

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Honorable Chairman and Members
of the Board of Directors
Redding, CA

We have audited the accompanying basic financial statements of the City of Redding, as of and for the fiscal year ended June 30, 2001, as listed in the financial section of the table of contents. These basic financial statements are the responsibility of City of Redding's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 23 to the basic financial statements, the City of Redding adopted Government Accounting Standards Board Statements Nos. 33 and 34 and GASB Interpretation 6 as of and for the year ended June 30, 2001.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Redding as of June 30, 2001, and the results of its activities, operations and the cash flows of its proprietary funds for the fiscal 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 4, 2001, 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 basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic 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 basic financial statements of the City of Redding. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hathaway & Ksenzulak, LLP
December 4, 2001

Management's Discussion and Analysis

As management of the City of Redding (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2001. The management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address future years' challenges), (d) identify any material deviations from the financial plan (approved budget), and (e) identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- The City's net assets increased by \$60 million. The governmental net assets increased by \$14.6 million and the business-type net assets increased by \$46.1 million
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$71.2 million, an increase/decrease of \$9.4 million in comparison with the prior year. Over 60% of this total amount, \$45.6 million, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$10.1 million, or 23.8% of the total general fund expenditures.
- The City's total debt decreased by \$10.4 million (4.8%) during the current fiscal year (excluding the City's TRAN). The reduction is due to scheduled payments. The only new debt besides the TRAN was a capital lease in the amount of \$111,398 for equipment.

USING THIS FINANCIAL REPORT/ OVERVIEW OF REPORT

This is the City's first year for the new financial reporting model. In the past, the primary focus of local government's financials statements have been summarized fund type information. This model has been discarded and been replaced with a new model that focuses on both the City as a whole (government wide) and the major individual funds. Both of these perspectives allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

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

Government-wide Financial Statements

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

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

The City has elected to early implement GASB Statement 34 including the infrastructure reporting requirements. The City has elected to depreciate all infrastructure assets rather than use the modified approach as outlined in GASB Statement 34.

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

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

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

Fund Financial Statements

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

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

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

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the 1915 Act Assessment District Bonds, both of which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 44 - 53 of this report.

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

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

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

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 64 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 65 - 101 of this report.

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

Initial Year for Implementing Governmental Accounting Standards Board (GASB) Statement 34
Because this is the first year the City has reported its financial activities in the GASB Statement 34 format, comparative information from the prior year is not available.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. During the City's fiscal year ended 2001, net assets changed as follows: (All amounts are in thousands)

	Governmental <u>Activities</u>	Business <u>Activities</u>	<u>Total</u>
Beginning net assets	\$137,018	\$215,332	\$352,350
Increase in net assets	\$ 14,560	\$ 46,111	\$ 60,671
Ending net assets	\$151,578	\$261,443	\$413,021

The City's total net assets increased by 17.2% from a year ago, increasing from \$352.4 million to \$413 million. Net assets from governmental activities increased by 10.6% while net assets from business activities increased by 21.4%. The \$14.6 million increase in net assets from governmental activities is due primarily to the following two reasons. First, over \$7 million in revenue was restricted to the purchase and/or construction of capital assets, which does not result in an offsetting expense in the current year government-wide financial statements. In addition, other revenue sources were used for infrastructure and other capital assets. Second, revenues were higher than anticipated and expenses lower than anticipated.

The \$46.1 million increase in net assets from business-type activities is due primarily to the following two reasons. First, the Electric Utility's net revenues were over \$30 million. During the fiscal year there was a shortage of power in California and the Electric Utility was able to sell its excess power into the open market resulting in a large increase in the Electric Utility's net revenues. The excess net revenues will be used to help maintain low electric rates. Second, the other utilities net assets increased primarily because funds are being accumulated for current and future capital projects.

The following schedule displays a summary breakdown of the City's net assets as of June 30, 2001:

Net Assets (in thousands)			
	Governmental Activities	Business -Type Activities	Total
Current and other assets	\$ 104,851	\$ 172,995	\$ 277,846
Capital assets	124,529	291,191	415,720
Total assets	<u>229,380</u>	<u>464,186</u>	<u>693,566</u>
Current liabilities	19,740	56,239	75,979
Long Term Liabilities	58,062	146,504	204,566
Total Liabilities	<u>77,802</u>	<u>202,743</u>	<u>280,545</u>
Net Assets:			
Invested in capital assets, net of related debt	94,414	150,896	245,310
Restricted	47,706	14,310	62,016
Unrestricted	9,458	96,237	105,695
Total net assets	<u>\$ 151,578</u>	<u>\$ 261,443</u>	<u>\$ 413,021</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's net assets exceeded liabilities by \$413 million at the June 30, 2001. Most of the City's net assets (59%) are invested in capital assets (i.e., land, buildings, utility plants, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, (15%) represent resources that are subject to external restrictions as to how they may be used. The remaining balance of \$106 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors or for investments in capital assets. Only \$ 9.5 million of the unrestricted net assets pertain to governmental activities, the balance can only be used for the utilities and other business activities of the City.

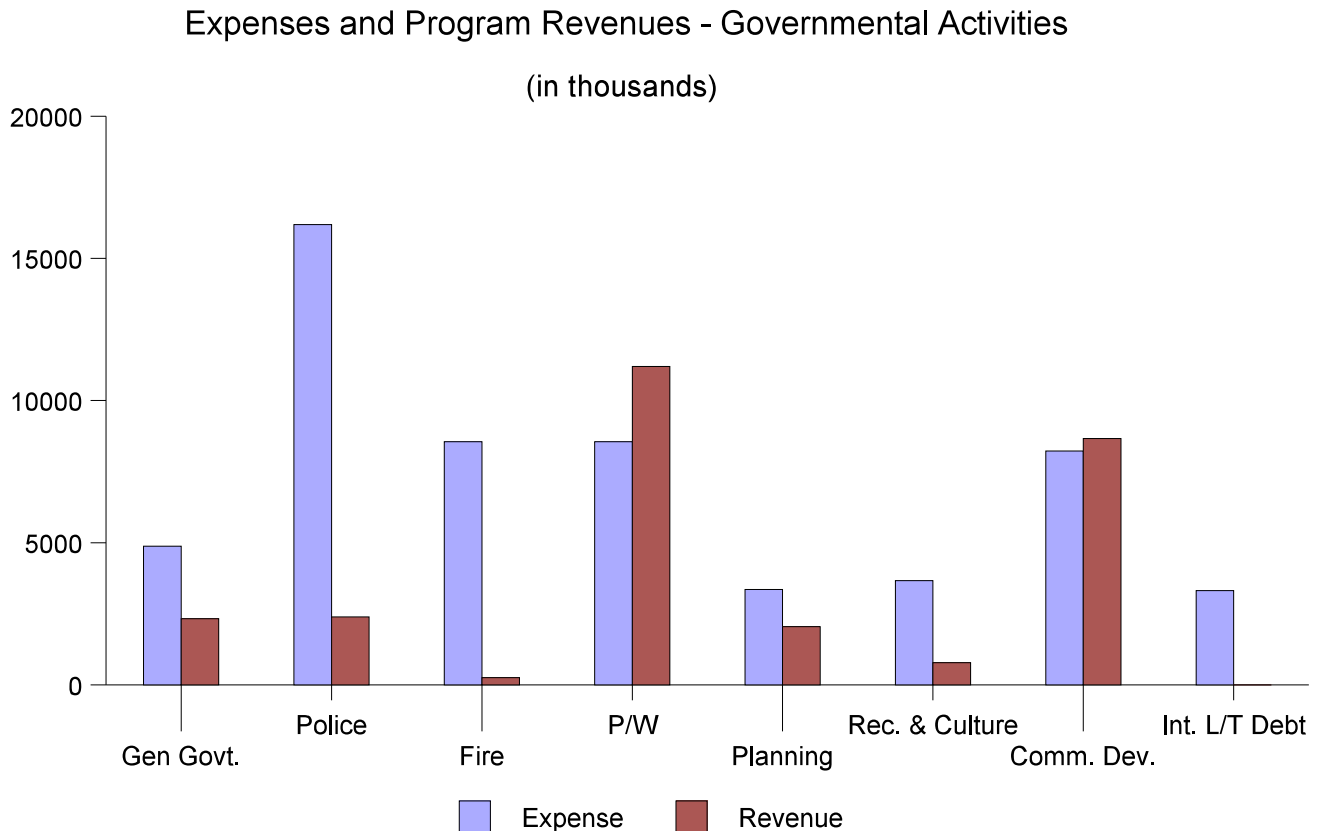
The following schedule shows the various components that caused the City's net assets to increase:

Changes in Net Assets
(in thousands)

	Governmental Activities	Business - Type Activities	Total
Revenues:			
Program revenues			
Charges for service	\$ 6,426	\$ 272,354	\$ 278,780
Operating grants and contributions	14,111	2,597	16,708
Capital grants and contributions	7,120	9,831	16,951
General Revenues			0
Sales Tax	16,782	0	16,782
Property Tax	11,019	0	11,019
Other Taxes	4,295	0	4,295
Motor Vehicle In-lieu	4,252	0	4,252
Investment earnings	4,450	6,106	10,556
Other	4,024	848	4,872
Total Revenues	<u>72,479</u>	<u>291,736</u>	<u>364,215</u>
Expenses:			
General Government	4,879		4,879
Police	16,188		16,188
Fire	8,557		8,557
Public Works	8,554		8,554
Planning	3,357		3,357
Recreation and culture	3,666		3,666
Community development	8,228		8,228
Interest on long-term debt	3,319		3,319
Electric		208,375	208,375
Water		8,745	8,745
Wastewater		9,415	9,415
Storm drainage		1,406	1,406
Solid Waste		10,393	10,393
Transportation		6,504	6,504
Convention Center		1,958	1,958
Total Expenses	<u>56,748</u>	<u>246,796</u>	<u>303,544</u>
Increase in net assets before transfers	15,731	44,940	60,671
Transfers	(1,171)	1,171	0
Increase in net assets	14,560	46,111	60,671
Net assets July 1, 2000, as restated	137,018	215,332	352,350
Net assets June 30, 2001	<u>\$ 151,578</u>	<u>\$ 261,443</u>	<u>\$ 413,021</u>

Governmental Activities

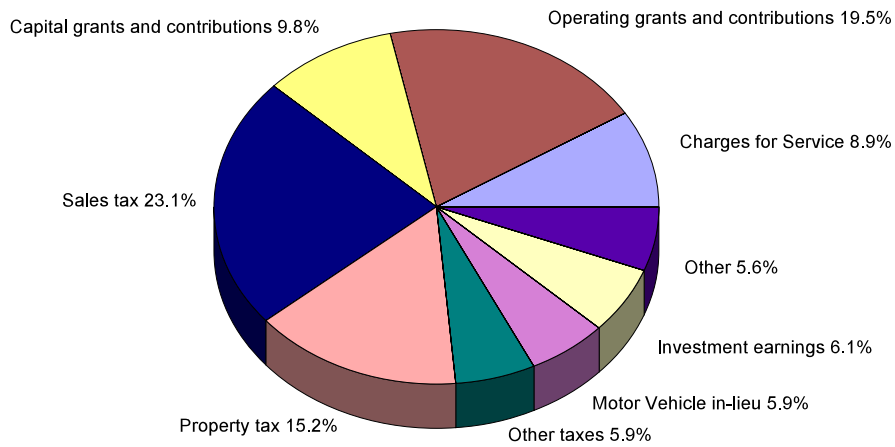
Program expenses exceed program revenues by \$29.1 million, however general revenues were \$44.7 million resulting in an increase in governmental activities net assets of \$14.6 million. This increase accounted for 24% of the total growth in the net assets of the City.



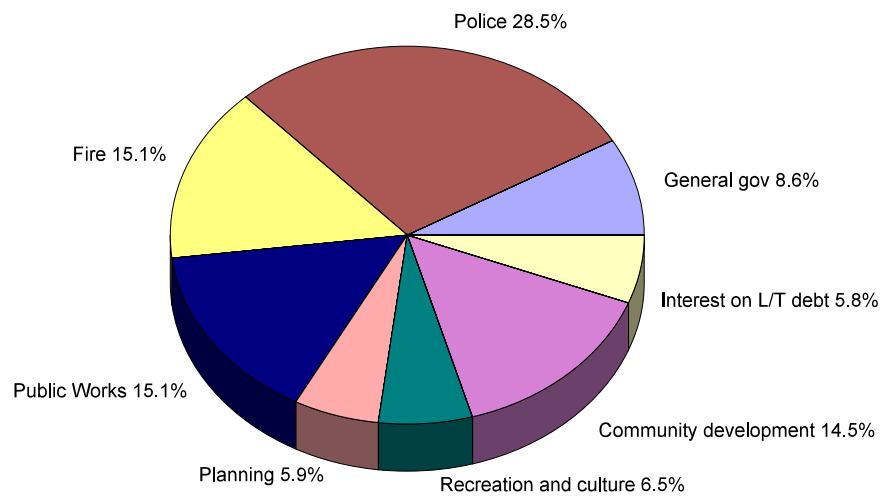
As shown in the expenses and program revenue graph above, the public works program revenues exceeded program expenses by \$2.6 million. The reason for revenues exceeding expenses is that program revenues include \$6.8 million in capital grants and contributions which were used for capital assets as they could not be used to cover expenses. Community development program revenues exceeded program expenses by \$0.4 million. Funds in this function are being accumulated for future housing and community development projects.

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

Revenues by Source - Governmental Activities



Expenses by Source - Governmental Activities



Business-Type Activities

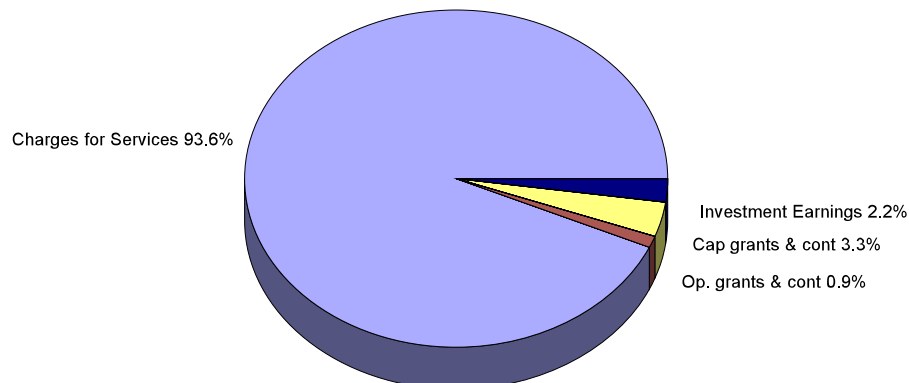
Business-type activities increased the City's net assets by \$46.1 million, accounting for 76% of the total growth in the government's net assets. Key elements of this increase/decrease are as follows:

- The Electric Utility accounted for over \$34 million of the increase in net assets. Electric Utility net assets increased for the following two reasons. First, the City had available excess power to sell in the wholesale market. Wholesale sales increased by \$118 million while cost of sales only increased about \$100 million. Second, in 1996 the City implemented a 23% interim rate surcharge to help position the Utility for deregulation. The surcharge is expected to be removed sometime in fiscal year ended 2004. The surcharge accounted for approximately \$13 million of the increase in net assets.
- Funds are being accumulated for current and future water, wastewater, solid waste and storm drainage capital projects. The following schedule shows business-type activities revenues and expenses.

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

	Revenue	Expense	Change in net assets
Electric	\$ 239,369	\$ 208,375	\$ 30,994
Water	11,259	8,745	2,514
Wastewater	11,069	9,415	1,654
Storm Drainage	1,995	1,406	589
Solid Waste	13,244	10,394	2,850
Transportation	7,484	6,504	980
Convention Center	360	1,957	(1,597)
Investment earnings	6,107		6,107
Gain or sale of property	849		849
Transfers	1,171		1,171
Total	\$ 292,907	\$ 246,796	\$ 46,111

Revenues by Source - Business - Type Activities



Typically business-type activities charge customers for the services provided and the related necessary capital costs. As can be seen from the graph above, charges for services makes up the vast majority (93.6%) of the revenues of the business-type activities.

Financial Analysis of the Government's Funds

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

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

As of the fiscal year ended June 30, 2001, the City's governmental funds reported combined ending fund balances of \$71 million, an increase of \$9 million in comparison to June 30, 2000. Approximately 64% of this total (\$46) is considered unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate obligations that were in effect at the end of the prior period (encumbrances for such things as purchase orders or contracts) (\$3.7 million), 2) for non current advances, notes and receivables (\$11.1 million), 3) to pay debt service (\$8 million), 4) for capital projects (\$1.9 million), or 5) miscellaneous other items (less than \$1 million).

The general fund is the chief operating fund of the City. At June 30, 2001, unreserved fund balance reached \$10 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 24% of the total general fund expenditures, while total fund balance represents 39% of total general fund expenditures.

The fund balance of the City's general fund increased by \$3 million during the year ending June 30, 2001. The key factors for the change are as follows:

Both the revenues and expenditures declined by approximately \$1 million this fiscal year over the previous fiscal year. The decline was due to a reduction in one time revenue in the amount of \$4 million provided by the State for street work. Other revenues increased in total by approximately \$3 million. The primary reason for this increase was an increase in sales tax of approximately \$1 million and increases in other taxes, licenses and permits (primarily related to construction activity) and investment earnings.

The 1915 Act Assessment District Bonds Fund has a total fund balance of \$3.8 million, all of which is reserved for the payment of debt service. The 1915 Act Assessment District Bonds Fund makes debt service payments from assessments levied against property owners for improvements made in their area. Assessments approximate debt service payments. During the year fund balance did decrease by \$0.8 million.

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

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

	Net Assets July 1, 2000 (as restated)	Changes in net assets	Net Assets June 30, 2001
Electric Utility	\$ 107,277	\$ 34,699	\$ 141,976
Water Utility	27,167	3,181	30,348
Wastewater Utility	44,107	2,989	47,096
Solid Waste Collection/Disposal	10,806	3,852	14,658

**Net Assets - Restricted and Unrestricted
Major Proprietary Funds as of June 30, 2001
(in thousands)**

	Invested in Capital Assets, Net of Related Debt	Restricted Net Assets	Unrestricted Net Assets	Total Net Assets
Electric Utility	\$ 67,729	\$ 1,521	\$ 72,726	\$ 141,976
Water Utility	20,992	142	9,214	30,348
Wastewater Utility	29,959	9,658	7,479	47,096
Solid Waste Collection/Disposal	3,234	2,826	8,598	14,658

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

General Fund Budgetary Highlights

The City adopts two one-year budgets every other year. The fiscal year ending June 30, 2001 was the second year of the two year budget process and so the original budget was adopted in June of 1999. Differences between the original General Fund budget and the amended General Fund budget expenditures are shown below:

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

	Original	Amended	Increase
General Government	\$ 4,768	\$ 5,674	\$ 906
Public Safety			0
Police	14,234	17,148	2,914
Fire Safety	7,818	8,633	815
Public Works	4,550	5,991	1,441
Planning	3,035	4,214	1,179
Recreation and culture	2,961	3,746	785
Principal payments	610	610	0
Interest payments	1,153	1,280	127
Total Expenditures	<u>\$ 39,129</u>	<u>\$ 47,296</u>	<u>\$ 8,167</u>

As shown in the above table, the General Fund's original budget was increased by \$8 million or approximately 20%. The reasons for this increase are as follows:

- Encumbrances carried over from the prior year totaled \$1.1 million.
- Carryover of projects and other unencumbered funds from the prior year totaled \$2.4 million.
- \$2 million was appropriated for grants obtained by the City after the budget was adopted.
- The City does not budget for rolling stock in the General Fund, but transfers cash from another fund and appropriates the amounts in the General Fund when rolling stock is purchased. Rolling stock appropriations totaled \$0.7 million
- As funding was available, the City appropriated an additional \$1.2 million for capital projects.
- Other miscellaneous appropriations totaled \$0.7 million or 1.7% of original adopted budget.

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

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2001, totaled \$416 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, utility plants, collections, generation, distributions and transmissions systems, improvements, machinery and equipment, park facilities, roads, and bridges. The total increase in the City's investment in capital assets for the current year was 4% (a 2% increase for governmental activities and 5% for business-type activities).

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

- Construction began on a new electric generation plant. Construction in progress as of the close of the fiscal year reached \$16.1 million.
- \$5 million in other Electric Utility improvements were made during the year.
- Preliminary work began on two wastewater interceptor projects. Construction in progress as of close of the fiscal year reached \$1.1 million.
- Developers added an estimated \$4 million of water, wastewater, electric and storm drainage improvements.
- Developers added an estimated \$2.3 million of streets and sidewalks.
- Solid waste further automated its collection system by purchasing seven new automated trucks for \$1.1 million.
- Work was completed on the new Civic Center at a cost during the year of \$2.1 million.
- Several new traffic signals were installed and upgraded at a cost of \$1 million.
- Preliminary work on a new sports complex was initiated at a cost for the year of \$0.8 million.
- Airport runway and other improvements were made at a cost of \$0.8 million.

Changes in capital assets consist of the following:

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

	Balance June 30, 2000	Additions	Deletions	Balance June 30, 2001
Government Activities				
Land	\$ 13,388	\$ 766	\$ 113	\$ 14,041
Buildings	35,676	2,156	693	37,139
Improvements other than buildings	99,094	5,008	300	103,802
Automotive equipment	6,963	1,406	290	8,079
Furnishings and equipment	10,274	547	5,562	5,259
Assets under capital lease	815	0	0	815
Construction in progress	3,291	1,570	1,781	3,080
Total	169,501	11,453	8,739	172,215
Less accumulated depreciation	47,065	6,020	5,399	47,686
Governmental Activities capital assets, net	122,436	5,433	3,340	124,529
Business - Type activities				
Land	11,361	175	307	11,229
Utility plants	347,442	7,466	8,082	346,826
Buildings	38,337	2,168	118	40,387
Improvements other than buildings	18,958	587	146	19,399
Automotive equipment	19,766	2,668	1,326	21,108
Furnishings and equipment	12,618	2,789	2,049	13,358
Assets under capital lease	321	559	0	880
Construction in progress	3,054	19,648	309	22,393
Total	451,857	36,060	12,337	475,580
Less accumulated depreciation	174,018	17,326	6,955	184,389
Business - Type capital assets, net	277,839	18,734	5,382	291,191
Total	\$ 400,275	\$ 24,167	\$ 8,722	\$ 415,720

Long Term Debt

The following schedule shows the changes in long-term debt for the year. (Amounts are in thousands)

	Balance June 30, 2000	Additions/ Transfers	Reductions	Balance June 30, 2001
Governmental Activities:				
Capital Leases Payable	\$ 439	\$ 111	\$ 219	\$ 331
Lease revenue bonds	12,846		251	12,595
1993 revenue bonds	8,290		195	8,095
Redevelopment bonds	23,130		580	22,550
Special assessment debt	12,696		1,190	11,506
Total governmental activity	<u>57,401</u>	<u>111</u>	<u>2,435</u>	<u>55,077</u>
Business - Type Activities				
General obligation debt (payable from enterprise funds)	2,302	0	323	1,979
State loans payable	961	0	91	600
Revenue bonds	61,997	0	3,843	58,154
Certificates of participation	95,823	0	3,765	92,058
Capital leases	865	0	55	810
Special Assessment debt (payable from enterprise funds)	302	0	24	278
Total business-type activities	<u>161,980</u>	<u>0</u>	<u>8,101</u>	<u>153,879</u>
Total outstanding long term debt	<u>\$ 219,381</u>	<u>\$ 111</u>	<u>\$ 10,536</u>	<u>\$ 208,956</u>

The City's total debt decreased by \$10.4 million during the year ending June 30, 2001, due to scheduled debt service payments. Currently the City's legal debt margin is \$154 million. However, this relates only to general obligation type bonds. Other factors such as available revenues, special assessment pledges, etc. will affect the City's actual capacity to issue future debt.

As a result of the implementation of Statement No. 6, it was determined that the City is obligated in some manner on the 1915 Act Assessment District Bonds. The obligation is a result of the City management's prior practice of temporarily advancing funds to the assessment districts when delinquencies exceed the amounts available in the assessment district's cash reserve fund, if directed by Council. In 1999, Council directed staff not to advance funds to assessment districts unless legally obligated to do so. As a result, during the year, interest payments on two special assessment bond issues were not made due to a high delinquency rate in those assessment districts. The City is not liable for these bonds. The security for the bondholders is the property on which assessments have been levied and not paid. The City has no obligation to advance funds to these assessment districts. Subsequent to principle and interest due dates, delinquent assessments were collected and one of the bond issues was brought current by June 30, 2001. In the other district, bond principal, totaling \$20,000 due September 2, 2000 was still outstanding at June 30, 2001. See note 22 to the Financial Statement for further discussion.

Additional information on the City's long-term debt can be found in note 10 on pages 81 - 89 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City of Redding has experienced a steady increase in population since 1996 of one to four percent per year while the unemployment rate has decreased from 9.9% in 1996 to 6.1% in 2001.
- Inflationary trends in the region compare favorably to national indices.
- The assessed valuation within the City increased by \$176 million or (4.4%) in the current year.
- Overall tax revenue for the City has increased by 8% during the year. The largest portion of this is related to sales tax increases due to increased sales within the City. The City expects this growth rate to return to approximately 4% during the fiscal year 2001-02.

All of these factors were considered in preparing the City's budget for 2001-02 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$10 million. The City did not appropriate any of this amount for spending in the 2001-02 fiscal year budget. This amount, adjusted for certain known factors, has been included in the City's 10 year financial plan and the City continues to maintain above a 5% reserve in all years.

The Water, Wastewater and Solid Waste Utilities all have scheduled rate increases that their budgets were built on for the fiscal year 2001-02. Water rate increases vary between 7.35% and 10% starting January 1, 2002 while Wastewater's rate increase is approximately 5%, also starting January 1, 2002. Solid Waste rate increase starts July 1, 2001 and is approximately 5%.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or request for additional financial information should be directed to:

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

CITY OF REDDING
Statement of Net Assets
June 30, 2001

ASSETS:	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Cash and investments	\$ 50,553,403	\$ 97,555,685	\$148,109,088
Receivables:			
Interest	763,823	1,443,648	2,207,471
Accounts, net	451,417	24,403,754	24,855,171
Taxes	4,396,793	—	4,396,793
Intergovernmental	3,176,748	765,624	3,942,372
Notes	14,866,087	—	14,866,087
Special assessments	13,330,431	—	13,330,431
PG&E rebate	—	2,012,481	2,012,481
Other	293,970	—	293,970
Internal balances	2,159,180	(2,159,180)	—
Inventories	253,095	3,967,639	4,220,734
Prepaid items	147,993	2,792,592	2,940,585
Deposits	1,140,000	—	1,140,000
Assets held for sale	696,195	—	696,195
Restricted assets:			
Cash and investments	11,966,731	18,450,602	30,417,333
Interest receivable	145,111	51,935	197,046
Taxes restricted	510,189	—	510,189
Capital assets	172,215,334	475,580,888	647,796,222
Accumulated depreciation	(47,686,588)	(184,389,695)	(232,076,283)
Purchased power	—	2,178,712	2,178,712
Prepaid power	—	17,100,000	17,100,000
Financing costs, net	—	4,275,538	4,275,538
Investment in JPA	—	<u>155,779</u>	<u>155,779</u>
 Total assets	 <u>229,379,912</u>	 <u>464,186,002</u>	 <u>693,565,914</u>

(continued)

LIABILITIES:	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Accounts payable	\$ 2,076,599	\$ 12,328,730	\$ 14,405,329
Accrued liabilities	2,936,802	1,563,952	4,500,754
Intergovernmental payable	105,822	1,174,178	1,280,000
Accrued interest payable	764,957	409,847	1,174,804
Deferred revenue	1,117,830	1,164,782	2,282,612
Claims and judgements payable	7,878,942	—	7,878,942
Deposits	110,453	4,236,707	4,347,160
Provision for contract write-down	—	27,613,640	27,613,640
Current portion of long-term debt	2,131,062	5,657,385	7,788,447
Tax anticipation note payable	2,410,000	—	2,410,000
Long-term debt from restricted	—	1,520,000	1,520,000
Accrued interest from restricted	208,030	570,069	778,099
Arbitrage payable	101,567	—	101,567
Landfill closing costs	—	860,968	860,968
Long-term debt	52,946,530	142,743,597	195,690,127
Long-term accrued liabilities	<u>5,013,381</u>	<u>2,899,132</u>	<u>7,912,513</u>
 Total liabilities	 <u>77,801,975</u>	 <u>202,742,987</u>	 <u>280,544,962</u>
 NET ASSETS:			
Invested in capital assets, net of related debt	94,413,778	150,896,561	245,310,339
Restricted for:			
Capital outlay	—	9,962,822	9,962,822
Debt service	17,352,771	4,332,134	21,684,905
Housing	30,353,440	—	30,353,440
Other	—	14,766	14,766
Unrestricted	<u>9,457,948</u>	<u>96,236,732</u>	<u>105,694,680</u>
 Total net assets	 <u>\$151,577,937</u>	 <u>\$261,443,015</u>	 <u>\$413,020,952</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Activities
For the Year Ended June 30, 2001

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Expenses After Allocation</u>	<u>Program Revenues</u>	
				<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:					
General government	\$ 6,715,166	\$(1,835,944)	\$ 4,879,222	\$ 1,697,088	\$ 633,070
Police	16,148,992	39,290	16,188,282	730,706	1,657,409
Fire	8,557,370	—	8,557,370	241,416	10,013
Public works	8,676,250	(122,240)	8,554,010	1,093,682	3,345,255
Planning	3,357,226	—	3,357,226	2,045,050	—
Recreation and culture	3,665,398	—	3,665,398	260,086	162,371
Community development	8,162,635	64,880	8,227,515	358,396	8,302,402
Interest on long-term debt	<u>3,318,874</u>	<u>—</u>	<u>3,318,874</u>	<u>—</u>	<u>—</u>
Total governmental activities	<u>58,601,911</u>	<u>(1,854,014)</u>	<u>56,747,897</u>	<u>6,426,424</u>	<u>14,110,520</u>
Business-type activities:					
Electric	207,616,742	757,974	208,374,716	238,633,524	10,918
Water	8,516,869	228,080	8,744,949	9,049,847	30,426
Wastewater	9,175,835	239,480	9,415,315	8,254,528	—
Storm drainage	1,328,609	77,080	1,405,689	867,388	764
Solid waste	10,072,682	320,940	10,393,622	13,172,232	71,814
Transportation	6,345,568	158,650	6,504,218	2,016,152	2,482,817
Convention center	<u>1,885,859</u>	<u>71,810</u>	<u>1,957,669</u>	<u>360,036</u>	<u>311</u>
Total business-type activities	<u>244,942,164</u>	<u>1,854,014</u>	<u>246,796,178</u>	<u>272,353,707</u>	<u>2,597,050</u>
Total government	<u>303,544,075</u>	<u>—</u>	<u>303,544,075</u>	<u>278,780,131</u>	<u>16,707,570</u>

General revenues:
 Taxes
 Sales taxes
 Property taxes
 Transient and occupancy taxes
 Other taxes
 In lieu
 Motor vehicle in-lieu taxes
 Investment earnings
 Gain on sale of property
 Miscellaneous
 Transfers
 Other items

Total general revenues and transfers

Change in net assets

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

Net assets, ending

Program Revenues	Net (Expense) Revenue and Changes in Net Assets		
	Total Governmental	Total Business-type	Total
Capital Grants and Contributions			
\$ 100	\$ (2,548,964)	\$ —	\$ (2,548,964)
—	(13,800,167)	—	(13,800,167)
297	(8,305,644)	—	(8,305,644)
6,760,573	2,645,500	—	2,645,500
—	(1,312,176)	—	(1,312,176)
359,158	(2,883,783)	—	(2,883,783)
—	433,283	—	433,283
—	<u>(3,318,874)</u>	—	<u>(3,318,874)</u>
<u>7,120,128</u>	<u>(29,090,825)</u>	—	<u>(29,090,825)</u>
724,733	—	30,994,459	30,994,459
2,179,300	—	2,514,624	2,514,624
2,814,751	—	1,653,964	1,653,964
1,126,777	—	589,240	589,240
—	—	2,850,424	2,850,424
2,985,107	—	979,858	979,858
—	—	<u>(1,597,322)</u>	<u>(1,597,322)</u>
<u>9,830,668</u>	—	<u>37,985,247</u>	<u>37,985,247</u>
<u>\$16,950,796</u>	<u>(29,090,825)</u>	<u>37,985,247</u>	<u>8,894,422</u>
	16,781,979	—	16,781,979
	11,018,519	—	11,018,519
	2,766,956	—	2,766,956
	1,528,335	—	1,528,335
	3,776,210	—	3,776,210
	4,251,566	—	4,251,566
	4,449,915	6,106,628	10,556,543
	180,625	848,775	1,029,400
	139,454	—	139,454
	(1,170,596)	1,170,596	—
	<u>(72,105)</u>	—	<u>(72,105)</u>
	<u>43,650,858</u>	<u>8,125,999</u>	<u>51,776,857</u>
	14,560,033	46,111,246	60,671,279
	130,503,604	219,482,310	349,985,914
	<u>6,514,300</u>	<u>(4,150,541)</u>	<u>2,363,759</u>
	<u>137,017,904</u>	<u>215,331,769</u>	<u>352,349,673</u>
	<u>\$151,577,937</u>	<u>\$261,443,015</u>	<u>\$413,020,952</u>

See accompanying notes to financial statements.

CITY OF REDDING
Balance Sheet
Governmental Funds
June 30, 2001

ASSETS	General Fund	1915 Act Assessment District Bonds	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$10,855,125	\$ —	\$32,090,810	\$42,945,935
Interest receivable	157,117	—	523,731	680,848
Accounts receivable, net	314,796	—	125,862	440,658
Intergovernmental receivable	599,080	—	2,577,668	3,176,748
Taxes receivable	4,137,919	—	258,874	4,396,793
Other receivable	—	—	293,970	293,970
Due from other funds	114,586	—	319,780	434,366
Inventories	183,382	—	—	183,382
Restricted assets:				
Cash and investments	3,583,910	3,688,410	4,694,411	11,966,731
Interest receivable	58,406	37,264	49,442	145,112
Taxes receivable	—	—	510,189	510,189
Interfund receivable	201,289	—	42,910	244,199
Other assets	—	—	696,195	696,195
Deposits	—	—	1,140,000	1,140,000
Special assessments receivable	—	13,330,431	—	13,330,431
Advances to other funds	4,116,528	—	1,284,809	5,401,337
Notes receivable	—	—	14,866,087	14,866,087
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$24,322,138</u>	<u>\$17,056,105</u>	<u>\$59,474,738</u>	<u>\$100,852,981</u>

(continued)

LIABILITIES AND FUND BALANCES:	General Fund	1915 Act Assessment District Bonds	Other Governmental Funds	Total Governmental Funds
Liabilities:				
Accounts payable	\$ 877,436	\$ —	\$ 766,394	\$ 1,643,830
Accrued liabilities	913,375	57,911	25,396	996,682
Intergovernmental payable	102,419	—	3,403	105,822
Due to other funds	258,813	—	133,819	392,632
Accrued interest payable	168,700	—	—	168,700
Tax anticipation notes payable	2,410,000	—	—	2,410,000
Deferred revenues	1,084,577	12,556,333	3,480,033	17,120,943
Interfund payables	145,000	—	85,046	230,046
Deposits	—	—	102,044	102,044
Advances from other funds	<u>1,904,924</u>	<u>652,521</u>	<u>3,943,298</u>	<u>6,500,743</u>
 Total liabilities	 <u>7,865,244</u>	 <u>13,266,765</u>	 <u>8,539,433</u>	 <u>29,671,442</u>
 Fund balances:				
Reserved for encumbrances	1,442,772	—	2,332,038	3,774,810
Reserved for inventories	183,382	—	—	183,382
Reserved for noncurrent advances	4,116,529	—	331,598	4,448,127
Reserved for debt service	—	3,789,340	4,223,075	8,012,415
Reserved for capital projects	295,685	—	977,121	1,272,806
Reserved for school projects	—	—	602,338	602,338
Reserved for other	—	—	230,985	230,985
Designated for rolling stock	355,277	—	—	355,277
Reserved for noncurrent notes receivable	—	—	6,668,451	6,668,451
Unreserved, reported in:				
General fund	10,063,249	—	—	10,063,249
Special revenue funds	—	—	20,877,784	20,877,784
Capital project funds	—	—	15,502,175	15,502,175
Debt service funds	<u>—</u>	<u>—</u>	<u>(810,260)</u>	<u>(810,260)</u>
 Total fund balances	 <u>16,456,894</u>	 <u>3,789,340</u>	 <u>50,935,305</u>	 <u>71,181,539</u>
 Total liabilities and fund balances	 <u>\$24,322,138</u>	 <u>\$17,056,105</u>	 <u>\$59,474,738</u>	 <u>\$100,852,981</u>

See accompanying notes to financial statements.

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CITY OF REDDING
 Governmental Funds
 Reconciliation of the Balance Sheet of
 Governmental Funds to the Statement of Net Assets
 June 30, 2001

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

Total Fund Balances	\$ 71,181,539
Capital assets have not been included as financial resources in governmental fund activity.	161,735,668
Accumulated depreciation has not been included in the fund financial statements.	(40,617,840)
Long-term debt that has not been included in the governmental fund activity.	(55,021,027)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(804,287)
Arbitrage payable that has not been included in the governmental funds.	(101,567)
Revenue reported as deferred revenue in the governmental funds was recorded as revenue in the statement of activities.	15,849,528
Internal service fund revenue included in the governmental activities on the statement of activities.	5,396,533
Accrued vacation and other leave not reported in governmental funds, but recorded as expense in the statement of activities.	<u>(6,040,610)</u>
Net assets of governmental activities	<u><u>\$151,577,937</u></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, 2001

	General Fund	1915 Act Assessment District Bonds	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 5,422,516	\$ —	\$ 5,591,346	\$11,013,862
Sales and use taxes	16,369,681	—	—	16,369,681
Other taxes	4,295,290	—	—	4,295,290
Special assessments	—	1,601,493	101,911	1,703,404
Licenses and permits	1,446,093	—	1,925,295	3,371,388
Intergovernmental revenues	6,716,340	—	12,948,257	19,664,597
Charges for services	1,426,356	—	—	1,426,356
Fines, forfeitures, and penalties	537,832	—	121,527	659,359
Use of money and property	6,567,985	—	90,537	6,658,522
Interest revenue	1,117,779	376,524	2,484,674	3,978,977
Other	<u>850,170</u>	<u>—</u>	<u>1,604,222</u>	<u>2,454,392</u>
 Total revenues	 <u>44,750,042</u>	 <u>1,978,017</u>	 <u>24,867,769</u>	 <u>71,595,828</u>
 EXPENDITURES:				
Current:				
Community development	—	—	9,258,838	9,258,838
General government	4,922,549	8,843	128,936	5,060,328
Public safety:				
Police	15,162,863	—	140,808	15,303,671
Fire	8,421,412	—	—	8,421,412
Public works	4,393,540	—	115,528	4,509,068
Planning	3,242,427	—	—	3,242,427
Recreation and culture	2,950,432	—	—	2,950,432
Capital outlay	2,110,253	—	4,533,670	6,643,923
Debt service:				
Principal retirement	318,034	1,214,000	831,132	2,363,166
Interest and fiscal charges	719,968	839,945	2,107,813	3,667,726
Bond administration costs	<u>—</u>	<u>—</u>	<u>11,480</u>	<u>11,480</u>
 Total expenditures	 <u>42,241,478</u>	 <u>2,062,788</u>	 <u>17,128,205</u>	 <u>61,432,471</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>2,508,564</u>	 <u>(84,771)</u>	 <u>7,739,564</u>	 <u>10,163,357</u>
 OTHER FINANCING SOURCES (USES):				
Sale of capital assets	254,181	—	6,517	260,698
Financing proceeds	111,356	—	—	111,356
Operating transfers in	2,836,589	—	2,268,320	5,104,909
Operating transfers out	<u>(2,523,665)</u>	<u>—</u>	<u>(3,751,840)</u>	<u>(6,275,505)</u>
 Total other financing sources (uses)	 <u>678,461</u>	 <u>—</u>	 <u>(1,477,003)</u>	 <u>(798,542)</u>
 Excess of revenues and other financing sources over expenditures and other financing uses	 <u>3,187,025</u>	 <u>(84,771)</u>	 <u>6,262,561</u>	 <u>9,364,815</u>

(continued)

	<u>General Fund</u>	<u>1915 Act Assessment District Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCE, beginning of year	9,434,892	3,874,111	41,800,836	55,109,839
Prior period adjustments	—	—	1,712,194	1,712,194
Change in accounting principle	<u>3,834,977</u>	<u>—</u>	<u>1,159,714</u>	<u>4,994,691</u>
FUND BALANCE, beginning of year (as restated)	<u>13,269,869</u>	<u>3,874,111</u>	<u>44,672,744</u>	<u>61,816,724</u>
FUND BALANCE, end of year	<u>\$16,456,894</u>	<u>\$ 3,789,340</u>	<u>\$50,935,305</u>	<u>\$71,181,539</u>

See accompanying notes to financial statements.

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CITY OF REDDING
 Governmental Funds
 Reconciliation of The Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds to
 the Statement of Activities
 For the Year Ending June 30, 2001

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

Net Change in Fund Balances - Total Governmental Funds	\$ 9,364,815
Governmental funds report capital outlays as expenditures.	8,865,450
In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	(5,165,898)
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.	(80,072)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(247,817)
Repayment of bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	2,379,174
Proceeds from debt are a financing source in the governmental funds, but a liability in the statement of net assets.	(111,356)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	16,406
Compensated absences in the statement of activities is reported as an expense but is not reported in the governmental funds.	(461,589)
Arbitrage in the statement of activities is reported as an expense but is not reported in the governmental funds.	(7,180)
Internal service funds revenue that is recognized in the governmental activities in the statement of activities.	<u>8,100</u>
Change in Net Assets of Governmental Activities	<u>\$14,560,033</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, 2001

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>(Negative)</u>
REVENUES:				
Property taxes	\$ 5,423,410	\$ 5,401,780	\$ 5,422,516	\$ 20,736
Sales and use taxes	14,565,200	15,550,400	16,589,174	1,038,774
Other taxes	3,879,940	3,909,100	4,269,526	360,426
Licenses and permits	1,043,680	1,195,200	1,446,093	250,893
Intergovernmental revenues	4,543,850	6,551,341	6,883,371	332,030
Charges for services	1,033,650	1,277,010	1,400,073	123,063
Fines, forfeitures, and penalties	332,850	443,750	526,398	82,648
Use of money and property	6,554,310	6,549,340	6,567,985	18,645
Investment revenue	354,000	480,415	968,936	488,521
Other revenue	<u>321,550</u>	<u>629,133</u>	<u>838,358</u>	<u>209,225</u>
 Total revenues	 <u>38,052,440</u>	 <u>41,987,469</u>	 <u>44,912,430</u>	 <u>2,924,961</u>
EXPENDITURES:				
Current:				
General government	4,767,970	5,674,289	5,025,523	648,766
Public safety:				
Police	14,233,720	17,148,028	15,834,665	1,313,363
Fire safety	7,817,715	8,633,043	8,609,667	23,376
Public works	4,549,850	5,990,913	4,466,665	1,524,248
Planning	3,035,040	4,213,790	3,230,177	983,613
Recreation and culture	2,960,855	3,745,724	2,994,968	750,756
Principal payments	610,140	610,140	602,127	8,013
Interest payments	<u>1,153,490</u>	<u>1,279,905</u>	<u>1,331,602</u>	<u>(51,697)</u>
 Total expenditures	 <u>39,128,780</u>	 <u>47,295,832</u>	 <u>42,095,394</u>	 <u>5,200,438</u>
Excess (deficiency) of revenues over (under) expenditures	 <u>(1,076,340)</u>	 <u>(5,308,363)</u>	 <u>2,817,036</u>	 <u>8,125,399</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	68,810	418,810	238,730	(180,080)
Operating transfers in	2,688,060	2,688,060	3,022,225	334,165
Operating transfers out	<u>(2,035,000)</u>	<u>(2,426,720)</u>	<u>(2,401,745)</u>	<u>24,975</u>
 Total other financing sources (uses)	 <u>721,870</u>	 <u>680,150</u>	 <u>859,210</u>	 <u>179,060</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	(354,470)	(4,628,213)	3,676,246	8,304,459
BUDGETARY FUND BALANCES, beginning of year	<u>9,434,892</u>	<u>9,434,892</u>	<u>9,434,892</u>	<u>—</u>
BUDGETARY FUND BALANCES, end of year	<u>\$ 9,080,422</u>	<u>\$ 4,806,679</u>	<u>\$13,111,138</u>	<u>\$ 8,304,459</u>
Fund balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:			\$16,456,894	
1. The City budgets for taxes on a cash basis.			153,167	
2. The City budgets for grants on a cash basis.			207,592	
3. Timing difference due to GASB 33.			39	
4. The City does not budget for accounts payable adjustments.			638,994	
5. The City does not budget for benefit accruals.			2,218	
6. Financial statement only interest income adjustment per GASB 31.			(141,384)	
7. The City does not budget for the rolling stock fund.			(729,946)	
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.			(15,654)	
9. The City did not budget for land purchased from the Airport that was sold by the General Fund.			208,234	
10. Change in accounting principle as an adjustment to beginning fund balance.			(3,834,977)	
11. Prepaid expenditure for a fire truck budgeted in a prior year.			189,897	
12. Accrued interest on the Civic Center Loan not budgeted for in the current year.			121,064	
13. Principal payment on the Civic Center Loan budgeted as expenditure, but adjusted to advances payable			<u>(145,000)</u>	
Budgetary fund balance			<u>\$13,111,138</u>	

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Net Assets
Proprietary Funds
June 30, 2001

ASSETS	Business-Type Activities			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
Cash and investments	\$66,301,912	\$ 7,234,657	\$13,571,347	\$ 8,640,738
Interest receivable	944,598	108,524	189,951	184,436
Accounts receivable, net	20,675,796	1,368,845	914,248	1,311,479
Prepaid items	2,790,000	—	—	—
Intergovernmental receivable	530	—	—	31,855
Inventories	3,372,723	432,531	36,547	—
Interfund receivable	36,250	—	—	—
PG&E rebate receivable	<u>2,012,481</u>	<u>—</u>	<u>—</u>	<u>—</u>
 Total current assets	 <u>96,134,290</u>	 <u>9,144,557</u>	 <u>14,712,093</u>	 <u>10,168,508</u>
Restricted assets:				
Cash and investments	10,693,307	1,670,510	233,518	5,479,135
Interest receivable	<u>—</u>	<u>5,863</u>	<u>5,145</u>	<u>40,585</u>
 Total restricted assets	 <u>10,693,307</u>	 <u>1,676,373</u>	 <u>238,663</u>	 <u>5,519,720</u>
Capital assets:				
Land	3,223,751	223,872	2,636,587	583,505
Utility plants	203,335,087	52,997,312	78,778,407	—
Buildings	4,487,392	3,073,925	2,362,528	13,625,648
Improvements other than buildings	2,224,823	—	65,984	191,330
 Automotive equipment	 2,605,682	 971,338	 815,965	 9,095,771
Furnishings and equipment	6,348,213	387,804	398,147	4,544,287
Assets under capital lease	—	—	—	—
Construction in progress	<u>17,094,848</u>	<u>681,138</u>	<u>3,614,096</u>	<u>529,993</u>
 Total capital assets	 239,319,796	 58,335,389	 88,671,714	 28,570,534
Less: accumulated depreciation	<u>(90,388,286)</u>	<u>(22,438,101)</u>	<u>(34,178,705)</u>	<u>(10,398,930)</u>
 Net capital assets	 <u>148,931,510</u>	 <u>35,897,288</u>	 <u>54,493,009</u>	 <u>18,171,604</u>
Other assets:				
Power acquisition costs, net	2,178,712	—	—	—
Prepaid purchase cost	17,100,000	—	—	—
Advances to other funds	1,717,003	100,032	1,366,198	—
Financing costs, net	2,294,456	720,649	454,334	767,656
Investment in JPA	<u>155,779</u>	<u>—</u>	<u>—</u>	<u>—</u>
 Total other assets	 <u>23,445,950</u>	 <u>820,681</u>	 <u>1,820,532</u>	 <u>767,656</u>
 Total assets	 <u>279,205,057</u>	 <u>47,538,899</u>	 <u>71,264,297</u>	 <u>34,627,488</u>

(continued)

<u>Business-Type Activities</u>		<u>Governmental Activities</u>
Non-Major Enterprise Funds	Total	Internal Service Funds
\$ 1,807,031	\$97,555,685	\$ 7,607,468
16,139	1,443,648	82,975
133,386	24,403,754	10,759
2,592	2,792,592	147,993
733,239	765,624	—
125,838	3,967,639	69,713
—	36,250	269,457
—	<u>2,012,481</u>	—
<u>2,818,225</u>	<u>132,977,673</u>	<u>8,188,365</u>
374,132	18,450,602	—
<u>342</u>	<u>51,935</u>	—
<u>374,474</u>	<u>18,502,537</u>	—
4,561,551	11,229,266	8,310
11,714,953	346,825,759	—
16,837,828	40,387,321	—
16,917,115	19,399,252	124,146
7,619,206	21,107,962	8,078,846
1,679,295	13,357,746	1,703,074
880,638	880,638	565,010
<u>472,869</u>	<u>22,392,944</u>	—
60,683,455	475,580,888	10,479,386
<u>(26,985,673)</u>	<u>(184,389,695)</u>	<u>(7,068,748)</u>
<u>33,697,782</u>	<u>291,191,193</u>	<u>3,410,638</u>
—	2,178,712	—
—	17,100,000	—
—	3,183,233	2,740,663
38,443	4,275,538	—
—	<u>155,779</u>	—
<u>38,443</u>	<u>26,893,262</u>	<u>2,740,663</u>
<u>36,928,924</u>	<u>469,564,665</u>	<u>14,339,666</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Net Assets
Proprietary Funds
June 30, 2001

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	\$ 10,834,261	\$ 90,406	\$ 897,819	\$ 72,394
Accrued liabilities	898,538	133,345	135,701	276,483
Accrued interest payable	237,766	53,318	102,230	—
Provision for contract write-down	27,613,640	—	—	—
Claims and judgements payable	—	—	—	—
Intergovernmental payable	1,105,658	40,693	3,509	24,318
Due to other funds	—	—	—	—
Deferred revenues	420,529	4,574	—	32,381
Deposits	2,868,034	—	—	1,368,673
Interfund payable	—	—	33,571	—
Capital leases, current	—	—	—	—
Long-term debt, current	3,390,000	854,054	793,938	416,078
State loan, current	—	—	—	—
Total current liabilities (payable from current assets)	<u>47,368,426</u>	<u>1,176,390</u>	<u>1,966,768</u>	<u>2,190,327</u>
Current liabilities (payable from restricted assets):				
Accrued interest payable	45,980	55,386	49,583	419,120
Long-term debt, current	<u>1,520,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total current liabilities (payable from restricted assets)	<u>1,565,980</u>	<u>55,386</u>	<u>49,583</u>	<u>419,120</u>
Long-term liabilities:				
Accrued compensated absences	1,527,207	308,843	290,206	510,691
Landfill closure costs	—	—	—	860,968
Advances from other funds	—	—	143,217	—
Capital leases, net of current	—	—	—	—
Long-term debt, net of current	86,767,243	15,650,611	21,718,121	15,988,854
State loan, net of current	—	—	—	—
Total long-term liabilities	<u>88,294,450</u>	<u>15,959,454</u>	<u>22,151,544</u>	<u>17,360,513</u>
Total liabilities	<u>137,228,856</u>	<u>17,191,230</u>	<u>24,167,895</u>	<u>19,969,960</u>
NET ASSETS:				
Invested in capital assets, net of related debt	67,729,456	20,991,803	29,959,349	3,233,713
Restricted:				
Capital projects	—	141,763	9,657,962	—
Debt service	1,521,195	—	—	2,810,939
Other	—	—	—	14,766
Unrestricted	<u>72,725,550</u>	<u>9,214,103</u>	<u>7,479,091</u>	<u>8,598,110</u>
Total net assets	<u>\$141,976,201</u>	<u>\$30,347,669</u>	<u>\$47,096,402</u>	<u>\$14,657,528</u>

<u>Business-Type Activities</u>		<u>Governmental Activities</u>	
<u>Non-Major Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>	
\$ 433,850	\$12,328,730	\$ 432,774	Reconciliation of the Statement of Net Assets -
119,885	1,563,952	290,434	Proprietary Funds to the government-wide
16,533	409,847	—	Statement of Net Assets:
—	27,613,640	—	
—	—	7,878,942	Statement of Net Assets
—	1,174,178	—	Proprietary Funds
41,734	41,734	—	Total net assets \$ 261,635,594
707,298	1,164,782	—	
—	4,236,707	8,411	Less business-type portion of
286,289	319,860	—	Internal Service Funds loss <u>(192,579)</u>
87,305	87,305	28,097	
25,704	5,479,774	—	Statement of Activities:
<u>90,306</u>	<u>90,306</u>	<u>—</u>	Total net assets <u>\$ 261,443,015</u>
<u>1,808,904</u>	<u>54,510,815</u>	<u>8,638,658</u>	
—	570,069	—	
<u>—</u>	<u>1,520,000</u>	<u>—</u>	
<u>—</u>	<u>2,090,069</u>	<u>—</u>	
262,185	2,899,132	468,586	
—	860,968	—	
4,681,273	4,824,490	—	
722,257	722,257	28,469	
1,387,074	141,511,903	—	
<u>509,437</u>	<u>509,437</u>	<u>—</u>	
<u>7,562,226</u>	<u>151,328,187</u>	<u>497,055</u>	
<u>9,371,130</u>	<u>207,929,071</u>	<u>9,135,713</u>	
30,385,925	152,300,246	3,372,498	
163,097	9,962,822	—	
—	4,332,134	—	
—	14,766	—	
<u>(2,991,228)</u>	<u>95,025,626</u>	<u>1,831,455</u>	
<u>\$27,557,794</u>	<u>\$261,635,594</u>	<u>\$ 5,203,953</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, 2001

	Business-Type Activities			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
OPERATING REVENUES:				
User fees and charges	\$ 71,513,705	\$ 9,049,745	\$ 8,240,863	\$12,221,804
Wholesale power sales	166,279,105	—	—	—
Rental charges	—	—	13,531	—
Other operating revenue	<u>840,713</u>	<u>102</u>	<u>133</u>	<u>74,282</u>
Total operating revenues	<u>238,633,523</u>	<u>9,049,847</u>	<u>8,254,527</u>	<u>12,296,086</u>
OPERATING EXPENSES:				
Cost of power, water, and transportation	172,834,131	244,142	—	—
Maintenance, operations, and administration	17,367,806	5,710,925	5,037,879	8,596,768
Depreciation and amortization	<u>12,380,852</u>	<u>1,854,238</u>	<u>2,799,259</u>	<u>1,118,692</u>
Total operating expenses	<u>202,582,789</u>	<u>7,809,305</u>	<u>7,837,138</u>	<u>9,715,460</u>
Operating income (loss)	<u>36,050,734</u>	<u>1,240,542</u>	<u>417,389</u>	<u>2,580,626</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest revenue	3,946,622	657,277	323,882	1,096,500
Interest expense	(5,523,229)	(906,398)	(1,541,281)	(852,598)
Intergovernmental revenues	10,917	30,428	—	71,814
Gain (loss) on disposal of assets	(109,654)	—	752,531	79,166
Other non-operating revenues (expenses)	<u>—</u>	<u>1,086,376</u>	<u>1,664,479</u>	<u>876,146</u>
Total non-operating revenues (expenses)	<u>(1,675,344)</u>	<u>867,683</u>	<u>1,199,611</u>	<u>1,271,028</u>
Income (loss) before operating transfers and capital contributions	34,375,390	2,108,225	1,617,000	3,851,654
Capital contributions	724,731	1,092,924	1,150,273	—
Operating transfers in	—	—	233,400	—
Operating transfers out	<u>(401,500)</u>	<u>(20,400)</u>	<u>(11,500)</u>	<u>—</u>
Change in net assets	<u>34,698,621</u>	<u>3,180,749</u>	<u>2,989,173</u>	<u>3,851,654</u>
Net assets, beginning of year	110,531,126	27,844,833	44,367,882	10,743,513
Prior period adjustments	—	—	—	170,896
Change in accounting policy	(3,253,745)	(690,013)	(291,153)	(108,535)
Change in accounting principles	<u>199</u>	<u>12,100</u>	<u>30,500</u>	<u>—</u>
Net assets, beginning of year (as restated)	<u>107,277,580</u>	<u>27,166,920</u>	<u>44,107,229</u>	<u>10,805,874</u>
Net assets, end of year	<u>\$141,976,201</u>	<u>\$30,347,669</u>	<u>\$47,096,402</u>	<u>\$14,657,528</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>	
\$ 1,725,513	\$102,751,630	\$16,387,875	Reconciliation of Statement of Revenues, Expenses
—	166,279,105	—	and Changes in Net Assets - Proprietary Funds
857,680	871,211	—	to the Statement of Activities:
<u>579,142</u>	<u>1,494,372</u>	<u>315,106</u>	
<u>3,162,335</u>	<u>271,396,318</u>	<u>16,702,981</u>	Proprietary Fund changes in net
			assets. \$ 46,303,825
1,841,133	174,919,406	—	Less Internal Service Funds loss -
4,954,718	41,668,096	18,072,930	business-type activity portion. <u>(192,579)</u>
<u>2,821,179</u>	<u>20,974,220</u>	<u>860,376</u>	Statement of Activities:
			Change in net assets. <u>\$ 46,111,246</u>
<u>9,617,030</u>	<u>237,561,722</u>	<u>18,933,306</u>	
<u>(6,454,695)</u>	<u>33,834,596</u>	<u>(2,230,325)</u>	
82,346	6,106,627	700,842	
(218,370)	(9,041,876)	(1,637)	
1,236,718	1,349,877	—	
126,733	848,776	(49,890)	
<u>2,258,794</u>	<u>5,885,795</u>	<u>3,682</u>	
<u>3,486,221</u>	<u>5,149,199</u>	<u>652,997</u>	
(2,968,474)	38,983,795	(1,577,328)	
3,181,506	6,149,434	—	
1,370,596	1,603,996	1,392,847	
<u>—</u>	<u>(433,400)</u>	<u>—</u>	
<u>1,583,628</u>	<u>46,303,825</u>	<u>(184,481)</u>	
25,994,958	219,482,312	5,581,018	
14,158	185,054	—	
(158,747)	(4,502,193)	(192,584)	
<u>123,797</u>	<u>166,596</u>	<u>—</u>	
<u>25,974,166</u>	<u>215,331,769</u>	<u>5,388,434</u>	
<u>\$27,557,794</u>	<u>\$261,635,594</u>	<u>\$ 5,203,953</u>	

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2001

	Business-Type Activities			
	Electric Utility	Water Utility	Waste Water Utility	Solid Waste Collection/ Disposal
Cash flows from operating activities:				
Cash received from customers	\$236,222,156	\$ 8,772,212	\$ 8,120,651	\$ 11,891,545
Cash paid to suppliers	(149,918,624)	(4,211,155)	(3,258,753)	(4,904,919)
Cash paid to employees	(10,564,288)	(1,696,073)	(1,836,608)	(3,664,536)
Cash paid to other funds	—	—	—	—
Other income received	<u>840,713</u>	<u>102</u>	<u>13,664</u>	<u>74,282</u>
Net cash provided (used) by operating activities	<u>76,579,957</u>	<u>2,865,086</u>	<u>3,038,954</u>	<u>3,396,372</u>
Cash flows from noncapital financing activities:				
Intergovernmental revenue received	21,780	30,428	—	137,837
Advances from other funds	—	—	—	—
Advances to other funds	(95)	—	(76,106)	—
Repayment of advances to other funds	—	(978)	—	—
Repayment of advances from other funds	—	(2,029)	(25,733)	—
Operating transfers in (out), net	(401,500)	(20,400)	221,900	—
Other non-operating revenues (expense), net	<u>—</u>	<u>1,086,376</u>	<u>1,664,479</u>	<u>876,146</u>
Net cash provided (used) by noncapital financing activities	<u>(379,815)</u>	<u>1,093,397</u>	<u>1,784,540</u>	<u>1,013,983</u>
Cash flows from capital and related financing activities:				
Capital grant received	—	—	—	—
Proceeds from sale of assets	116,000	—	752,351	85,000
Purchase of capital assets	(21,275,599)	(815,800)	(1,303,913)	(3,453,667)
Interest paid	(5,605,366)	(909,971)	(1,545,320)	(861,949)
Principal paid on long-term debt	(5,323,262)	(843,787)	(617,792)	(395,991)
Principal paid on capital leases	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash provided (used) by capital and related financing activities	<u>(32,088,227)</u>	<u>(2,569,558)</u>	<u>(2,714,674)</u>	<u>(4,626,607)</u>
Cash flows from investing activities:				
Collections on notes receivable	—	—	—	—
Investment revenue received	<u>3,648,215</u>	<u>627,656</u>	<u>291,370</u>	<u>1,023,470</u>
Net cash provided (used) by investing activities	<u>3,648,215</u>	<u>627,656</u>	<u>291,370</u>	<u>1,023,470</u>
Net increase (decrease) in cash	47,760,130	2,016,581	2,400,190	807,218
Cash and investments, beginning of year	<u>29,235,089</u>	<u>6,888,586</u>	<u>11,404,675</u>	<u>13,312,655</u>
Cash and investments, end of year	<u>\$76,995,219</u>	<u>\$ 8,905,167</u>	<u>\$ 13,804,865</u>	<u>\$ 14,119,873</u>

(continued)

<u>Business-Type Activities</u>		<u>Governmental</u>
<u>Non-Major</u>		<u>Activities</u>
<u>Enterprise</u>		<u>Internal</u>
<u>Funds</u>	<u>Total</u>	<u>Service</u>
		<u>Funds</u>
\$ 3,282,826	\$268,289,390	\$ 16,702,191
(5,076,506)	(167,369,957)	(13,762,446)
(1,853,954)	(19,615,459)	(3,312,075)
—	—	—
<u>—</u>	<u>928,761</u>	<u>—</u>
<u>(3,647,634)</u>	<u>82,232,735</u>	<u>(372,330)</u>
3,985,809	4,175,854	—
(201,398)	(201,398)	180,157
—	(76,201)	—
(156)	(1,134)	—
—	(27,762)	(1,024)
219,103	19,103	—
<u>1,370,596</u>	<u>4,997,597</u>	<u>1,396,529</u>
<u>5,373,954</u>	<u>8,886,059</u>	<u>1,575,662</u>
2,052,911	2,052,911	—
318,194	1,271,545	15,365
(2,889,375)	(29,738,354)	(1,471,181)
(226,096)	(9,148,702)	(1,636)
(129,993)	(7,310,825)	(80,665)
<u>(64,326)</u>	<u>(64,326)</u>	<u>—</u>
<u>(938,685)</u>	<u>(42,937,751)</u>	<u>(1,538,117)</u>
156,253	156,253	—
<u>72,773</u>	<u>5,663,484</u>	<u>691,384</u>
<u>229,026</u>	<u>5,819,737</u>	<u>691,384</u>
1,016,661	54,000,780	356,599
<u>1,164,502</u>	<u>62,005,507</u>	<u>7,250,869</u>
<u>\$ 2,181,163</u>	<u>\$116,006,287</u>	<u>\$ 7,607,468</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2001

	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)	\$ 36,050,734	\$ 1,240,542	\$ 417,389	\$ 2,580,626
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	12,380,852	1,854,238	2,799,259	1,118,692
(Increase) decrease in accounts receivable	(3,259,059)	(282,107)	(120,212)	(167,174)
(Increase) decrease in intergovernmental receivables	—	—	—	—
(Increase) decrease in inventories	220,864	20,067	(16,574)	—
(Increase) decrease in prepaid items	2,356	—	—	—
(Increase) decrease in PG&E rebate receivable	495,475	—	—	—
(Increase) decrease in investment in JPA	(111,909)	—	—	—
Increase (decrease) in accounts payable	1,088,675	(29,602)	(31,896)	27,098
Increase (decrease) in accrued liabilities	(417,527)	(11,598)	(15,493)	10,511
Increase (decrease) in claims and judgements payable	—	—	—	—
Increase (decrease) in deposits	1,267,876	—	—	(185,292)
Increase (decrease) in intergovernmental payable	1,105,568	20,826	3,509	24,318
Provision for contract write-down	27,613,640	—	—	—
Increase (decrease) in deferred revenues	420,529	4,574	—	22,207
Increase (decrease) in PG&E rebate payable	(523,891)	—	—	—
Increase (decrease) in accrued compensated absences	245,774	48,146	2,972	65,862
Increase (decrease) in accrued landfill closure costs	—	—	—	(100,476)
Total adjustments	<u>40,529,223</u>	<u>1,624,544</u>	<u>2,621,565</u>	<u>815,746</u>
Net cash provided (used) by operating activities	<u>\$76,579,957</u>	<u>\$ 2,865,086</u>	<u>\$ 3,038,954</u>	<u>\$ 3,396,372</u>
Schedule of noncash capital and related financing activities:				
Plant contributed from developers	<u>\$ 724,731</u>	<u>\$ 1,092,924</u>	<u>\$ 1,150,272</u>	<u>\$ —</u>
Fixed assets transferred from other funds	—	—	3,397	—

<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>
\$ (6,454,695)	\$ 33,834,596	\$(2,230,325)
2,821,179	20,974,220	860,376
131,821	(3,696,731)	(2,664)
(16,516)	(16,516)	—
(17,216)	207,141	184
—	2,356	(38,265)
—	495,475	—
—	(111,909)	—
(119,247)	935,028	197,614
(3,857)	(437,964)	(12,666)
—	—	820,571
—	1,082,584	1,317
(73,897)	1,080,324	(446)
—	27,613,640	—
36,343	483,653	—
—	(523,891)	—
48,451	411,205	31,974
<u>—</u>	<u>(100,476)</u>	<u>—</u>
<u>2,807,061</u>	<u>48,398,139</u>	<u>1,857,995</u>
<u>\$(3,647,634)</u>	<u>\$82,232,735</u>	<u>\$ (372,330)</u>
<u>\$ 1,126,777</u>	<u>\$ 4,094,704</u>	<u>—</u>
<u>—</u>	<u>3,397</u>	<u>—</u>

See accompanying notes to financial statements.

CITY OF REDDING
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2001

ASSETS

Cash and cash equivalents	\$ 1,555,404
Accounts receivable	15,737
Interest receivable	<u>45,427</u>
Total assets	<u>1,616,568</u>

LIABILITIES

Deposits	<u>1,616,568</u>
Total liabilities	<u>1,616,568</u>

NET ASSETS

\$ —

See accompanying notes to financial statements.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

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. City Council members, 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, 2001

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, 2001

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.

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.

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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

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

Fiduciary Funds:

Private-Purpose Trust Funds - used to account for resources legally held in trust.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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.

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.

Indirect expenses are shown separate on the Statement of Activities and are based on a city-wide cost allocation plan. Allocations are to proprietary funds and allowable grant programs.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

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

Fiduciary Funds: - (Continued)

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	\$ 5,523,229
Water	906,398
Wastewater	1,541,281
Storm drainage	9,728
Solid waste	852,598
Transportation - Airport	151,058
Convention Center	<u>57,584</u>
 Total	 <u>\$ 9,041,876</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.

E. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

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

General Receivables and Property Taxes Receivable

The City records an allowance for doubtful accounts on general accounts receivable based on the experience method. At June 30, 2001 accounts receivable included the following allowances by fund type:

General fund	\$ 29,636
Special revenue funds	125,862
Enterprise funds	3,867,729

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

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

General Receivables and Property Taxes Receivable - (Continued)

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 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.

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

Interest costs related to building a gas turbine and generator have been capitalized in the Electric Utility Fund. Interest cost incurred by the Electric Utility Fund during the fiscal year ending June 30, 2001 was \$5,993,429, of which \$470,200 has been capitalized.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

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

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.

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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

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

Fund Equity

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

Net Assets

Net assets 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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are reported as reservations of fund balances because they represent commitments only and do not constitute expenditures or liabilities. Appropriations lapse at year end and must be reappropriated in the subsequent fiscal year.

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.

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 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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (Continued)

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, 2001, are as follows:

Cash and investments	\$ 148,109,088
Restricted cash and investments	30,417,333
Fiduciary fund	<u>1,555,404</u>
Total	<u>\$ 180,081,825</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."

Deposits - At June 30, 2001, the carrying amount of the City's deposits was \$8,267,582. The bank balance was \$10,556,403. Of the bank balance, \$324,755 was covered by Federal depository insurance, and \$10,231,648 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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 3 - CASH AND INVESTMENTS - (Continued)

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, 2001, 4.506% 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.

At June 30, 2001, the City's investments and deposits were as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
Commercial Paper	\$ —	\$ —	\$ —	\$ —	\$ —
Medium-Term Corporate Notes	—	37,097,577	—	37,097,577	37,097,577
U. S. Government Securities	—	59,133,591	—	59,133,591	59,133,591
Total categorized investments	\$ —	\$96,231,168	\$ —	96,231,168	96,231,168
Investment in State Treasurer's Investment Pool				52,424,818	52,424,818
Guaranteed investment agreements				16,052,281	16,052,281
Mutual funds				7,105,976	7,105,976
Total investments				171,814,243	\$171,814,243
Deposits				8,267,582	
Total deposits and investments				\$180,081,825	

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2001, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Housing Special Revenue Fund	\$ 72,852
	Redding Area Bus Authority Enterprise Fund	<u>41,734</u>
	Total General Fund	<u>114,586</u>
Canby Hilltop Cypress Capital Project Fund	Buckeye Capital Project Fund	5,000
	Market Street Capital Project Fund	55,967
Market Street Capital Project Fund	General Fund	<u>258,813</u>
	Total Capital Project Funds	<u>319,780</u>
	Total due to/from other funds	<u>\$ 434,366</u>

Interfund receivables/payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Enterprise Fund	\$ 201,289
	Total General Fund	<u>201,289</u>
Canby Hilltop Cypress Capital Project Fund	Wastewater	<u>33,571</u>
	Total capital projects fund	<u>33,571</u>
Special Revenue Fund-Parking	Midtown Debt Service Fund	<u>9,339</u>
	Total Debt Service Fund	<u>9,339</u>
Electric Utility Enterprise Fund	General Fund	<u>36,250</u>
	Total enterprise funds	<u>36,250</u>
Risk Management Internal Service Fund	SHASTECCapital Project Fund	34,707
	General Fund	108,750
	Special Development Special Revenue Fund	41,000
	Airport Enterprise Fund	<u>85,000</u>
	Total internal service fund	<u>269,457</u>
	Total interfund receivables/payables	<u>\$ 549,906</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental Receivables at June 30, 2001, are comprised of the following:

Governmental Funds:

General Fund:

DMV Tax Receivable	\$ 371,581
Shasta County - (RTPA & Elder Abuse)	83,083
US Department of Justice	10,962
State of California	131,752
EDA	<u>1,702</u>
Total Grants Receivable	<u>227,499</u>
 Total General Fund	 <u>599,080</u>

Debt Service Fund:

Shasta County - Shascom	<u>1,026,560</u>
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Capital Project Fund:

State of California, State Water Quality Control Board - Grants Receivable - RRA Fund 197	<u>168,843</u>
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Special Revenue Fund:

State of California - Gas Tax Receivable	154,886
Local Transportation Funds Receivable	252,836
US Department of Housing and Urban Development - HUD Receivable	<u>438,504</u>
	<u>846,226</u>

State Department of Transportation - Fund 128	347,167
State Department of Transportation - Fund 128	8,721
State Pass through	1,125
State Prop 12 - Trails	26,500
US Department of Transportation	8,717
State of California - Prop 12 Per Capita	<u>143,809</u>
 Total Fund 128 - Grants Receivable	 <u>536,039</u>

Total Special Revenue Fund	<u>1,382,265</u>
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Total Governmental Funds	<u>3,176,748</u>
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Business-type Funds:

State of California, Office of Emergency Services - Grants Receivable - Fund 142	530
US Department of Transportation, Federal Aviation - Grants Receivable - Fund 134	350,336
California Integrated Waste Management Board - Grants Receivable - Fund 149	<u>31,855</u>
	<u>382,721</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES - (Continued)

RABA - State Prop 116	353,915
Shasta County Public Works - RABA	8,224
RABA - Federal Passenger Loading	4,972
Shasta County - RABA - RTPA	<u>15,792</u>
 Total RABA	 <u>382,903</u>
 Total Business-type Funds	 <u>765,624</u>
 Total	 <u><u>\$ 3,942,371</u></u>

NOTE 6 - CAPITAL ASSETS

Changes in capital assets consist of the following:

Governmental Activities:	Balance <u>June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2001</u>
Land	\$ 13,387,635	\$ 766,044	\$ 111,919	\$ 14,041,760
Buildings	35,675,930	2,156,691	693,450	37,139,171
Improvements other than buildings	99,093,564	5,008,470	299,532	103,802,502
Automotive equipment	6,963,205	1,405,972	290,331	8,078,846
Furnishings and equipment	10,273,961	546,532	5,562,227	5,258,266
Assets under capital lease	815,014	—	4	815,010
Construction in progress	<u>3,291,249</u>	<u>1,570,046</u>	<u>1,781,516</u>	<u>3,079,779</u>
Total	169,500,558	11,453,755	8,738,979	172,215,334
Less accumulated depreciation	<u>47,065,143</u>	<u>6,020,082</u>	<u>5,398,637</u>	<u>47,686,588</u>
 Governmental activities capital assets, net	 <u>\$122,435,415</u>	 <u>\$ 5,433,673</u>	 <u>\$ 3,340,342</u>	 <u>\$124,528,746</u>
 Business-type activities:	 Balance			 Balance
	<u>June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2001</u>
Land	\$ 11,361,795	\$ 174,751	\$ 307,280	\$ 11,229,266
Utility plants	347,441,765	7,466,020	8,082,026	346,825,759
Buildings	38,336,508	2,168,452	117,639	40,387,321
Improvements other than buildings	18,958,168	586,648	145,564	19,399,252
Automotive equipment	19,765,569	2,668,417	1,326,024	21,107,962
Furnishings and equipment	12,617,562	2,789,024	2,048,840	13,357,746
Assets under capital lease	321,428	559,210	—	880,638
Construction in progress	<u>3,054,672</u>	<u>19,647,643</u>	<u>309,371</u>	<u>22,392,944</u>
Total	451,857,467	36,060,165	12,336,744	475,580,888
Less accumulated depreciation	<u>174,018,452</u>	<u>17,326,210</u>	<u>6,954,967</u>	<u>184,389,695</u>
 Business-type capital assets, net	 <u>\$277,839,015</u>	 <u>\$ 18,733,955</u>	 <u>\$ 5,381,777</u>	 <u>\$291,191,193</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 7 - 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, 2001, 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, 2001, has been included in the Risk Management Fund's claims payable amount as of June 30, 2001.

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 \$15 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, 2001.

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 4% of insured value and \$250,000 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, 2001.

Changes in the Fund's claims liability amounts in fiscal year 2001 were:

	<u>Liability at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability at End of Year</u>
Fiscal Year Ended June 30, 2001:				
Workers' Compensation	\$ 3,725,774	\$ 2,160,470	\$ 1,201,944	\$ 4,684,300
General Liability	2,802,597	(273,672)	756,283	1,772,642
Health and Dental	<u>530,000</u>	<u>7,288,020</u>	<u>6,396,020</u>	<u>1,422,000</u>
Total	<u>\$ 7,058,371</u>	<u>\$ 9,174,818</u>	<u>\$ 8,354,247</u>	<u>\$ 7,878,942</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 8 - LEASES

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

<u>Fiscal Year Ended June 30,</u>	<u>Capital Leases</u>
2002	\$ 217,806
2003	199,236
2004	199,236
2005	194,991
2006	128,313
2007-2011	345,946
2012-2017	<u>220,607</u>
Total minimum lease payments	1,506,135
Less amount representing interest	<u>365,974</u>
 Present value of minimum lease payments	 <u><u>\$ 1,140,161</u></u>

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

General	\$ 274,033
Convention center	516,576
Storm drainage utility	292,987
Information systems	18,424
General support services	<u>38,141</u>
 Total debt service	 <u><u>\$ 1,140,161</u></u>

NOTE 9 - 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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 9 - JOINT VENTURES - (Continued)

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

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 of electric power from the San Juan plant to the Members.

Summary audited financial information of the M-S-R Public Power Agency as of and for the year ended December 31, 2000, is as follows (in thousands):

Total assets	<u>\$ 345,040</u>	Total revenues	\$ 99,720
		Total expenses	<u>87,938</u>
Total liabilities	\$ 550,248	Net income	11,782
Total members' deficit	<u>(205,208)</u>	Members' deficit, January 1, 2000	<u>(216,990)</u>
Total liabilities and members' deficit	<u>\$ 345,040</u>	Members' deficit, December 31, 2000	<u>\$ (205,208)</u>

The debt of the Agency is comprised entirely of revenue bonds totaling \$514.6 million. These bonds are secured by a pledge and assignment of the net electric revenues of the Agency and are supported by take-and-pay commitments of the participants.

The City utilizes the equity method of accounting for M-S-R Public Power Agency. The City has invested \$18.44 million in this joint venture. However, operating losses have caused the City to have a deficit equity in the Agency of \$30.8 million at December 31, 2000. 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) or 77.60% of the total 1,600 MW transmission capacity. The City's share of the project is 104 MW.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 9 - JOINT VENTURES - (Continued)

TANC's share of the construction and short-term operation and maintenance costs for the COTP were funded by TANC's issuance of \$434.4 million in tax-exempt revenue bonds and \$98 million in taxable commercial paper. The City's share of total outstanding debt at June 30, 2001 is \$35.7 million.

Summarized financial information of TANC as of and for the year ended June 30, 2001 is as follows (in thousands):

Total assets	\$ <u>469,400</u>
Total liabilities	\$ 468,784
Total members' equity	<u>616</u>
Total liabilities and members' equity	\$ <u>469,400</u>
Net income for the year	\$ <u>1,362</u>

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

NOTE 10 - LONG-TERM LIABILITIES

Long-term liability activity during the year:

	Balance <u>June 30, 2000</u>	Additions/ <u>Transfers</u>	Reductions/ <u>Transfers</u>	Balance <u>June 30, 2001</u>
Governmental activities:				
Compensated absences	\$ 5,579,021	\$ 461,589	\$ —	\$ 6,040,610
Capital leases payable	301,313	111,398	138,678	274,033
Lease revenue bonds	12,846,484	—	251,132	12,595,352
1993 revenue bonds	8,290,680	—	195,408	8,095,272
Redevelopment bonds	23,130,000	—	580,000	22,550,000
Redevelopment housing transfer deficit	149,275	—	149,275	—
Special assessment debt with governmental commitment	<u>12,696,716</u>	<u>—</u>	<u>1,190,346</u>	<u>11,506,370</u>
Total governmental activity	<u>62,993,489</u>	<u>527,987</u>	<u>2,504,839</u>	<u>61,061,637</u>
Business-type activities:				
General obligation debt (payable from enterprise funds)	2,301,980	—	323,227	1,978,753
State loans payable	691,475	—	91,732	599,743
Revenue bonds (payable from enterprise funds)	61,997,836	—	3,843,460	58,154,376
Certificates of participation (payable from enterprise funds)	95,822,765	—	3,764,998	92,057,767

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 10 - LONG-TERM LIABILITIES- (Continued)

Business-type activities: (Continued)	<u>Balance June 30, 2000</u>	<u>Additions/ Transfers</u>	<u>Reductions/ Transfers</u>	<u>Balance June 30, 2001</u>
Capital leases (payable from enterprise funds)	864,625	—	55,063	809,562
Capital leases (payable from internal service funds)	137,231	—	80,665	56,566
Special assessment debt (payable from enterprise funds)	301,786	—	23,656	278,130
Unmatured bond interest	2,007,308	359,128	—	2,366,436
Unamortized deferred loss on defeasance of debt	(5,533,602)	303,320	—	(5,230,282)
Bond discounts	<u>(1,158,040)</u>	<u>64,536</u>	<u>—</u>	<u>(1,093,504)</u>
 Total business-type activities	 <u>157,433,364</u>	 <u>726,984</u>	 <u>8,182,801</u>	 <u>149,977,547</u>
 Total long-term liabilities	 <u>\$ 220,426,853</u>	 <u>\$ 1,299,971</u>	 <u>\$ 10,687,640</u>	 <u>\$211,039,184</u>

Capital Leases Payable

Governmental activities:

The capital leases payable from governmental activities for fiscal year ended June 30, 2001. \$ 274,033

Business-type activities:

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, 2001, the capital leases in the enterprise and internal service funds are \$809,562 and \$56,566, respectively. 866,128

Total capital leases payable \$ 1,140,161

Bonds Payable/Loans Payable/Certificates of Participation

Bonds/loans payable from governmental activities consist of the following individual issues:

Redevelopment Agency Obligation Bonds

Lease Revenue Bonds:

Interest from 5.5% to 7% payable on May 1 and November 1; maturities payable on May 1 in annual redemptions from \$20,000 to \$75,000; final payment May 1, 2003. Original issue \$980,000. The Lease Revenue Bonds were issued to finance construction of a parking structure in Midtown Redevelopment Area. \$ 145,000

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 10 - LONG-TERM LIABILITIES - (Continued)

Tax Allocation Bonds, Series A:

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. 2,080,000

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. 5,115,000

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. 15,210,000

Total redevelopment agency obligation \$ 22,550,000

Special Assessment Debt with Governmental Commitment

1915 Act Assessment District Bonds:

Interest from 7.6% to 11.69% payable on March 2 and September 2; maturities payable on September 2 in annual redemptions from \$3,000 to \$825,000; final payment September 2, 2019. Original issues totaled \$22,778,150. \$ 11,506,370

Total special assessment debt with governmental commitment \$ 11,506,370

1915 Act Assessment District Bonds

Interest from 3.95% to 5.0%, payable on March 2 and September 2; maturities payable on September 2 in annual redemptions ranging from \$23,654 to \$38,076, final payment September 2, 2011. Reassessment issues totaled \$345,964. \$ 278,130

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 10 - LONG-TERM LIABILITIES - (Continued)

Bonds/notes payable from proprietary fund types, which are reported in business-type activities, are composed of the following individual issues:

General Obligation Bonds

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 from \$75,000 to \$350,000; final payment August 1, 2004. Original issue \$5,000,000.	\$ 1,350,000
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The following general obligation debt is being serviced by the Water Utility Fund:

Drought Relief Loan

Interest at 5% payable on September 1, principal and interest payable in annual installments of \$55,826 to the Economic Development Administration; final payment September 1, 2017. Original issue \$950,000.	<u>628,753</u>
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Total general obligation debt	1,978,753
Less: Current portion	<u>(349,389)</u>

Net general obligation, non-current	<u>\$ 1,629,364</u>
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The following state loans payable are being serviced by the Airport Fund:

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.	\$ 31,934
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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.	13,456
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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.	5,173
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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.	83,333
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CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 10 - LONG-TERM LIABILITIES - (Continued)

1990 California Loan Agreement (Benton)

Original loan amount \$140,000; annual installments of \$9,333, plus interest at 6.845%, due in March; final payment due in 2007. 56,000

1992 California Airport Loan (Municipal and Benton)

Original loan amount \$267,845; annual installments of \$26,785, plus interest at 5.925%, due in January; final payment is due in 2003. 53,568

1994 California Airport Loan (Municipal)

Original loan amount \$41,800; annual installments ranging from \$5,104 to \$6,815, including 4.8357% interest; final payment due in 2002. 6,501

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. 197,884

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. 74,837

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. 77,057

Total state loans payable 599,743
Less: Current portion (90,306)

Net state loans, non-current \$ 509,437

The following special assessment debt is being serviced by the Airport Fund:

Revenue Bonds

1992 Wastewater Revenue Refunding Bonds, Series A

Interest from 3.5% to 6% payable on December 1 and June 1; maturities payable on December 1 in annual redemptions from \$120,000 to \$1,045,000 from 1994 through 2007, \$4,875,000 in 2002 and a final payment of \$11,710,000 on December 1, 2018. Original issue \$26,660,000. \$ 22,790,000

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 10 - LONG-TERM LIABILITIES - (Continued)

1993 Lease Revenue Bonds, Series 1993

Interest from 4.4% to 6% payable on June 1 and December 1; maturities payable on June 1 in annual redemptions from \$45,000 to \$245,000; final payment June 1, 2023. Original issue \$3,470,000. Following is a breakdown of the lease revenue bonds by fund:

Special revenue fund	1,955,352
Enterprise fund	<u>1,134,648</u>
 Total 1993 lease revenue bonds	 <u>3,090,000</u>

1993 Revenue Bonds totaling \$32,325,000 issued by Redding Joint Powers Financing Authority, as follows:

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.

Bonds were issued to finance capital improvements to:

City's Corporation Yard	\$ 16,324,125
Benton Landfill and Transfer Station	<u>16,000,875</u>
	 <u>\$ 32,325,000</u>

The bonds are being serviced by the following funds:

General Fund	8,095,272
Water Utility	2,155,309
Wastewater Utility	1,929,488
Solid Waste Utility	<u>16,404,931</u>
	 <u>28,585,000</u>

1993 Water Revenue Bonds, Series A, totaling \$18,615,000, as follows:

Serial Bonds of \$9,010,000 bear interest from 2.7% to 5.25%, payable June 15 and December 15; maturities are payable June 15 in annual redemptions from \$410,000 to \$815,000; final payment due June 15, 2007.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 10 - LONG-TERM LIABILITIES - (Continued)

Term Bonds of \$9,605,000 bear interest from 5.0% to 5.6%, payable June 15 and December 15; \$3,230,000 plus accrued interest due June 15, 2013; \$3,375,000 plus accrued interest due June 15, 2019; \$3,000,000 plus accrued interest due June 15, 2023.

Bonds were issued to finance capital improvements to the City's Water System.	13,740,000
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1997 Lease Revenue Bond, Series A

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.	<u>10,640,000</u>
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Total revenue bonds	78,845,000
Less: Unamortized deferred loss on defeasance of debt	(1,477,320)
Less: Bond discounts	(749,506)
Less: Current portion	<u>(2,530,000)</u>

Net revenue bonds, non-current	<u>\$ 74,088,174</u>
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Certificates of Participation

1992 Electric System Revenue Certificates of Participation Installment Purchase Contract with Bank of America pursuant to its 1992 Electric System Certificates of Participation, Series A; interest on \$14,430,000 Current Interest Certificates range from 4.8% to 6.45%; initial interest for \$26,050,000 Select Auction Variable Rate Securities (SAVRS) is 3.58%, with subsequent rates determined by auction not to exceed 12.561%; initial interest for \$26,050,000 Residual Interest Certificates (RIBS) is 9.106% with subsequent rates determined by subtracting the SAVRS rate from 12.561%. Interest on the Current Interest Certificates is payable on January 1 and July 1; interest on the SAVRS and RIBS is payable on May 5, 1992 and on each successive fifth Tuesday thereafter. Maturities on the Current Interest Certificates are payable beginning on July 1, 1995 and ending July 1, 2005 in annual redemptions of \$1,010,000 to \$1,795,000; maturities on the SAVRS and RIBS are payable on the second business day preceding the regular interest payment date or on the next succeeding July 1 beginning in 2006 and ending in 2022 in annual redemptions of \$1,700,000 to \$4,600,000.

Original issue was \$66,530,000; however, \$27,125,000 of debt was defeased at year end.

Principal outstanding	\$ 32,720,000
Less: Current portion	<u>(1,520,000)</u>

1992 Electric System Revenue Certificate of Participation, non-current	<u>\$ 31,200,000</u>
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CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 10 - LONG-TERM LIABILITIES - (Continued)

1993 Electric System Revenue Certificates of Participation Installment Purchase Contract with First Trust of California pursuant to its 1993 Electric System Certificates of Participation, Series 1993 A; interest on \$32,490,000 Current Interest Certificates range from 4.6% to 5.5%; interest on \$4,878,391 Capital Appreciation Certificates range from 5.7% to 5.9%; initial interest for \$20,400,000 Select Auction Variable Rate Securities (SAVRS) is 2.98%, with subsequent rates determined by auction not to exceed 11.212%, initial interest for \$20,400,000 Residual Interest Certificates (RIBS) is 8.346% with subsequent rates determined by subtracting the SAVRS rate from 11.368%. Interest on the Current Interest Certificates is payable on December 1 and June 1; interest on the SAVRS and RIBS is payable on July 13, 1993 and on each successive fifth Tuesday thereafter. Maturities on the Current Interest Certificates are payable beginning on June 1, 1999 to June 1, 2008 in annual redemptions of \$910,000 to \$3,375,000; the final payment of \$11,600,000 is due June 1, 2011. Maturities on the Capital Appreciation Certificates are payable beginning June 1, 2005 and ending on June 1, 2008 in annual redemptions of \$1,067,354 to \$1,303,254. Maturities on the SAVRS and RIBS are payable on the second business day preceding the regular interest payment date or on the next succeeding June 1 beginning in 2012 and ending in 2019 in annual redemptions of \$4,200,000 to \$6,100,000. Original issue was \$78,168,391; however, \$10,855,624 of debt was defeased at year end.

Principal outstanding	\$ 59,337,767
Less: Unamortized deferred loss on defeasance of debt	(3,752,962)
Less: Bond discounts	(343,999)
Less: Current portion	<u>(3,065,000)</u>
 1993 Electric System Revenue Certificate of Participation, non-current	 <u>\$ 52,175,806</u>

The annual requirements to amortize all bonds, loans, and certificates of participation outstanding as of June 30, 2001, including interest of \$136,549,445, are as follows:

	Redevelopment Obligation	Special Assessment Debt	General Obligation Bonds and Loans	Revenue Bonds	Certificates of Participation	Total
2002	\$ 1,799,376	\$ 1,671,987	\$ 570,404	\$ 6,753,389	\$ 9,513,067	\$ 20,308,223
2003	1,799,141	1,606,256	542,146	6,731,386	7,428,467	18,107,396
2004	1,716,420	1,594,342	519,447	6,700,761	7,615,975	18,146,945
2005	1,715,250	1,503,118	500,811	6,676,789	7,430,627	17,826,595
2006	1,711,450	1,484,041	139,489	6,294,233	7,619,059	17,248,272
2007-2011	8,552,005	5,902,495	533,193	31,467,160	45,903,755	92,358,608
2012-2016	8,514,555	1,742,269	288,888	30,440,752	45,451,511	86,437,975
2017-2021	8,481,295	103,432	110,192	26,451,200	23,572,695	58,718,814
2022-2026	<u>4,662,230</u>	<u>—</u>	<u>—</u>	<u>10,550,150</u>	<u>—</u>	<u>15,212,380</u>
Totals	38,951,722	15,607,940	3,204,570	132,065,820	154,535,156	344,365,208
Less: Interest	<u>16,401,722</u>	<u>3,823,440</u>	<u>626,074</u>	<u>53,220,820</u>	<u>62,477,389</u>	<u>136,549,445</u>
Net principal	<u>\$ 22,550,000</u>	<u>\$ 11,784,500</u>	<u>\$ 2,578,496</u>	<u>\$ 78,845,000</u>	<u>\$ 92,057,767</u>	<u>\$ 207,815,763</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 10 - LONG-TERM LIABILITIES - (Continued)

It is the City of Redding's current policy to deposit excess funds from operations of the Electric Fund into an Electric Rate Reduction Fund. During the year ended June 30, 2000, the City used \$27,264,995 from the Electric Rate Reduction Fund, to pay \$112,442 in accrued interest and to defease \$27,125,000 of the Series A 1992 Electric System Revenue Certificates of Participation. Under generally accepted accounting principles, the transaction resulted in an extraordinary loss of \$27,553. The \$27,264,995 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 has been removed from the enterprise fund's balance sheet.

During the year ended June 30, 2000, the City used \$5,070,717 from the Electric Rate Reduction Fund and \$6,624,143 from the sale of Reserve Fund Securities, a total of \$11,694,860, to pay \$447,222 in accrued interest, \$415,246 in termination fees and to defease \$10,855,624 of the Series A 1993 Electric System Revenue Certificates of Participation. Under generally accepted accounting principles, the transaction resulted in an extraordinary gain of \$23,232 and a loss from the sale of the reserve fund securities of \$93,599. The \$11,694,860 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 has been removed from the enterprise fund's balance sheet.

During the year ended June 30, 1999, the City used \$9,071,535 from the Electric Rate Reduction Fund and \$2,230,689 from the sale of Reserve Fund Securities, a total of \$11,302,224, to pay \$214,712 in accrued interest and to defease \$11,140,000 of the Series A 1996 Electric System Revenue Bonds. Under generally accepted accounting principles, the transaction resulted in an extraordinary gain of \$52,488 and a loss from the sale of the reserve fund securities of \$234,748. The \$11,302,224 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 has been removed from the enterprise fund's balance sheet.

During the year ended June 30, 1998, the City used \$29,097,512 from the Electric rate reduction fund to pay \$520,065 in accrued interest and to defease \$28,255,000 of the Series A 1996 Electric System Revenue Bonds. The transaction resulted in an extraordinary loss under generally accepted accounting principles of \$322,477. The \$29,097,512 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.

At June 30, 2001, outstanding debt of the Electric Fund of \$77,375,624 are considered to be defeased.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 11 - 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>Advances Receivable From/Payable to:</u>	<u>Receivable</u>	<u>Payable</u>	
General Fund:			
Parking	\$ 962,469	\$ —	(a)
Airport	2,113,212	—	(b)
Electric	—	476,231	(j)
Risk Management	—	1,428,693	(j)
Convention Center	1,040,847	—	(h)
Special Revenue Funds:			
Midtown Project Bonds	980,392	—	(a)
Electric Utility	—	1,240,772	(a)
General	—	962,469	(a)
Risk Management	—	598,465	(d)
Debt Service Funds:			
Parking	—	980,392	(a)
Wastewater Utility	—	652,521	(g)
Capital Projects Funds:			
Wastewater Utility	143,217	—	(c)
Canby-Hilltop-Cypress Project	—	161,200	(i)
SHASTEC Project	161,200	—	(i)
Enterprise Funds:			
Airport	644,732	—	(e)
Airport	68,945	—	(f)
Parking	1,240,772	—	(a)
Assessments District Bonds	652,521	—	(g)
Airport	100,032	—	(f)
Canby-Hilltop-Cypress Capital Project	—	143,217	(c)
General	—	2,113,212	(b)
Risk Management	—	713,505	(d)
Wastewater Utility	—	644,732	(e)
Wastewater Utility	—	68,945	(f)
Water Utility	—	100,032	(f)
General	—	1,040,847	(h)
General Fund	476,231	—	(j)
Internal Service Funds:			
Airport	713,505	—	(d)
General Fund	1,428,693	—	(j)
Special Development	<u>598,465</u>	<u>—</u>	(d)
Total	<u>\$11,325,233</u>	<u>\$11,325,233</u>	

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 11 - ADVANCES TO/FROM OTHER FUNDS - (Continued)

Reference descriptions:

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

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

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

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

(b) In recent years the General Fund has advanced \$4,105,684 to the Airport Fund to finance improvements and operating expenses. The Airport Fund has repaid \$1,791,183 to date. This leaves a balance of \$2,314,501 due to the General Fund, of which \$201,289 has been classified as an interfund receivable/payable.

(c) The Redevelopment Agency funded the redevelopment project for construction of the Canby Relief Sewer. Pursuant to Resolution No. 86-258 adopted by City Council on October 6, 1986, the Redevelopment Agency is to be reimbursed by the Wastewater Fund for 50 percent of the actual construction costs plus interest at ten percent per annum on the unpaid principal balance. The Wastewater Fund will repay the Agency with wastewater connection charges received on the redeveloped property by October 1, 2006.

(d) The Risk Management Fund advanced funds to the Special Development Fund for costs associated with Enterprise Community Park and Eastside Road/S. Bonnyview realignment, and to the Airport Fund for the purchase of land. Interest will be calculated at the City's average earnings on its pooled cash accounts.

(e) 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.

(f) The General, 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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 11 - ADVANCES TO/FROM OTHER FUNDS - (Continued)

(g) The Wastewater Fund advanced funds to the 1915 Act Assessment District Bonds Funds to cover delinquent assessments on wastewater improvements in the assessment districts.

(h) In recent years the General Fund has advanced \$1,040,847 to the Convention Center Fund to finance improvements and operating expenses.

(i) The Canby-Hilltop-Cypress Capital Project Fund advanced amounts to cover formation costs for the Buckeye Project under an agreement dated July 18, 2000. The Agency used proceeds from the sale of otherwise unencumbered property acquired with tax increment revenues to cover the formation costs. Buckeye Fund is to repay \$161,200 of the formation costs previously advanced.

The Canby-Hilltop-Cypress Capital Project Fund previously loaned funds to the Market Street Project under a short term agreement dated December 15, 1997. During the current year an amendment to the loan agreement was signed thereby extending the due date on the loan to June 30, 2002.

(j) The Risk Management Fund and the Electric Utility were authorized by City Council to advance \$2,000,000 to the General Fund to help finance construction of the new City Hall, which is accounted for in the Capital Project Fund. Interest will be calculated at the City's average earnings on its pooled cash accounts.

NOTE 12 - INDIVIDUAL FUND DISCLOSURES

Parking Special Revenue Fund - The deficit (\$1,182,800) 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 (\$818,914) 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 (\$160,225) 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 (\$572,319) 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 13 - PENSION PLAN

Information for the year ended June 30, 2001, 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, 1999, 2000 and 2001 was not available. Therefore, PERS information has been prepared using information for the year ended June 30, 1998.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 13 - PENSION PLAN - (Continued)

A. Plan Description

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

B. Funding Policy

Miscellaneous Plan - Active plan members are required to contribute 7% of their annual covered salary. This member contribution is paid by the City in accordance with labor agreements. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2000/01 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 2000/01 was 0%. The required member contribution is paid by the City in accordance with labor agreements.

C. Annual Pension Cost

For fiscal year 2000/01 the City of Redding's annual pension cost was \$1,821,619 for the Miscellaneous Plan and \$1,002,547 for the Safety Plan. The City actually contributed \$1,968,832 for the Miscellaneous Plan and \$1,006,947 for the Safety Plan. The required contributions for fiscal year 2000/01 were determined as part of the June 30, 1998 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 3.75% 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 payroll growth component of 3.75%.

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, 2001 was 12 years for the Miscellaneous Plan and 3 years for the Safety Plan.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 13 - PENSION PLAN - (Continued)

D. Three-year Trend Information for PERS

Fiscal Year Ended	Miscellaneous Plan			Safety Plan		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/96	\$ 1,591,255	100 %	\$ —	\$ 956,185	100 %	\$ —
6/30/97	2,921,757	100 %	—	1,655,569	100 %	—
6/30/98	1,541,127	100 %	—	526,748	100 %	—

Miscellaneous Plan:

(1) Actuarial Valuation Date	(2) Entry Age Actuarial Accrued Liability	(3) Actuarial Value of Assets	(4) Total Unfunded Liability/ (Excess Assets)	(5) Funded Status	(6) Annual Covered Payroll	(7) Unfunded Actuarial Liability as a Percentage of Covered Payroll
6/30/98	\$ 88,154,378	\$107,937,176	\$ (19,782,798)	122.4 %	\$ 23,069,460	(85.753) %
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) %

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
6/30/98	\$ 60,292,843	\$ 67,405,045	\$ (7,112,202)	111.8 %	\$ 9,030,274	(78.760) %
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) %

NOTE 14 - 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, 148 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, 2001, was \$865,697.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains enterprise funds which have revenue bond debt. The Airport provides passenger facilities, hangars for lease and landing facilities for private, commercial and government. The Convention Center provides a facility for concerts, conventions and other programs. Segment information for the year ended June 30, 2001, is as follows:

	<u>Airport</u>	<u>Convention Center</u>
Total assets - current	\$ 378,437	\$ 134,313
Total assets - long term	12,905,827	1,593,169
Total liabilities - current	467,979	171,858
Total liabilities - long term	5,158,633	2,127,943
Total net assets (deficit)	6,847,652	(572,319)
Operating revenues	1,292,838	360,035
Total operating expenses	2,328,245	1,874,898
Depreciation and amortization expense	1,093,183	179,064
Non-operating revenue	1,172,709	10,383
Interest expense	151,058	57,584
Non-operating expense	—	—
Capital contributions	—	—
Transfers	—	1,370,596
Change in net assets	(13,756)	(191,468)
Beginning net assets (deficit)	6,861,408	(380,851)
Ending net assets (deficit)	6,847,652	(572,319)
Cash provided (used) by:		
Operating activities	70,222	(1,344,222)
Noncapital financing activities	816,595	1,370,907
Capital and related financing activities	(998,995)	(96,445)
Investing activities	175,436	8,068
Beginning cash and equivalent	247,646	262,054
Ending cash and equivalent	310,904	200,362

NOTE 16 - 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 \$860,968 as of June 30, 2001. 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, 2001. There is no requirement to currently fund this amount. The cost for postclosure care at the landfill and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) will be covered by charges to solid waste rate payers.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 17 - 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.

Management has estimated that, based on the terms of the Agreement, and due to the high volume of gas purchased in 2001, PG&E owes the City \$2,012,481 as of June 30, 2001. This amount is made up of \$1,624,571 owed to Redding as of June 30, 2001 and \$387,910 held by PG&E that should be refunded due to gas purchased in fiscal year 2002. Therefore, the financial statements of the Electric Utility Fund reflect a current receivable for the total amount.

NOTE 18 - 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, 2001. The unexpended authorized amount of \$48,791,903 represents a commitment by the City.
- C. There are several lawsuits pending in which the City is involved and for which the City is not covered by insurance. However, in the City Attorney's opinion, the possibility of a material adverse ruling is remote.
- D. The City's Electric Utility (REU) is contractually obligated through M-S-R Public Power Agency (see Note 9) to receive 22.5 MW of firm capacity from the Bonneville Power Administration (BPA) until 2013. The annual obligation is approximately \$2.9 million. The REU is obligated to purchase this power regardless of demand. M-S-R has received a notice of termination of the BPA Agreement effective September 30, 2005, although M-S-R has disputed such termination notice.
- E. 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 (March-October).
- F. The City's Electric Utility (REU) has signed a 10-year contract with Enron Corporation for the delivery of 25 MW of capacity and the associated energy (219,000 Mwh per year). Deliveries begin in November 2004 and continue until October 31, 2014. REU is obligated to purchase this power regardless of demand. The annual obligation is approximately \$9.9 million.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 18 - COMMITMENTS, CONTINGENT LIABILITIES, AND LITIGATION - (Continued)

- G. The City of Redding has entered into certain contracts to purchase power over the next year at a total price of \$29,478,200. The City has also entered into certain contracts to purchase gas between July and September of 2001 for a total price of \$17,711,560. The difference between the contract price on these contracts and the market price at June 30, 2001 has been recognized as a cost of power in the fiscal year ended June 30, 2001.
- H. 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 begins when the pipeline enhancements are completed, due to be May 2003. The contract stipulates that the gas transportation costs will be charged at the current FERC Tariff rates when the gas is transported.
- I. The City's Electric Utility (REU) has entered into a 27-month agreement with PanCanadian Energy Services for the purchase of natural gas on a take-or-pay basis. Delivery begins in June 2002. Agreement calls for delivery of 2,000 Dth/day. Total value of the agreement is approximately \$6.3 million.

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, 2001 the total outstanding principle on the bonds is \$4,875,000.

NOTE 19 - OPERATING TRANSFERS

The following operating transfers were made during the fiscal year ended June 30, 2001:

<u>Operating Transfers</u>	<u>Transfer To</u>	<u>Transfer From</u>
General Fund	\$ 2,836,589	\$ 2,523,665
Special Revenue Funds:		
Street Maintenance	—	2,424,291
Community Development	238,250	140,000
Special Development	200,000	11,600
Housing	140,000	238,250
General	—	412,298
Debt Service Funds:		
Canby-Hilltop-Cypress Project Bonds	—	520,276
Market Street Project Bonds	—	5,125
1915 Act Assessment District Bonds	—	—
General	953,069	—

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 19 - OPERATING TRANSFERS - (Continued)

<u>Operating Transfers</u>	<u>Transfer To</u>	<u>Transfer From</u>
Capital Projects Funds:		
Canby-Hilltop-Cypress Project	520,276	—
Market Street Project	5,125	—
General	211,600	—
Enterprise Funds:		
Convention Center	1,370,596	—
Electric	—	401,500
Wastewater	233,400	11,500
Water	—	20,400
	<u>—</u>	<u>20,400</u>
Totals	<u>\$ 6,708,905</u>	<u>\$ 6,708,905</u>

NOTE 20 - BUDGETARY BASIS RECONCILIATION

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

NOTE 21 - ADJUSTMENTS TO EQUITY AND NET ASSETS

Adjustments to Equity and Net Assets at June 30, 2001 consists of the following items:

	<u>Government Activities</u>	<u>Business Activities</u>	<u>Total</u>
Cumulative effect of change in accounting principle	\$ 4,994,691	\$ 166,596	\$ 5,161,287
Change in accounting policy	(192,584)	(4,502,193)	(4,694,777)
Prior period adjustments	<u>1,712,194</u>	<u>185,054</u>	<u>1,897,248</u>
Total	<u>\$ 6,514,301</u>	<u>\$(4,150,543)</u>	<u>\$ 2,363,758</u>

Cumulative effect of change in accounting principle:

In fiscal year ending 2001, the City implemented Governmental Accounting Standards Board (GASB) Statement Number 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement Number 34 established new financial reporting requirements for all state and local governments and consists of the following:

- Management's discussion and analysis
- Basic Financial Statements
- Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 21 - ADJUSTMENTS TO EQUITY AND NET ASSETS - (Continued)

Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds
Notes to the financial statements
Required supplementary information, which requires budgetary comparison schedules to be presented

The cumulative effect of implementing GASB Statement Number 33 and 34 was to increase equity and net assets at July 1, 2000, as prior year revenues would have increased by \$5,161,287 under GASB 33 and 34. The affected funds are as follows:

Fund	Fund Equity/ Net Assets
Governmental Activities:	
General Fund	\$ <u>3,834,977</u>
Special Revenue Funds:	
Street Maintenance	214,803
Special Development	997,063
Housing	<u>(146,539)</u>
Total	<u>1,065,327</u>
Capital Projects Fund:	
General	<u>94,387</u>
Total Governmental Activities	<u>\$ 4,994,691</u>
Business-type Activities - Enterprise Funds:	
Convention Center	\$ 300
Electric	199
Water	12,100
Wastewater	30,500
Storm Drainage	<u>123,497</u>
Total Business-type Activities	<u>\$ 166,596</u>

Change in accounting policy:

On July 1, 2000 the City changed its policy regarding the minimum value requirement for capitalization as a capital asset. Previously, items were capitalized as a capital asset if the cost of such item was \$1,000 or more. Currently, only items with a value of \$5,000 or more are capitalized. The following adjustments were made as of July 1, 2000, to reflect the higher minimum value capitalization requirement. The adjustment reduced equity and net assets in all affected funds.

Fund	Net Capital Assets
Governmental Activities - Internal Service Funds:	
Information Systems	\$ (51,584)
Equipment Fund	(89,179)
General Support Services	(47,655)
Risk Management	<u>(4,166)</u>
Total	<u>\$ (192,584)</u>

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 21 - ADJUSTMENTS TO EQUITY AND NET ASSETS - (Continued)

Fund	Net Capital Assets
Business-type Activities - Enterprise Funds:	
Airport	\$ (110,525)
Convention Center	(40,764)
Electric	(3,253,745)
Water	(690,013)
Wastewater	(291,153)
Storm Drainage	(7,458)
Solid Waste Collection/Disposal	<u>(108,535)</u>
Total	<u><u>\$(4,502,193)</u></u>

Prior Period Adjustments:

Business-type Activities - Enterprise Funds:

Four acres of land was donated to the Airport in the 1940's. While this land was recorded in the property management system the land had not been reported in the Airport's capital assets. A prior period adjustment of \$14,158 was made to record the land at the fair market value at the time of the donation. There was no effect on the excess revenue over (under) expenses for the year ended June 30, 2000.

Prior period adjustment reflects prior year amount of \$170,896 that should have been recorded as revenue instead of a liability in the Solid Waste Collection/Disposal Fund. The restated revenue over (under) expenses for the year ended June 30, 2000 is \$2,394,835.

The prior period adjustment in the Canby Hilltop Cypress Special Revenue Fund is to correct an error in writing off a note receivable in the amount of \$115,000 in a prior year. There was no effect on the excess of revenue over (under) expenses for the year ended June 30, 2000 as a result of this error.

At June 30, 2000 the accounts payable balance was overstated in the General Capital Project Fund. The overstatement was caused by duplicating the accrued retention on a contract. A prior period adjustment in the amount of \$1,597,194 was recorded to correct the overstatement. The restated excess of revenues (deficiency) over (under) expenses for the year ended June 30, 2000 is \$(3,360,966).

NOTE 22 - 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.

CITY OF REDDING
Notes to Financial Statements
June 30, 2001

NOTE 22 - SPECIAL ASSESSMENTS - (Continued)

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. Subsequent to principle and interest due dates delinquent assessments were collected and principle and interest totaling \$222,936 on the Tierra Oaks Assessment District No. 1993-1 Limited Obligation Improvement Bonds was brought current by June 30, 2001. Principal and interest totaling \$252,936, due September 2, 2001, has not been paid. Principal totaling \$20,000 due September 2, 2000 on Churn Creek Road Extension # Assessment District No. 1990-5 Limited Obligation Improvement Bonds was outstanding at June 30, 2001. Principal totaling \$20,000, due September 2, 2001 has not been paid.

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, 2001 was \$1,721,472.

NOTE 23 - OCJP GRANT INFORMATION

	<u>Expenses to Report in Audit Period, per OCJP 201 Report</u>		
	<u>00/01 Audit</u>	<u>Total by Category (From Report)</u>	<u>(Under reported) Over reported Variance</u>
<u>PROJECT NO.: GENF1299</u>			
LO9901 CLETEP Program			
Personnel	\$ —	\$ —	\$ —
Operating expenses	—	—	—
Equipment	<u>77,000</u>	<u>77,000</u>	<u>—</u>
Total	<u>\$ 77,000</u>	<u>\$ 77,000</u>	<u>\$ —</u>

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

<u>PROJECT NO.: GENF1299</u>		
CLEEP Formula Grant		
Personnel	\$ —	No OCJP 201 Report Required
Operating expenses	—	
Equipment	<u>28,845</u>	
Total	<u>\$ 28,845</u>	

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