES (USES):				
Bond proceeds	—	2,767,370	2,767,366	(4)
Bond discount	<u>—</u>	<u>(22,150)</u>	<u>(22,145)</u>	<u>5</u>
Total other financing sources (uses)	<u>—</u>	<u>2,745,220</u>	<u>2,745,221</u>	<u>1</u>
Net change in fund balance	<u>(38,019,280)</u>	<u>(37,174,540)</u>	<u>(5,765,271)</u>	<u>31,409,269</u>
BUDGETARY FUND BALANCE				
beginning of year,	<u>7,939,367</u>	<u>7,939,367</u>	<u>7,939,367</u>	<u>—</u>
BUDGETARY FUND BALANCE				
end of year	<u>\$(30,079,913)</u>	<u>\$(29,235,173)</u>	<u>\$ 2,174,096</u>	<u>\$31,409,269</u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$10,003,095	
1. Financial statement only interest income adjustment per GASB 31.			(28,284)	
2. The City does not budget for accounts payable adjustments.			802,397	
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.			(11,717,253)	
4. The City does not budget for the transfer of development fees and interest on those fees to the related enterprise funds.			420,745	
5. The City budgets for grants on a cash basis.			2,617,416	
6. Timing difference due to GASB 33.			(56,437)	
7. The City budgets for principal payments for loans.			(58,920)	
8. The City does not budget for operating transfers.			<u>191,337</u>	
Budgetary fund balance			<u>\$ 2,174,096</u>	

CITY OF REDDING
 Canby-Hilltop-Cypress Capital Project Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,021,450	\$ 1,021,450	\$ 1,427,502	\$ 406,052
Use of money and property	88,150	88,150	18,638	(69,512)
Investment revenue	327,040	327,040	205,120	(121,920)
Other revenue	<u>—</u>	<u>—</u>	<u>5</u>	<u>5</u>
 Total revenues	 <u>1,436,640</u>	 <u>1,436,640</u>	 <u>214,625</u>	
EXPENDITURES:				
Current:				
General government	729,120	913,253	662,943	250,310
Capital outlay	<u>9,322,060</u>	<u>9,816,060</u>	<u>5,457,990</u>	<u>4,358,070</u>
 Total expenditures	 <u>10,051,180</u>	 <u>10,729,313</u>	 <u>6,120,933</u>	 <u>4,608,380</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(8,614,540)</u>	 <u>(9,292,673)</u>	 <u>(4,469,668)</u>	 <u>4,823,005</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
 Net change in fund balance	 <u>(8,614,540)</u>	 <u>(9,292,673)</u>	 <u>(4,469,668)</u>	 <u>4,823,005</u>
 BUDGETARY FUND BALANCE, beginning of year	 <u>9,895,298</u>	 <u>9,895,298</u>	 <u>9,895,298</u>	 <u>—</u>
 BUDGETARY FUND BALANCE, end of year	 <u>\$ 1,280,758</u>	 <u>\$ 602,625</u>	 <u>\$ 5,425,630</u>	 <u>\$ 4,823,005</u>
 Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			 \$ 7,925,310	
1. Financial statement only interest income adjustment per GASB 31.			4,372	
2. The City budgets for and records principal payments in the revenue accounts, but adjusts the actual payment to loans receivable.			18,038	
3. Excess funds from debt service transferred to capital projects.			(401,780)	
4. The City does not budget for accounts payable adjustments.			(39,473)	
5. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures and Fund Balance.			<u>(2,080,837)</u>	
 Budgetary fund balance			 <u>\$ 5,425,630</u>	

CITY OF REDDING
Market Street Capital Project Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 683,390	\$ 683,390	\$ 978,531	\$ 295,141
Investment revenue	60,000	60,000	31,085	(28,915)
Other revenue	<u>5,150</u>	<u>15,550</u>	<u>16,285</u>	<u>735</u>
Total revenues	<u>748,540</u>	<u>1,025,901</u>	<u>266,961</u>	
EXPENDITURES:				
Current:				
General government	525,380	648,900	622,244	26,656
Capital outlay	941,490	951,890	535,899	415,991
Debt Service:				
Principal retirement	53,460	53,460	—	53,460
Interest	<u>17,840</u>	<u>17,840</u>	<u>6</u>	<u>17,834</u>
Total expenditures	<u>1,538,170</u>	<u>1,672,090</u>	<u>1,158,149</u>	<u>513,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(789,630)</u>	<u>(913,150)</u>	<u>(132,248)</u>	<u>780,902</u>
OTHER FINANCING SOURCES (USES):				
Financing proceeds	<u>344,000</u>	<u>344,000</u>	<u>—</u>	<u>(344,000)</u>
Total other financing sources (uses)	<u>344,000</u>	<u>344,000</u>	<u>—</u>	<u>(344,000)</u>
Net change in fund balance	<u>(445,630)</u>	<u>(569,150)</u>	<u>(132,248)</u>	<u>436,902</u>
BUDGETARY FUND BALANCE, beginning of year	<u>1,475,938</u>	<u>1,475,938</u>	<u>1,475,938</u>	<u>—</u>
BUDGETARY FUND BALANCE, end of year	<u>\$ 1,030,308</u>	<u>\$ 906,788</u>	<u>\$ 1,343,690</u>	<u>\$ 436,902</u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$ 1,665,598	
1. Financial statement only interest income adjustment per GASB 31.			(764)	
2. Excess funds from debt service transferred to capital projects.			(3,290)	
3. The City does not budget for accounts payable adjustments.			(22,563)	
4. The City budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.			4,621	
5. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.			<u>(299,912)</u>	
Budgetary fund balance			<u>\$ 1,343,690</u>	

CITY OF REDDING
 Buckeye Capital Project Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 30,280	\$ 32,880	\$ 48,046	\$ 15,166
Investment revenue	<u>800</u>	<u>800</u>	<u>355</u>	<u>(445)</u>
 Total revenues	 <u>31,080</u>	 <u>33,680</u>	 <u>48,401</u>	 <u>14,721</u>
EXPENDITURES:				
Current:				
General government	9,320	12,300	10,245	2,055
Debt service:				
Principal retirement	10,000	10,000	10,000	—
Interest	<u>9,200</u>	<u>9,200</u>	<u>8,293</u>	<u>907</u>
 Total expenditures	 <u>28,520</u>	 <u>31,500</u>	 <u>28,538</u>	 <u>2,962</u>
 Excess (deficiency) of revenues over (under) expenditures	 2,560	 2,180	 19,863	 17,683
 BUDGETARY FUND BALANCE, beginning of year	 <u>(151,970)</u>	 <u>(151,970)</u>	 <u>(151,970)</u>	 <u>—</u>
 BUDGETARY FUND BALANCE, end of year	 <u>\$ (149,410)</u>	 <u>\$ (149,790)</u>	 <u>\$ (132,107)</u>	 <u>\$ 17,683</u>
 Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			 \$ (117,053)	
1. Financial statement only interest income adjustment per GASB 31.			(68)	
2. The City budgets for and records payments on loans in the expenditure accounts, but adjusts the actual loan to advances payable to other funds.			<u>(14,986)</u>	
 Budgetary fund balance			 <u>\$ (132,107)</u>	

CITY OF REDDING
SHASTECH Capital Project Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 475,300	\$ 516,040	\$ 706,695	\$ 190,655
Intergovernmental revenue	3,431,690	3,431,690	886,384	(2,545,306)
Investment revenue	20,000	20,000	13,073	(6,927)
Other revenue	<u>—</u>	<u>206,720</u>	<u>216,998</u>	<u>10,278</u>
Total revenues	<u>3,926,990</u>	<u>4,174,450</u>	<u>1,823,150</u>	<u>(2,351,300)</u>
EXPENDITURES:				
Current:				
General government	124,120	181,022	143,363	37,659
Capital outlay	<u>5,424,800</u>	<u>5,879,540</u>	<u>1,357,625</u>	<u>4,521,915</u>
Total expenditures	<u>5,548,920</u>	<u>6,060,562</u>	<u>1,500,988</u>	<u>4,559,574</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,621,930)</u>	<u>(1,886,112)</u>	<u>322,162</u>	<u>2,208,274</u>
OTHER FINANCING SOURCES (USES):				
Financing proceeds	<u>2,000,000</u>	<u>2,000,000</u>	<u>—</u>	<u>(2,000,000)</u>
Total other financing sources (uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>—</u>	<u>(2,000,000)</u>
Net change in fund balance	<u>378,070</u>	<u>113,888</u>	<u>322,162</u>	<u>208,274</u>
BUDGETARY FUND BALANCE, beginning of year	<u>185,007</u>	<u>185,007</u>	<u>185,007</u>	<u>—</u>
BUDGETARY FUND BALANCE, end of year	<u>\$ 563,077</u>	<u>\$ 298,895</u>	<u>\$ 507,169</u>	<u>\$ 208,274</u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$ 491,038	
1. Financial statement only interest income adjustment per GASB 31.			(2,729)	
2. The City does not budget for accounts payable adjustments.			66,463	
3. The City purchased land from deposits held by the State that were budgeted for in a prior year.			80,000	
4. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.			(136,209)	
5. The City does not budget for interest expense on Risk Management Loan.			<u>8,606</u>	
Budgetary fund balance			<u>\$ 507,169</u>	

CITY OF REDDING
Midtown Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 25,000	\$ 25,000	\$ 28,774	\$ 3,774
Investment revenue	<u>4,000</u>	<u>4,000</u>	<u>742</u>	<u>(3,258)</u>
 Total revenues	 <u>29,000</u>	 <u>29,000</u>	 <u>516</u>	
EXPENDITURES:				
Current:				
General government	2,000	2,872	1,658	1,214
Debt Service:				
Bond administration costs	2,000	2,000	—	2,000
Principal retirement	75,000	75,000	75,000	—
Interest	<u>25,920</u>	<u>32,028</u>	<u>32,019</u>	<u>9</u>
 Total expenditures	 <u>104,920</u>	 <u>111,900</u>	 <u>108,677</u>	 <u>3,223</u>
Excess (deficiency) of revenues over (under) expenditures	(75,920)	(82,900)	(79,161)	3,739
BUDGETARY FUND BALANCE (DEFICIT), beginning of year	<u>(902,144)</u>	<u>(902,144)</u>	<u>(902,144)</u>	<u>—</u>
BUDGETARY FUND BALANCE (DEFICIT), end of year	<u>\$ (978,064)</u>	<u>\$ (985,044)</u>	<u>\$ (981,305)</u>	<u>\$ 3,739</u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$ (983,318)	
1. The City budgets for interest on loans on a cash, not accrual basis.			<u>2,013</u>	
Budgetary fund balance			<u>\$ (981,305)</u>	

CITY OF REDDING
 Canby-Hilltop-Cypress Debt Service Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 1,992,280	\$ 1,992,280	\$ 1,970,507	\$ (21,773)
Investment revenue	<u>135,000</u>	<u>135,000</u>	<u>112,405</u>	<u>(22,595)</u>
 Total revenues	 <u>2,127,280</u>	 <u>2,082,912</u>	 <u>(44,368)</u>	
EXPENDITURES:				
Current:				
General government	130,000	130,000	87,872	42,128
Debt Service:				
Bond administration costs	15,000	15,000	8,180	6,820
Principal retirement	515,000	515,000	515,000	—
Interest	<u>1,024,400</u>	<u>1,024,400</u>	<u>1,024,394</u>	<u>6</u>
 Total expenditures	 <u>1,684,400</u>	 <u>1,684,400</u>	 <u>1,635,446</u>	 <u>48,954</u>
 Excess (deficiency) of revenues over (under) expenditures	 442,880	 442,880	 447,466	 4,586
 BUDGETARY FUND BALANCE, beginning of year	 <u>3,062,956</u>	 <u>3,062,956</u>	 <u>3,062,956</u>	 <u>—</u>
 BUDGETARY FUND BALANCE, end of year	 <u>\$ 3,505,836</u>	 <u>\$ 3,505,836</u>	 <u>\$ 3,510,422</u>	 <u>\$ 4,586</u>
 Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			 \$ 3,153,867	
1. Financial statement only interest income adjustment per GASB 31.			(46,575)	
2. Excess funds from debt service transferred to capital projects.			401,780	
3. The City does not budget for accounts payable adjustments.			<u>1,350</u>	
 Budgetary fund balance			 <u>\$ 3,510,422</u>	

CITY OF REDDING
Market Street Debt Service Funds
Budgetary Comparison Schedule
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 233,180	\$ 233,180	\$ 210,666	\$ (22,514)
Investment revenue	<u>10,000</u>	<u>10,000</u>	<u>1,676</u>	<u>(8,324)</u>
 Total revenues	 <u>243,180</u>	 <u>243,180</u>	 <u>(30,838)</u>	
EXPENDITURES:				
Current:				
General government	45,000	45,000	30,255	14,745
Debt Service:				
Bond administration costs	8,000	8,000	3,800	4,200
Principal retirement	45,000	45,000	45,000	—
Interest	<u>135,180</u>	<u>135,180</u>	<u>135,173</u>	<u>7</u>
 Total expenditures	 <u>233,180</u>	 <u>233,180</u>	 <u>214,228</u>	 <u>18,952</u>
 Excess (deficiency) of revenues over (under) expenditures	 10,000	 10,000	 (1,886)	 (11,886)
 BUDGETARY FUND BALANCE, beginning of year	 <u>222,660</u>	 <u>222,660</u>	 <u>222,660</u>	 <u>—</u>
 BUDGETARY FUND BALANCE, end of year	 <u>\$ 232,660</u>	 <u>\$ 232,660</u>	 <u>\$ 220,774</u>	 <u>\$ (11,886)</u>
 Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			 \$ 217,484	
1. Excess funds from debt service transferred to capital projects.			 <u>3,290</u>	
 Budgetary fund balance			 <u>\$ 220,774</u>	

CITY OF REDDING
 General Debt Service Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ —	\$ —	\$ —	\$ —
Investment revenue	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
EXPENDITURES:				
Current:				
Community development	—	—	—	—
Debt Service:				
Interest	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
BUDGETARY FUND BALANCE, beginning of year	<u>1,083,038</u>	<u>1,083,038</u>	<u>1,083,038</u>	<u>—</u>
BUDGETARY FUND BALANCE, end of year	<u><u>\$ 1,083,038</u></u>	<u><u>\$ 1,083,038</u></u>	<u><u>\$ 1,083,038</u></u>	<u><u>\$ —</u></u>
Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$12,056,704	
1. The City does not budget for transfers.			<u>(10,973,666)</u>	
Budgetary fund balance			<u><u>\$ 1,083,038</u></u>	