



Comprehensive Annual Financial Report
for the year ended June 30, 2007

Redlands' City Council Members

Jon Harrison, Mayor
Patricia L. Gilbreath, Mayor Pro Tempore
Gilberto Gil, Councilmember
Mick Gallagher, Councilmember
Pete Aguilar, Councilmember

N. Enrique Martinez, City Manager
Tina T. Kundig, Finance Director

Cover photograph courtesy of Cheryl Martin

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CITY OF REDLANDS
CALIFORNIA

Comprehensive Annual Financial Report

Year ended June 30, 2007

Prepared by:
FINANCE DEPARTMENT

Tina T. Kundig
Director of Finance

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CITY OF REDLANDS
Comprehensive Annual Financial Report
Year ended June 30, 2007

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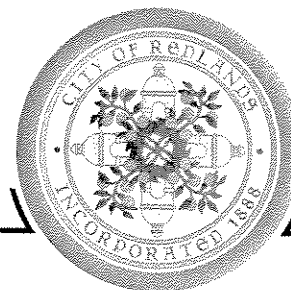
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INTRODUCTORY SECTION

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City of Redlands



December 22, 2006

To the Members of the City Council and Citizens of the City of Redlands:

It is the policy of the City of Redlands to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of Redlands ("the City") for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by MAYER HOFFMAN MCCANN, P.C., an independent firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2006, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited City's internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis



(MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Redlands, incorporated in 1888, is located 63 miles east of Los Angeles, 110 miles north of San Diego, and 500 miles southeast of San Francisco. It is the third largest city in San Bernardino County, covering an area of 36 square miles, and lies within the San Bernardino Valley in the southwestern portion of the County, within the heart of the Inland Empire. It serves a population of 71,086 residents.

The City was incorporated under the general laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. It is a municipal corporation governed by a five-member city council in which all policy-making and legislative authority is vested. The City Council is responsible, among other things for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is the chief administrative officer of the City and as such is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for recommending appointment of department heads to the Council for approval. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with elections occurring every two years. The mayor is elected by a majority vote of the Council.

The City provides a full range of services, including police and fire protection, animal control, emergency medical aid, building safety regulation and inspection, street lighting, beautification, sewer and water utilities, solid waste collection and disposal, land use planning and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement, and a full range of recreational and cultural programs for citizen participation, as well as being the home of the historic A. K. Smiley Public Library.

The annual budget serves as the foundation for the City's financial planning and control. Prior to the beginning of the fiscal year, the City Manager submits a budget for the upcoming year to the City Council. Public hearings are held before final approval of the budget. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds and internal service funds are included in the annual budget. The level of control (level at which expenditures may not exceed budget) is the fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end; however encumbrances are re-appropriated each year by separate action of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. City of Redlands' economy is based largely in the service and trade sectors (health care, retail trade, government, and education) and light manufacturing. The region has a varied manufacturing and industrial base that adds to the relative stability of the unemployment rate which is at 3.8%. Since 2001, the annual unemployment rate for the City has ranged from a low of 3.8% to a high of 4.8%.

The City has significant land still available for industrial/commercial/office use with only a portion of these areas utilized. Major industries with headquarters or divisions located within the City's boundaries or in close proximity include computer hardware and software manufacturers, electrical controls and automobile component manufacturers, and several financial and insurance institutions. Major employers in the City or within the vicinity include the Redlands Unified School District, ESRI (Environmental Systems Research Institute), Loma Linda University Medical Center, the Jerry L. Pettis Veterans Hospital, the VA Loma Linda Healthcare System, Redlands Community Hospital, the United States Post Office and the University of Redlands. Several large warehouse distribution centers have been developed over the past few years, including Hershey (JENCO), Bechton-Dickenson, Stater Bros. and Salton, with each adding several hundred employees to the job mix.

The City's property tax base has shown steady growth since fiscal year 2000-2001 with an average annual increase in assessed valuation of 11.1%. In fiscal year 2005-2006, assessed valuation increased by 18.4%, almost double the growth experienced between tax years last year. Assets owned by a major utility company were valued \$210 million higher than reported last year and accounted for 25% of the growth enjoyed by the City. From fiscal year 2000-2001 to 2005-2006 assessed valuation for the City of Redlands increased by a gross of 61% and reached \$5.4 billion by fiscal year 2005-2006.

Development activity occurring in fiscal year 2005-2006 remained strong although growth in residential development experienced a slow down beginning in the Spring of 2006. There has been a reduction in the number of single family detached residences and an increase in the number of attached condominium units. Even with the slowdown, activity remains steady with 166 units that are under construction, 231 units that are in plan check, 632 units that are approved but have not initiated the plan check process and another 389 units that are in the planning process. Some of the significant residential projects include: Beazer Homes, located north of Pioneer, has 14 units under construction and another 125 homes in plan check; Quantum Structures, a 64 unit residential condominium has 55 units under construction and 9 in plan check; Granite Homes, an 80 lot single family residential planned unit development located on Wabash Avenue; Walton Development (Tracts 16465 and 16627) a 107 lot single family residential planned unit development north of San Bernardino Avenue; Standard Pacific Homes, a 201 unit single family residential project located south of San Bernardino Avenue; Mark Utzinger, a 160 unit senior housing project on Orange Avenue; and Quantum Structures, a 77 unit residential town-home development on the northeast corner of Alabama and Orange.

From July 2005 to June 2006, 787 single-family homes/condos were sold in Redlands at an average price of \$440,846

Other development activity within the City remains strong, with over 2 million square feet of commercial and industrial development under construction and another 1.8 million square feet in plan check at June 30, 2006.

Retail development grew steadily with 22,799 square feet of retail development under construction and 86,848 square feet in plan check at June 2006. The most significant of these projects is the development of a new 69,666 square foot Toyota of Redlands automobile dealership located just north of the I-10 freeway. Another 14,798 of retail space had all planning approvals and another 53,846 square feet of retail development was in the planning process.

Redlands has seen a significant jump in the amount of office space being developed over the past several years. A large component of the office development is centered on the medical and technical industries within the community. By the end of June 2006, there was 145,188 square feet under construction, 324,398 square feet in plan check, and over 180,000 square feet that had been approved and/or was in the planning process. Some of the key office projects include GMID, a two story 45,646 square foot development on Orange Tree Lane; Edward Anderson, a two story 39,178 square foot medical office condominium project on Terracina; James Didion, a three building medical complex with a building area of 52,559 square feet on Park Avenue; ESRI, a two-story 32,251 square foot addition to their existing office complex on New York; Afshari, a medical office complex of three two-story buildings totaling 122,604 square feet at the southwest corner of Alabama Street and Park Avenue; and Citrus Packing LLC, a four building commercial/office complex with 110,512 square feet located on the northeast corner of Texas Street and San Bernardino Avenue.

Industrial development in the City continues to be significant. At June 30, 2006 the City had 1.9 million square feet under construction and another 1.3 million square feet in plan check. Industrial development includes the larger warehouse distribution facilities as well as smaller facilities. Significant industrial projects still in process include: WMF Designs, an 8 building 89,640 square foot industrial park on Alabama; AMB Property Corporation, a 1,313,470 square foot regional distribution center; MKJ-McCalla an 8 building business park with a combined square footage of 135,570 square feet on Nevada Street; Thrifty Oil Company, a 140,380 square foot industrial complex on the southeast corner of Park and Kansas; and PGP Partners, a six building industrial park with 711,000 square feet of floor area on 38 acres on the west side of Mountain View Avenue.

In addition to the development projects noted above, the City has the following other major projects in process at June 30, 2006: Redlands Sports Park Phase I, a 45 acre park with eight lighted soccer fields, two concessions and restroom buildings, and a large multipurpose field is expected to be completed in June 2007; Alabama and Orange Street Bridges, both four lane bridges crossing the Santa Ana River that allow all weather access between the City of Redlands and the City of Highland, were completed in December, 2006. A major project for fiscal year 2006-2007 is the Civic Center ADA Improvements project that will remove barriers to the disabled at City Hall. ADA improvements are expected to be completed in March 2007.

Long-term financial outlook/planning. Over the last few years the City has faced financial challenges as a result of the State Budget crisis, increases in PERS rates, increases in employee contracts, and employee retirements. As a result, the City's General Fund expenditures have exceeded revenues, thereby causing a steady reduction in unreserved fund balance. Although the City has experienced significant growth in property taxes, sales taxes and development in recent years, its revenues still were not able to keep pace with its expenditures. Furthermore, the City does not expect the growth over the next few years to continue at the same record levels that it has over the last few years. Accordingly, the City will need to focus on financial policy decisions that may include a reduction in service levels and/or enhanced revenue opportunities. Innovation and teamwork by the Council, staff and the citizens of Redlands will be critical to the City's financial future.

Cash management policies and practices. During the year, temporarily idle cash was invested in demand deposits, certificates of deposits, obligations of the U.S. Treasury and its agencies, commercial paper, mutual funds, and the state of California Local Agency Investment Fund. The City's current investment policy is to keep its portfolio as liquid as possible, minimize credit and market risks, and still maintain an acceptable yield. Accordingly, most city funds are invested in the State's Local Agency Investment Fund or in Federal Agency securities. All investments were held by the City or held in the City's name by Bank of New York's safekeeping department. The maturities of the investments range from 1 day to 2.25 years, with an average weighted maturity of 379 days. The average yield on investments was 3.169 percent at June 30, 2006.

Risk management. The City is self-insured for both worker's compensation and general commercial and automobile liability for the first \$1,000,000 and \$500,000 per occurrence, respectively. The City has purchased excess coverage of \$25,000,000 per occurrence with a \$25,000,000 aggregate for worker's compensation and \$10,000,000 per occurrence with a \$10,000,000 aggregate for liability. Liability claims are administered internally by the Finance Department and City Attorney, while Worker's Compensation claims are monitored by the Administrative Services Department and a third party administrator. Both self-insurance programs are being accounted for in separate internal service funds in which resources are being accumulated to meet current and potential losses. Additional information on the City's risk management activity can be found in the Notes to the Basic Financial Statements.

Pension and other postemployment benefits. The City contributes to the California Public Employees Retirement System, an agent multiple-employer public employee defined benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by this funding policy. A discussion of the amortization of the unfunded actuarial liability associated with employee services rendered to date is discussed in Note 10 of the Notes to the Financial Statements.

The City also provides postretirement health care benefits, in accordance with applicable Memoranda of Understanding and the California Government Code, to all employees who retire from the City of Redlands. As of the end of the current fiscal year, there were 225 retirees eligible to receive these benefits, which are financed on a pay-as-you-go basis. Additional information regarding the City's pension arrangements and postemployment benefits can be found in the Notes to the Financial Statements.

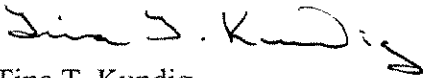
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Redlands for its comprehensive annual financial reports for the fiscal years ended June 30, 2003, June 30, 2004 and June 30, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance department. Special recognition is due to the Assistant Finance Director, Tom Steele, and Senior Accountant, Nicolette Kay, for their extraordinary effort in overseeing the compilation of the accounting data and interfacing with our auditors, to accounting staff members Kim Braun and Mary Ellen Lambert for their support, to the accounting firm of MAYER HOFFMAN MCCANN, P.C. and to Teresa Ballinger, Reprographics Technician.

Respectfully submitted,



Tina T. Kundig
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redlands,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

CITY OF REDLANDS
PRINCIPAL OFFICERS

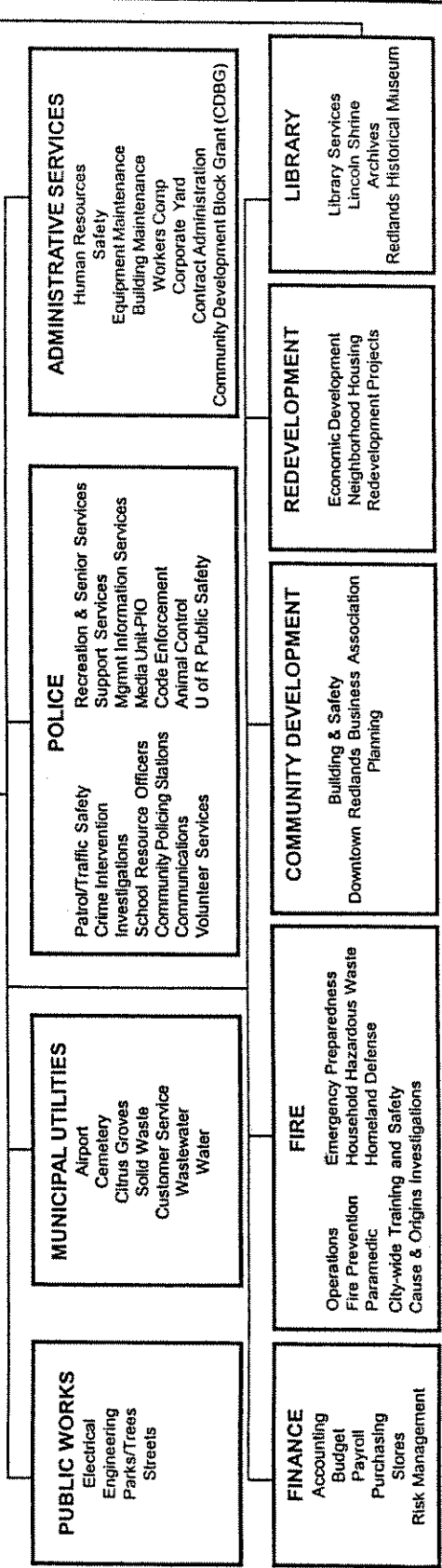
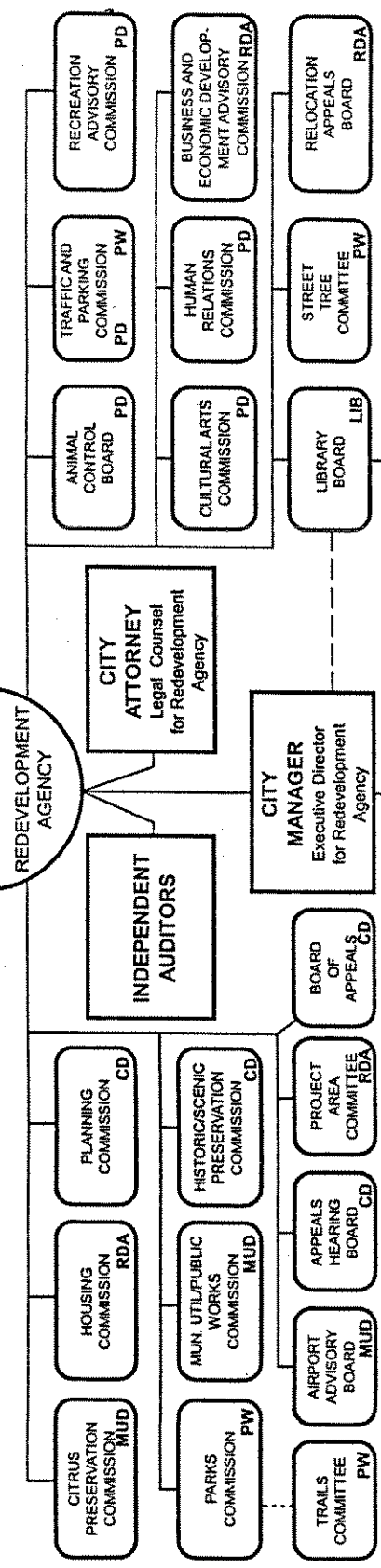
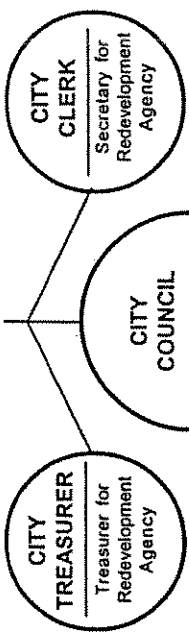
CITY COUNCIL (ELECTED)	Jon P. Harrison, Mayor Patricia L. Gilbreath, Mayor Pro Tem Pete Aguilar, Councilmember Mick Gallagher, Councilmember Gilberto Gil, Councilmember
CITY MANAGER	John Davidson
CITY CLERK (ELECTED)	Lorrie Poyzer
CITY TREASURER (Elected)	Michael Reynolds
CITY ATTORNEY	Daniel J. McHugh
COMMUNITY DEVELOPMENT DIRECTOR	Jeffrey L. Shaw
FINANCE DIRECTOR	Tina T. Kundig
FIRE CHIEF	James J. Drabinski
LIBRARY DIRECTOR	Larry E. Burgess
MUNICIPAL UTILITIES DIRECTOR	Gary G. Phelps
ADMINISTRATIVE SERVICES DIRECTOR	Marjie Pettus
POLICE CHIEF	James R. Bueermann
PUBLIC WORKS DIRECTOR	Ronald C. Mutter
REDEVELOPMENT DIRECTOR	Donald M. Gee

ELECTORATE (VOTERS)

CITY OF REDLANDS
CALIFORNIA
ORGANIZATIONAL CHART
Approved by
John Davidson
John Davidson, City Manager
effective, May 2006

LEGEND

○ Elective
 □ Appointive
 ▭ Boards, Commissions and Committees
 --- Advisory to:



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FINANCIAL SECTION

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Mayer Hoffman McCann P.C.

An Independent CPA Firm

Conrad Government Services Division

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Honorable Mayor and City Council
City of Redlands
Redlands, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Redlands, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Redlands. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Redlands, California, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, of the City of Redlands, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* is not a required part of the basic financial statements but is supplementary information required by accounting standards generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Redlands' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules



Honorable Mayor and City Council
City of Redlands, California
Page Two

have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
October 27, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Redlands provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual CAFR consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates like businesses, such as the sewer system.
 - *Fiduciary fund* statements provide information about fiduciary relationships – like the agency funds of the City – in which the City acts solely as *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provides additional financial and budgetary information.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of the City's Government-wide and Fund Financial Statements

	<u>Fund Statements</u>			
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's fiduciary funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City services into two kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to help it cover all or most of the cost of the services accounted for in these funds.

Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- **Governmental funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in a reconciliation on the page following the fund financial statements.
- **Proprietary funds** – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the

other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.

Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

A summary of the government-wide *statement of net assets* follows:

CITY OF REDLANDS Statement of Net Assets June 30, 2006

Table 1

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other Assets	62,835,891	63,738,421	48,138,038	45,176,273	110,973,929	108,914,694
Capital Assets	394,673,614	384,223,513	137,392,890	133,476,847	532,066,504	517,700,360
Total Assets	457,509,505	447,961,934	185,530,928	178,653,120	643,040,433	626,615,054
Long-term Debt Outstanding	73,285,839	74,445,218	48,040,697	49,373,470	121,326,536	123,818,688
Other Liabilities	5,210,272	4,517,320	3,645,332	4,598,088	8,855,604	9,115,408
Total Liabilities	78,496,111	78,962,538	51,686,029	53,971,558	130,182,140	132,934,096
Net Assets:	379,013,394	368,999,396	133,844,899	124,681,562	512,858,293	493,680,958
Invested in Capital Assets, Net of Debt	338,283,471	333,560,602	101,228,505	106,786,695	439,511,976	440,347,297
Restricted	19,302,690	20,169,777	-	-	19,302,690	20,169,777
Unrestricted	21,427,233	15,269,017	32,616,394	17,894,867	54,043,627	33,163,884
Total Net Assets	379,013,394	368,999,396	133,844,899	124,681,562	512,858,293	493,680,958

The increase in net assets can provide an indication that the overall financial position of the City improved during the year, by a total of \$19,177,335 as indicated in the Changes in Net Assets Table 2 below. Table 1 shows that net assets of the government-wide activities increased by 3.9 percent from \$493,680,958 in 2005 to \$512,858,293 in 2006. Governmental Activities net assets increased by 2.7 percent from \$368,999,396 at June 2005 to \$379,013,394 at June 2006. The City's net assets of business-type activities increased by 7.3 percent from \$124,681,562 in 2005 to \$133,844,899 in 2006.

The increase in the net assets of the Governmental Activities during 2006 was the result of increases in capital assets. In Highways and Streets, construction in progress increased by \$8.3 million, primarily due to the construction of the Alabama and Orange Street bridges, and infrastructure increased by \$2.6 million. In Culture and Recreation, construction in progress increased by \$3 million due to construction for a sports park. The increase in net assets of the Business Activities was also primarily the result of an increase in capital assets, with \$3.6 million infrastructure added to the Water Enterprise, including the 1350 Zone Reservoir project which provides storage for up to 3.9 million gallons of potable water in northwest Redlands and Phase I of the Capital Improvement Pipeline Replacement project, and \$1.2 million in

improvements to the airport runway in the Aviation Enterprise. Additionally, cash in the Business Activities increased significantly as a result of an increase in development impact fee revenue: \$1.6 million in the Water Enterprise and \$1.2 million in the Sewer Enterprise.

A summary of the government-wide statement of activities follows:

Change in Net Assets – Year Ended June 30, 2006
Table 2

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Program Revenues:						
Charges for Services	9,306,510	8,293,577	31,569,061	32,128,747	40,875,571	40,422,324
Operating Grants & Contributions	18,542,273	9,849,623	423,720	1,488,852	18,965,993	11,338,475
Capital Grants & Contributions	3,715,690	38,659,823	7,891,272	4,794,810	11,606,962	43,454,633
General Revenues:						
Property Taxes	23,914,760	15,346,936			23,914,760	15,346,936
Sales Taxes	15,267,688	13,646,820			15,267,688	13,646,820
Franchises	1,097,157	996,858			1,097,157	996,858
Other Taxes	1,230,525	1,115,401			1,230,525	1,115,401
Investment Income	2,180,119	1,356,544	1,442,393	1,147,888	3,622,512	2,504,432
Intergovernmental	1,225,814	8,261,949			1,225,814	8,261,949
Total Revenues	76,480,536	97,527,531	41,326,446	39,560,297	117,806,982	137,087,828
Program Expenses:						
General Government	11,868,103	10,634,567			11,868,103	10,634,567
Public Safety	36,994,587	32,397,475			36,994,587	32,397,475
Highways and Streets	8,325,785	6,284,884			8,325,785	6,284,884
Culture and Recreation	3,692,986	2,858,152			3,692,986	2,858,152
Library	1,871,418	1,806,206			1,871,418	1,806,206
Interest and Fiscal Charges	3,713,659	3,169,104			3,713,659	3,169,104
Water			14,882,261	15,165,061	14,882,261	15,165,061
Disposal			8,799,485	8,339,209	8,799,485	8,339,209
Sewer			6,922,541	6,945,863	6,922,541	6,945,863
Aviation			218,316	456,441	218,316	456,441
Cemetery			591,363	630,307	591,363	630,307
Groves			749,143	872,263	749,143	872,263
Total Expenses	66,466,538	57,150,388	32,163,109	32,409,144	98,629,647	89,559,532
Increase in Net Assets before						
Transfers/Land Sale Proceeds	10,013,998	40,377,143	9,163,337	7,151,153	19,177,335	47,528,296
Land Sale Proceeds	-	-			-	216,174
Transfers	-	(729,010)	-	729,010	-	-
Increase (decrease) Net Assets	10,013,998	39,648,133	9,163,337	7,880,163	19,177,335	47,528,296
Beginning Net Assets	368,999,396	329,351,263	124,681,562	116,801,399	493,680,958	446,152,662
Ending Net Assets	379,013,394	368,999,396	133,844,899	124,681,562	512,858,293	493,680,958

Governmental Activities

Revenues for the City's governmental activities decreased 21.6 percent from \$97,527,531 in 2005 to \$76,480,536 in 2006. Total governmental activity expenses increased by 16.3 percent from \$57,150,388 in 2005 to \$66,466,538 in 2006. The cost of all *government-wide* activities increased by 10.1 percent from \$89,559,532 in 2005 to \$98,629,647 in 2006. As shown in the Statement of Activities pages 17 and 18 of the CAFR, the amount that taxpayers ultimately financed for these activities through City taxes was \$34,902,065, while other costs were paid by those who directly benefited from the programs (\$9,306,510) or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$18,542,273) or capital grants and contributions (\$3,715,690). Overall, the City's governmental program revenues were \$31,564,473 including intergovernmental aid, fees for services, and contributions from developers.

The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

Charges for services increased by \$1,012,933 or 12.2 percent in 2006 over the prior year.

Operating Grants and Contribution increased by \$8,692,650 or 88.3 percent from prior year due to an adjustment to deferred revenue made as a result of increased grant activity.

Capital Grants and Contributions decreased from \$38,659,823 in 2005 to \$3,715,690 in 2006. The decrease was primarily from prior year right-of-way contributions valued at \$35,224,044 related to residential development projects. Amounts for 2006 represent contributions from developers.

Property Taxes increased by \$8,567,824 or 55.8 percent. In 2006, the City was able to fully realize the growth in the residential and commercial real estate market that has been steady in recent years, but which was absorbed in the prior year as a result of a payment to the County Education Revenue Augmentation Fund (ERAF) pursuant to the State Budget legislation, Proposition 1A. Additionally, the City benefited from the increased value of personal property assets owned by a local utility. The latter accounted for 25% of the City's net taxable value increase.

Sales tax growth continued in 2006, with an increase of \$1,620,868 or 11.9 percent over 2005. Contributing to this increase is the sales tax revenue generated within an unincorporated area of San Bernardino County known as the "Donut Hole." A tax-sharing agreement with the County provides that the City receive 90 percent of all sales tax generated in this area. As new retail businesses have been built within the "Donut Hole," sales taxes have continued to grow.

Franchise Fees increased by \$100,299 or 10.1 percent and Other Taxes increased by \$115,124 or 10.3 percent.

Investment income increased by \$823,575 or 60.7 % as a result of improved investment returns and as a result of a \$647,911 interest receivable booked on the outstanding loan receivable f.

Intergovernmental Revenues decreased by \$7,036,135 or 85.2% percent, primarily due to a reduction in Motor Vehicle License Fees which in prior year included Motor Vehicle In-lieu revenue that is now included in Property Tax revenue, and as a result of a repayment by the State of its \$1,146,381 VLF Gap Loan from the City.

General Government expenses increased by \$1,233,536 or 11.6 percent, due to (grant funded) costs related to the Mission Gables and Union Avenue improvement projects and increased costs for contracted building inspection services.

Public Safety expenses increased by \$4,599,112 million or 14.2 percent over prior year primarily due to increased pension (CalPERS) costs, salary increases and retirements.

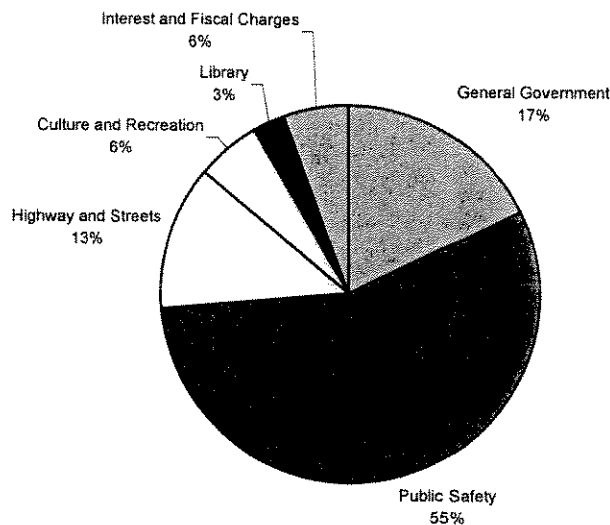
Highways and Streets increased by \$2,040,901 or 32.5%, primarily due to costs associated with the Alabama and Orange Street bridges.

In 2006, Culture and Recreation expenses increased by \$834,834 or 29.2 percent due to a GASB 34 conversion entry in the prior year. This entry added \$914,000 in expenses in 2005, representing the difference between retired fixed assets and accumulated depreciation.

Library expenses increased by \$65,212 or 3.6 percent.

Interest and fiscal charges decreased by \$544,555 or 17.2 percent.

Expenses by Functions Governmental Activity



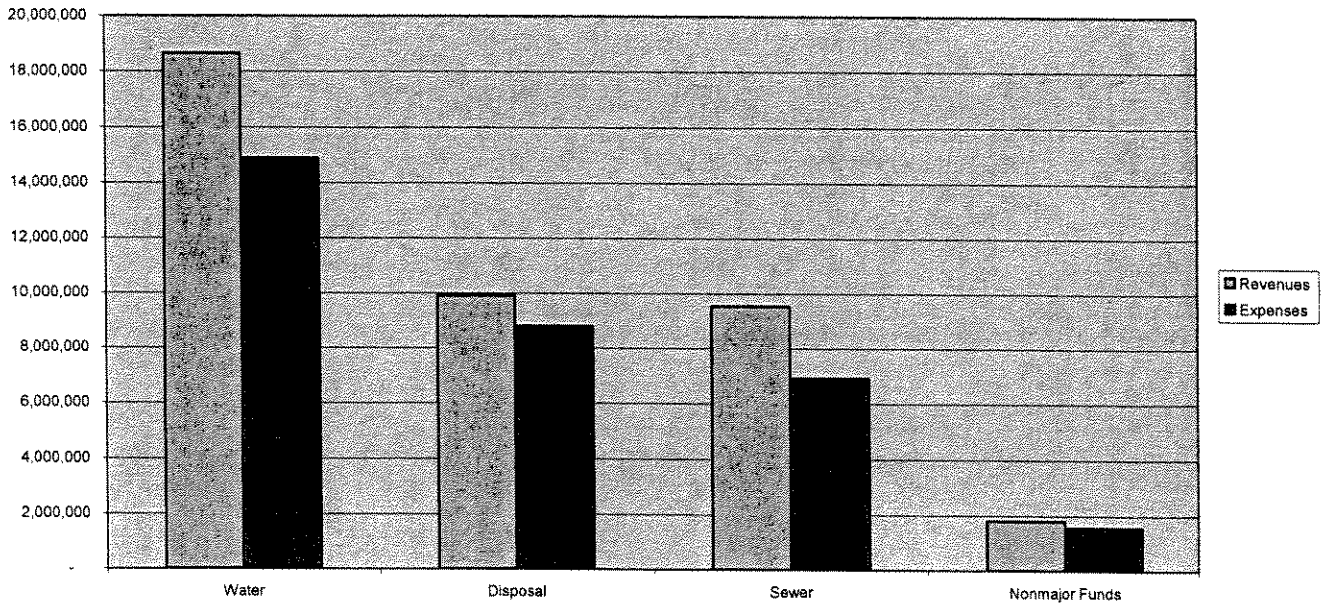
Business-Type Activities

Revenues of the City's Business-Type Activities (See Table 2) increased by 4.5 per cent from \$39,560,297 in 2005 to \$41,326,446 in 2006 and expenses decreased by .8 per cent from \$32,409,144 in 2005 to \$32,163,109 in 2006.

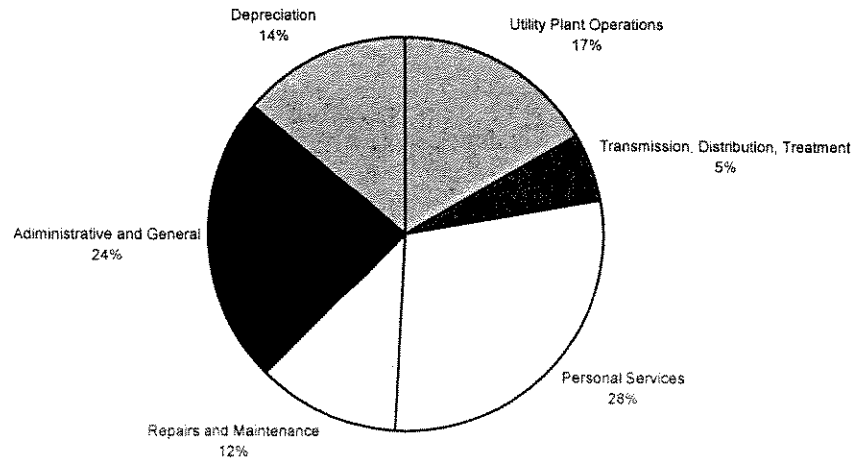
The Operating revenues of the City's Water Utility increased 18.3% from \$15,695,243 in 2005 to \$18,559,646 in 2006 due to an increase in development impact fees and in increase in service charge rates. Operating revenues of the City's Disposal Utility decreased 19.7% from \$12,167,429 in 2005 to \$9,768,863 in 2006 due to a prior \$3.4 million adjustment to the landfill closure liability resulting from expansion of the landfill. Operating revenues of the City's Sewer Utility increased 26% from \$7,562,576 in 2005 to \$9,531,910 largely due to impact fees, which increased 56.5 per cent.

Operating expenses of the City's Water Utility decreased 2.5% from \$14,298,128 in 2005 to \$13,935,054 in 2006 due to fluctuations in all areas, but particularly due to a decrease in repairs and maintenance and depreciation expense. Operating expenses of the City's Disposal Utility increased 5.8% from \$8,252,456 in 2005 to \$8,731,885 in 2006 primarily as a result of increases in repairs and maintenance. Operating expenses of the City's Sewer Utility decreased 1.4% from \$6,118,698 in 2005 to \$6,031,420 in 2006 primarily due to a decrease in repairs and maintenance and administrative and general expenses.

Expenses and Program Revenues - Business-type Activities



Operating Expenses - Business-type Activities



MAJOR FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

Major Governmental Funds. The **General Fund** is the chief operating fund of the City. At the end of June 2006, total fund balance of the general fund was \$11,808,960, a decrease of \$3,808,998 or 24.4 percent from the prior year fund balance of \$15,617,958. As a measure of the general fund's liquidity, it can be useful to compare the total fund balance to total fund expenditure, which shows that fund balance is 22.8 percent of general fund expenditures, however only \$2.9 million of the \$11.8 million fund balance is unreserved. The unreserved fund balance of \$2.9 million, together with the \$1.8 million fund balance reserved for contingency, the only portion of the reserved fund balance readily available for spending, represents 9.2% of general fund expenditures. Total general fund expenditures this year were \$7,773,272 more than prior year and total general fund revenue this year was \$5,705,475 more than prior year.

Significant changes in the revenues of the City's General Fund from the prior year are as follows:

- Sales Tax increased \$ 1,620,868 over prior year
- Property Tax increased by \$6,766,378 (includes amount previously shown in Motor Vehicle In-Lieu Revenue)
- Franchise Fees increased \$100,298
- Other Taxes increased \$263,756
- Licenses & Permits increased \$968,799
- Intergovernmental decreased \$4,577,820 (included Motor Vehicle In-Lieu Revenue in prior year)
- Charges for services increased \$120,147
- Charges for Services to other City funds decreased by \$94
- Investment Income increased \$442,188
- "Other" Revenue increased by \$955

The **Public Facilities Development** fund accounts for the collection and related expenditure of development impact fees designated for constructing new and upgrading existing public facilities. This fund holds an Advance Payable to the General Fund in the amount of \$3,984,436, a decrease from last year of \$1,149,342.

Major Enterprise Funds. The **Water Fund** has total net assets of \$69,931,486 at the end of the fiscal year; \$2,126,716 is unrestricted. The **Disposal Fund** has total net assets of \$15,095,973 at the end of the fiscal year; (\$1,099,800) are unrestricted. The **Sewer Fund** has total net assets of \$32,587,898 at the end of the fiscal year; (\$1,966,276) are unrestricted. These funds account for the respective utility services provided by the City. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGET

Differences between the original 2005-2006 budget and the final amended 2005-2006 budget of the General Fund can be briefly summarized as follows:

- Total Revenues - \$3,802,564 increase in the budget.
- General Government - \$355,367 increase in the budget
- Public Safety - \$2,433,277 increase in the budget.
- Highways and Streets - \$822,161 increase in the budget.
- Culture and Recreation - \$152,214 increase in the budget.
- Library – \$39,648 decrease in the budget.
- Capital Outlay - \$1,004,852 increase in the budget.
- Debt Service –\$98,000 decrease in budget.

Major deviations between the final budget of the General Fund and its actual operating results were as follows:

	Final Budget	Actual Expenditures	Favorable (Unfavorable) Variance
Total Revenues	\$ 46,676,334	\$ 48,142,536	\$ 1,466,202
General Government	8,249,437	8,277,777	(28,340)
Public Safety	31,415,912	31,426,971	(11,059)
Highways and Streets	4,328,143	3,744,630	583,513
Culture and Recreation	3,492,510	3,344,777	147,733
Library	1,867,247	1,856,592	10,655
Capital Outlay	2,012,652	2,649,682	(637,030)
Debt Service	467,984	418,467	49,517
Total Expenditures	\$ 51,833,885	\$ 51,718,896	\$ 114,989

Revenues were over budget primarily due to higher than expected receipts of sales taxes, property taxes and investment income which includes interest receivable of \$647,911 on the outstanding loan receivable due from the RDA.

General Government Expenditures were over budget, in part, due to overages in Administrative Services for retiree health insurance, advertising and electricity. Net expenditures over budget were reduced by the deferral of expenditures into the next fiscal year through encumbrances and carryovers, primarily of contractual services.

Public Safety expenditures were over budget due to increases in salaries and benefits, including overtime, PERS retirement costs, banked leave buy-back and health insurance in the Police Department, and increases in small tools and equipment expense in the Fire Department. Garage charges of \$996,689 also contributed to the overage

Highways and Streets were under budget primarily as a result of encumbrances and carryovers for contractual and other professional services.

Culture and Recreation was under budget primarily as a result of savings in the Parks division for water and other professional services.

Library was under budget due to savings in salaries and benefits, primarily in the area of part-time salaries and insurance.

Capital expenditures were over budget as a result of encumbrances and carryovers of \$613,418, offset by lease value added of \$1,250,448.

Debt Service expenditures were under budget because lease payments for Police vehicles were less than expected and an encumbrance for lease payments on Motorola police radios was carried into the following year.

The favorable variance of \$114,989 of expenditures under budget was the result of careful review and monitoring of the budget by management staff during fiscal year 2005-2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's equity investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounted to \$532,066,504 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, water stock, and construction in progress.

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

The City continued work on the Alabama Street Bridge and began work on the Orange Street Bridge, both destroyed by storms in the early 1990s. The city spent \$3,476,265 and \$775,538 respectively, on these bridges. Total estimated costs for these bridges is \$9 million. et Bridge.s which will cost an estimated \$9 million at completion. The City spent \$887,719 to complete the Mission Gables Bowl House, bringing total costs for the project to almost \$1.7 million. Significant street projects by Public Works included \$1,330,284 for New York Street, \$1,229,334 for streets related to development of the Sports Park and \$775,538 for Cypress Street. Other project expenditures included \$3,335,560 for the Sports Park, \$894,451 for various roofing projects, and \$676,624 for Police Department computer and camera systems.

The Water Utility continued infrastructure improvements to the 1350 Zone Reservoir and transmission main pipeline project for a total cost of \$654,906. The Water Utility also continued construction of improvements through the State Water Connection Project totaling \$1.7 million to meet enhanced state treatment requirements. Capital Improvement Program expenditures totaled \$2,104,703.

The Wastewater (Sewer) Utility incurred \$398,131 in expenditures for its Capital Improvement Program and \$188,621 for the Co-Generation Facility.

The City's Disposal Utility had equipment purchases of \$1,429,861.

The Redlands Municipal Airport spent \$935,300 for a hangar purchase and \$327,620 on rehabilitation of the taxiway/runway.

Overall, the City's net capital assets increased by \$14,366,144 for the fiscal year ended June 30, 2006, or 2.8% over prior year. Infrastructure and Construction in Progress increased by a net of \$10,928,632, representing 76% of the increase.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease) Percent of Change
	2006	2005	2006	2005	2006	2005	
Land	\$ 26,540,739	\$ 26,391,140	\$ 27,840,335	\$ 27,840,335	\$ 54,381,074	\$ 54,231,475	0.28%
Buildings & Improvements	15,257,009	13,431,304	78,970,231	75,819,200	92,227,240	89,050,504	3.57%
Machinery/Equip./Vehicles	15,177,465	14,216,869	11,441,073	10,898,062	26,618,538	25,114,931	5.99%
Infrastructure	398,928,393	396,910,529	112,253,153	108,446,720	511,181,546	505,357,249	1.15%
Water Stock	-	-	9,179,433	9,166,933	9,179,433	9,166,933	0.14%
Construction in Progress	10,958,346	1,901,051	8,665,470	5,706,163	17,623,816	7,607,214	
Accum. Depreciation	(72,188,338)	(68,627,380)	(106,956,805)	(104,200,566)	(179,145,143)	(172,827,946)	3.66%
Total	\$ 394,673,614	\$ 384,223,513	\$ 137,392,890	\$ 133,476,847	\$ 532,066,504	\$ 517,700,360	2.77%

Internal Service Fund capital assets, in the net amount of \$126,159, are included in Governmental Activities.

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB No. 34.

Additional information on the City's Capital Assets can be found in Note 5 of the Notes to the Basic Financial Statements.

LONG-TERM DEBT

Major Long-Term debt events during the current fiscal year include the following:

Leased two Public Works street sweepers valued at \$450,326.

Leased two Fire Water Tenders valued at \$424,274.

Leased fourteen Police vehicles valued at \$322,796.

Leased fifteen Motorola HT police radios valued at \$53,052.

Issued \$1,701,418 in notes payable related to the Safe Drinking Water project.

Amortized bond issue costs totaling \$141,471.

Paid \$5,411,313 scheduled principal and \$4,402,201 interest on existing debt.

Long-Term debts for governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease) Percent of Change
	2006	2005	2006	2005	2006	2005	
Capital Lease Obligations	\$ 1,407,827	\$ 451,487	\$ -	\$ -	\$ 1,407,827	\$ 451,487	211.82%
General Obligation Bonds	4,075,000	4,510,000	-	-	4,075,000	4,510,000	-9.65%
Tax Allocation Bonds	41,105,000	42,680,000	-	-	41,105,000	42,680,000	-3.69%
Certificates of Participation	16,620,000	16,620,000	880,000	1,705,000	17,500,000	18,325,000	-4.50%
Add: Issuance Premium	586,718	640,056	-	-	586,718	640,056	-8.33%
Revenue Bonds	-	-	29,730,000	31,815,000	29,730,000	31,815,000	-6.55%
Notes Payable	135,645	235,277	12,508,936	11,199,198	12,644,581	11,434,475	10.58%
Claims Payable	2,321,085	2,157,738	-	-	2,321,085	2,157,738	7.57%
Compensated Absences	7,034,564	7,150,660	804,744	868,779	7,839,308	8,019,439	-2.25%
Landfill Closure Liability	-	-	4,117,017	3,785,493	4,117,017	3,785,493	8.76%
Total	\$ 73,285,839	\$ 74,445,218	\$ 48,040,697	\$ 49,373,470	\$ 121,326,536	\$ 123,818,688	-2.01%

Additional information on the City's Long-Term Debt can be found in Note 6 and 7 of the Notes to the Basic Financial Statements.

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BASIC FINANCIAL STATEMENTS

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CITY OF REDLANDS
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and investments (note 2)	\$ 45,384,758	33,936,009	79,320,767
Receivables:			
Accounts	610,084	4,487,410	5,097,494
Taxes	3,363,967	-	3,363,967
Notes (note 4)	32,286	-	32,286
Interest	330,778	141,640	472,418
Due from other governments	7,172,483	-	7,172,483
Deferred charges	834,123	-	834,123
Cash and investments with fiscal agents (note 2)	6,132,220	6,954,551	13,086,771
Internal balances	(1,596,186)	1,596,186	-
Inventory	563,094	-	563,094
Other assets	8,284	-	8,284
Capital assets, not depreciated (note 5)	37,499,085	43,685,238	81,184,323
Capital assets, depreciated (note 5)	357,174,529	93,707,652	450,882,181
Unamortized bond issuance costs	-	1,022,242	1,022,242
	<u>457,509,505</u>	<u>185,530,928</u>	<u>643,040,433</u>
Liabilities:			
Accounts payable	2,694,089	1,594,098	4,288,187
Accrued payroll	1,487,333	293,537	1,780,870
Interest payable	1,017,583	590,494	1,608,077
Deposits	5,942	1,167,203	1,173,145
Other liabilities	5,325	-	5,325
Long-term liabilities (note 6, 7, 8 and 15):			
Due within one year	7,688,833	3,901,504	11,590,337
Due in more than one year	65,597,006	44,139,193	109,736,199
	<u>78,496,111</u>	<u>51,686,029</u>	<u>130,182,140</u>
Net assets:			
Invested in capital assets, net of related debt	338,283,471	101,228,505	439,511,976
Restricted for:			
Endowment - nonexpendable	1,520,573	-	1,520,573
Low and moderate income housing	10,988,285	-	10,988,285
Debt service	6,793,832	-	6,793,832
Unrestricted	<u>21,427,233</u>	<u>32,616,394</u>	<u>54,043,627</u>
	<u>\$ 379,013,394</u>	<u>133,844,899</u>	<u>512,858,293</u>

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Statement of Activities
Year ended June 30, 2006

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 11,868,103	6,559,998	3,189,269
Public safety	36,994,587	935,186	3,588,712
Highway and streets	8,325,785	1,491,579	10,397,592
Culture and recreation	3,692,986	263,771	1,258,886
Library	1,871,418	55,976	107,814
Interest and fiscal charges	3,713,659	-	-
Total governmental activities	<u>66,466,538</u>	<u>9,306,510</u>	<u>18,542,273</u>
Business-type activities:			
Water	14,882,261	14,988,327	-
Disposal	8,799,485	9,056,597	45,074
Sewer	6,922,541	6,093,675	-
Aviation	218,316	154,907	378,646
Cemetery	591,363	561,620	-
Groves	749,143	713,935	-
Total business-type activities	<u>32,163,109</u>	<u>31,569,061</u>	<u>423,720</u>
Total primary government	<u>\$ 98,629,647</u>	<u>40,875,571</u>	<u>18,965,993</u>

See accompanying notes to the basic financial statements.

Capital Grants and Contributions	Net (Expense) Revenue	Net (Expense) Revenue and Changes in Net Assets		Total
		Governmental Activities	Business-type Activities	
800,906	(1,317,930)	(1,317,930)	-	(1,317,930)
633,873	(31,836,816)	(31,836,816)	-	(31,836,816)
1,044,831	4,608,217	4,608,217	-	4,608,217
1,236,080	(934,249)	(934,249)	-	(934,249)
-	(1,707,628)	(1,707,628)	-	(1,707,628)
-	(3,713,659)	(3,713,659)	-	(3,713,659)
<u>3,715,690</u>	<u>(34,902,065)</u>	<u>(34,902,065)</u>	<u>-</u>	<u>(34,902,065)</u>
3,649,873	3,755,939	-	3,755,939	3,755,939
800,604	1,102,790	-	1,102,790	1,102,790
3,440,795	2,611,929	-	2,611,929	2,611,929
-	315,237	-	315,237	315,237
-	(29,743)	-	(29,743)	(29,743)
-	(35,208)	-	(35,208)	(35,208)
<u>7,891,272</u>	<u>7,720,944</u>	<u>-</u>	<u>7,720,944</u>	<u>7,720,944</u>
<u>11,606,962</u>	<u>(27,181,121)</u>	<u>(34,902,065)</u>	<u>7,720,944</u>	<u>(27,181,121)</u>
General revenues:				
Taxes:				
Property taxes		23,914,760	-	23,914,760
Sales taxes		15,267,688	-	15,267,688
Franchise taxes		1,097,157	-	1,097,157
Other taxes		1,230,525	-	1,230,525
Investment income		2,180,119	1,442,393	3,622,512
Intergovernmental (unrestricted)		1,225,814	-	1,225,814
Total general revenues		<u>44,916,063</u>	<u>1,442,393</u>	<u>46,358,456</u>
Change in net assets		10,013,998	9,163,337	19,177,335
Net assets at beginning of year		<u>368,999,396</u>	<u>124,681,562</u>	<u>493,680,958</u>
Net assets at end of year		<u>\$ 379,013,394</u>	<u>133,844,899</u>	<u>512,858,293</u>

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GENERAL FUND

General Fund – This fund has been classified as a major fund and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

SPECIAL REVENUE FUND

The Special Revenue Fund is used to account for specific revenues that are legally restricted to expenditure for a particular purpose. The following fund has been classified as a major fund. The budget-actual comparison for this fund is presented in the accompanying financial statements as *required supplementary information*:

Public Facilities Development – To account for the collection and related expenditure of development impact fees designated for constructing new and upgrading existing public facilities.

CITY OF REDLANDS
Governmental Funds
Balance Sheet
June 30, 2006

	Special Revenue Fund			Totals
	General Fund	Public Facilities Development	Nonmajor Governmental Funds	
Assets:				
Cash and investments	\$ 563,805	796,082	44,761,634	46,121,521
Receivables:				
Accounts	582,772	-	10,240	593,012
Taxes	2,827,589	-	415,268	3,242,857
Interest	-	-	330,778	330,778
Notes (note 4)	-	-	32,286	32,286
Inventory	433,328	-	-	433,328
Due from other funds (note 3)	4,021,928	-	-	4,021,928
Due from other governments	312,047	-	6,981,546	7,293,593
Advances receivable (note 3)	5,318,520	-	-	5,318,520
Other assets	8,284	-	-	8,284
Total assets	\$ 14,068,273	796,082	52,531,752	67,396,107
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 822,933	-	1,607,188	2,430,121
Accrued payroll	1,295,798	142	125,233	1,421,173
Advances payable (note 3)	133,000	3,984,436	1,334,084	5,451,520
Deferred revenue	-	-	7,147,946	7,147,946
Due to other funds (note 3)	-	-	4,021,928	4,021,928
Deposits	-	-	3,685	5,942
Other liabilities	2,257	-	-	5,325
Total liabilities	2,259,313	3,984,578	14,240,064	20,483,955
Fund balances:				
Reserved for:				
Note receivable	-	-	32,286	32,286
Encumbrances	1,253,886	125,896	386,866	1,766,648
Inventory	433,328	-	-	433,328
Advances receivable	5,318,520	-	-	5,318,520
Contingency	1,837,396	-	-	1,837,396
Capital projects	43,327	-	-	43,327
Endowment	-	-	1,520,573	1,520,573
Unreserved:				
Reported in:				
General fund	2,922,503	-	-	2,922,503
Special revenue fund	-	(3,314,392)	19,725,182	16,410,790
Debt service fund	-	-	6,793,832	6,793,832
Capital projects fund	-	-	9,832,949	9,832,949
Total fund balances (deficit)	11,808,960	(3,188,496)	38,291,688	46,912,152
Total liabilities and fund balances	\$ 14,068,273	796,082	52,531,752	67,396,107

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
 Governmental Funds
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2006

Fund balances of governmental funds	\$ 46,912,152
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation of \$72,150,643 have not been included as financial resources in governmental fund activity. Amount excludes capital assets from internal service funds which are added below.	394,547,455
Long-term debt from the General Long-Term Debt Account Group that have not been included in the governmental fund activity:	
Capital lease obligation	(1,407,827)
General obligation bonds	(4,075,000)
Tax allocation bonds	(41,105,000)
Certificates of participation payable	(17,206,718)
Notes payable	(135,645)
Compensated absences	(6,802,815)
Underwriters' fees and cost of issuance related to long term debt are treated as expenditures in the governmental fund statements; in the statement of net assets, the underwriters' fees and cost of issuance are treated as a deferred charge.	834,123
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(1,017,583)
Certain revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the governmental funds.	7,147,946
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, workers' compensation, compensated absences, retiree insurance and fleet management, to individual funds. The assets (including capital assets) and liabilities of the internal service funds must be added to the statement of net assets.	2,785,492
Internal balances created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.	<u>(1,463,186)</u>
Net assets of governmental activities.	<u>\$ 379,013,394</u>

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2006

		Special Revenue Fund		
	General Fund	Public Facilities Development	Nonmajor Governmental Funds	Totals
Revenues:				
Taxes	\$ 33,899,732	-	7,743,088	41,642,820
Licenses, permits and fines	10,131,124	1,804,022	2,136,399	14,071,545
Intergovernmental	832,339	-	10,664,696	11,497,035
Charges for services	1,272,239	-	305,790	1,578,029
Investment income	1,647,201	-	1,497,574	3,144,775
Other	359,901	-	1,778,711	2,138,612
Total revenues	<u>48,142,536</u>	<u>1,804,022</u>	<u>24,126,258</u>	<u>74,072,816</u>
Expenditures:				
Current:				
General government	8,277,777	4,836	3,195,572	11,478,185
Public safety	31,426,971	-	3,923,766	35,350,737
Highway and streets	3,744,630	-	1,331,882	5,076,512
Culture and recreation	3,344,777	-	-	3,344,777
Library	1,856,592	-	-	1,856,592
Capital outlay	2,649,682	18,712	13,335,795	16,004,189
Debt service:				
Principal	393,739	-	2,010,000	2,403,739
Interest	24,728	-	3,250,524	3,275,252
Fiscal charges	-	-	447,327	447,327
Total expenditures	<u>51,718,896</u>	<u>23,548</u>	<u>27,494,866</u>	<u>79,237,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,576,360)</u>	<u>1,780,474</u>	<u>(3,368,608)</u>	<u>(5,164,494)</u>
Other financing sources (uses):				
Proceeds of capital lease	1,250,448	-	-	1,250,448
Transfers in (note 3)	1,716,445	-	7,938,966	9,655,411
Transfers out (note 3)	(3,199,531)	(324,347)	(7,469,578)	(10,993,456)
Total other financing sources (uses)	<u>(232,638)</u>	<u>(324,347)</u>	<u>469,388</u>	<u>(87,597)</u>
Net change in fund balances	<u>(3,808,998)</u>	<u>1,456,127</u>	<u>(2,899,220)</u>	<u>(5,252,091)</u>
Fund balances (deficit) at beginning of year	<u>15,617,958</u>	<u>(4,644,623)</u>	<u>41,190,908</u>	<u>52,164,243</u>
Fund balances (deficit) at end of year	<u>\$ 11,808,960</u>	<u>(3,188,496)</u>	<u>38,291,688</u>	<u>46,912,152</u>

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
 Governmental Funds
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - total governmental funds \$ (5,252,091)

Amounts reported for governmental activities in the statement of activities differ from the amounts reported in the statement of activities because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the net amount by which capital assets changed in the current period.

Capital outlay	16,114,690
Depreciation expense	(4,428,987)

Issuance of long term debt is reported as an other financing sources in governmental funds; whereas in the government-wide financial statements, the issuance is reported as a liability. Governmental funds report the effect of underwriter's fees and cost of issuance as expenditures; whereas these amounts are deferred and amortized in the statement of activities. 69,510

Accrued interest for debt service. This is the net change in accrued interest for the current period. 25,092

Deferred revenue. This is the net change in deferred revenue for the current period. 3,061,906

Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, workers' compensation, compensated absences, retiree insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported in the statement of activities. 639,878

Internal balances created by the consolidation of internal service funds activities related to enterprise funds is reflected as a reduction of revenues in the statement of activities. (216,000)

Change in net assets of governmental activities \$ 10,013,998

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Proprietary Funds

Statement of Net Assets

June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>				Totals	<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor Funds</u>		<u>Funds</u>
Assets:						
Current assets:						
Cash and investments	\$ 14,461,458	9,967,547	8,642,827	864,177	33,936,009	5,395,457
Accounts receivable	2,286,241	1,309,026	799,175	92,968	4,487,410	17,072
Advances receivable (note 3)	1,507,169	1,795,184	133,000	-	3,435,353	-
Inventory	-	-	-	-	-	129,766
Total current assets	<u>18,254,868</u>	<u>13,071,757</u>	<u>9,575,002</u>	<u>957,145</u>	<u>41,858,772</u>	<u>5,542,295</u>
Noncurrent assets:						
Restricted assets:						
Cash and investments with fiscal agent	3,545,819	943,836	2,464,896	-	6,954,551	-
Interest receivable	52,727	20,603	36,685	31,625	141,640	-
Total restricted assets	<u>3,598,546</u>	<u>964,439</u>	<u>2,501,581</u>	<u>31,625</u>	<u>7,096,191</u>	<u>-</u>
Capital assets:						
Land and water rights	15,204,268	1,285,410	5,478,715	15,051,375	37,019,768	-
Buildings and improvements	27,285,890	2,741,970	44,158,057	2,784,314	76,970,231	-
Machinery and equipment	3,090,439	6,735,279	1,148,664	466,691	11,441,073	163,854
Infrastructure	91,240,243	-	21,012,910	-	112,253,153	-
Construction in progress	6,139,551	-	525,919	-	6,665,470	-
Less accumulated depreciation	(69,598,525)	(4,145,359)	(32,654,497)	(558,424)	(106,956,805)	(37,695)
Total capital assets	<u>73,361,866</u>	<u>6,617,300</u>	<u>39,669,768</u>	<u>17,743,956</u>	<u>137,392,890</u>	<u>126,159</u>
Other assets:						
Unamortized bond issuance costs	514,650	-	507,592	-	1,022,242	-
Total noncurrent assets	<u>77,475,062</u>	<u>7,581,739</u>	<u>42,678,941</u>	<u>17,775,581</u>	<u>145,511,323</u>	<u>126,159</u>
Total assets	<u>95,729,930</u>	<u>20,653,496</u>	<u>52,253,943</u>	<u>18,732,726</u>	<u>187,370,095</u>	<u>5,668,454</u>

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Proprietary Funds
Statement of Net Assets
June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor Funds</u>	<u>Totals</u>	
Liabilities:						
Current liabilities:						
Accounts payable	931,614	281,213	317,324	63,947	1,594,098	263,968
Accrued payroll	136,032	88,024	59,268	10,213	293,537	66,160
Compensated absences (notes 6 and 7)	206,621	85,661	107,292	2,799	402,373	231,749
Deposits	582,944	-	-	584,259	1,167,203	-
Notes payable (note 7)	849,904	-	228,342	-	1,078,246	-
Claims payable (note 6)	-	-	-	-	-	2,321,085
Revenue bonds - current (note 7)	1,325,000	-	855,000	-	2,180,000	-
Certificates of participation - current (note 7)	-	880,000	-	-	880,000	-
Interest payable	278,555	19,947	291,992	-	590,494	-
Total current liabilities	<u>4,310,670</u>	<u>1,354,845</u>	<u>1,859,218</u>	<u>661,218</u>	<u>8,185,951</u>	<u>2,882,962</u>
Noncurrent liabilities:						
Notes payable (note 7)	6,191,154	-	5,239,536	-	11,430,690	-
Compensated absences (note 7)	206,620	85,661	107,291	2,799	402,371	-
Advances payable (note 3)	-	-	-	3,302,353	3,302,353	-
Landfill closure liability (note 7 and 15)	-	4,117,017	-	-	4,117,017	-
Revenue bonds (note 7)	15,090,000	-	12,460,000	-	27,550,000	-
Total long-term liabilities	<u>21,487,774</u>	<u>4,202,678</u>	<u>17,806,827</u>	<u>3,305,152</u>	<u>46,802,431</u>	<u>-</u>
Total liabilities	<u>25,798,444</u>	<u>5,557,523</u>	<u>19,666,045</u>	<u>3,966,370</u>	<u>54,988,382</u>	<u>2,882,962</u>
Net assets:						
Invested in capital assets, net of related debts	60,492,685	6,681,136	28,819,664	17,743,956	113,737,441	126,159
Restricted for:						
Debt service	2,338,085	281,267	1,643,510	-	4,262,862	-
Capital expansion	2,600,000	-	1,400,000	-	4,000,000	-
Capital contingency	794,000	600,000	1,076,000	-	2,470,000	-
Operating contingency	1,380,000	1,350,000	815,000	-	3,545,000	-
Rate stabilization	200,000	-	-	-	200,000	-
Landfill	-	6,543,370	-	-	6,543,370	-
Equipment replacement	-	700,000	300,000	-	1,000,000	-
Borrow site	-	40,000	-	-	40,000	-
Reclaimed water	-	-	500,000	-	500,000	-
Unrestricted	2,126,716	(1,099,800)	(1,966,276)	(2,977,600)	(3,916,960)	2,659,333
Total net assets	<u>\$ 69,931,486</u>	<u>15,095,973</u>	<u>32,587,898</u>	<u>14,766,356</u>	<u>132,381,713</u>	<u>2,785,492</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,463,186	
					<u>\$ 133,844,899</u>	

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Activities -</u> <u>Internal</u> <u>Service</u> <u>Funds</u>
Operating revenues:						
Charges for services	\$ 14,740,943	8,950,164	6,091,115	1,003,010	30,785,232	7,227,202
Impact fees	3,649,873	800,604	3,440,795	-	7,891,272	-
Other	168,830	18,095	-	259,130	446,055	358,393
Total operating revenues	<u>18,559,646</u>	<u>9,768,863</u>	<u>9,531,910</u>	<u>1,262,140</u>	<u>39,122,559</u>	<u>7,585,595</u>
Operating expenses:						
Utility plant operations	3,364,164	-	1,692,708	-	5,056,872	-
Transmission, distribution and treatment	1,621,533	-	-	-	1,621,533	-
Personal services	3,737,399	3,265,535	1,334,606	326,923	8,664,463	2,523,142
Repairs and maintenance	97,147	2,962,645	431,039	68,313	3,559,144	1,961,875
Administrative and general	3,155,942	1,777,373	1,126,511	1,036,775	7,096,601	3,154,725
Depreciation	1,958,869	726,332	1,446,556	67,136	4,198,893	17,215
Premiums paid out	-	-	-	-	-	629,856
Total operating expenses	<u>13,935,054</u>	<u>8,731,885</u>	<u>6,031,420</u>	<u>1,499,147</u>	<u>30,197,506</u>	<u>8,286,813</u>
Operating income (loss)	<u>4,624,592</u>	<u>1,036,978</u>	<u>3,500,490</u>	<u>(237,007)</u>	<u>8,925,053</u>	<u>(701,218)</u>
Non-operating revenues (expenses):						
Property taxes	-	-	-	35,616	35,616	-
Investment income	561,275	392,898	385,278	102,942	1,442,393	3,051
Amortization of bond issuance costs	(62,382)	(17,565)	(61,527)	-	(141,474)	-
Interest expense	(984,771)	(109,130)	(876,084)	(70,144)	(2,040,129)	-
Miscellaneous income (expense)	78,554	88,338	2,560	168,322	337,774	-
Total non-operating revenues (expenses)	<u>(407,324)</u>	<u>354,541</u>	<u>(549,773)</u>	<u>236,736</u>	<u>(365,820)</u>	<u>3,051</u>
Income (loss) before transfers	4,217,268	1,391,519	2,950,717	(271)	8,559,233	(698,167)
Grants	-	45,074	-	343,030	388,104	-
Transfers in (note 3)	-	-	-	-	-	1,425,968
Transfers out (note 3)	-	-	-	-	-	(87,923)
Change in net assets	4,217,268	1,436,593	2,950,717	342,759	8,947,337	639,878
Net assets at beginning of year	<u>65,714,218</u>	<u>13,659,380</u>	<u>29,637,181</u>	<u>14,423,597</u>		<u>2,145,614</u>
Net assets at end of year	<u>\$ 69,931,486</u>	<u>15,095,973</u>	<u>32,587,898</u>	<u>14,766,356</u>		<u>2,785,492</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds - change in net assets of business-type activities					216,000	
					<u>\$ 9,163,337</u>	

See accompanying notes to the basic financial statements

CITY OF REDLANDS
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor Funds</u>	<u>Totals</u>	<u>Activities - Internal Service Funds</u>
Cash flows from operating activities:						
Cash received from customers/user departments	\$ 18,228,488	9,854,467	9,424,930	1,348,237	38,856,122	7,515,420
Cash payments to suppliers for goods and services	(8,336,576)	(5,312,292)	(3,632,497)	(1,090,702)	(18,372,067)	(5,102,375)
Cash payments for claims	-	-	-	-	-	(466,509)
Cash payments for employees for services	<u>(3,598,944)</u>	<u>(3,262,268)</u>	<u>(1,495,611)</u>	<u>(337,763)</u>	<u>(8,694,586)</u>	<u>(2,452,565)</u>
Net cash provided by (used for) operating activities	<u>6,292,968</u>	<u>1,279,907</u>	<u>4,296,822</u>	<u>(80,228)</u>	<u>11,789,469</u>	<u>(506,029)</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	121,000	28,380	83,000	-	232,380	1,425,968
Cash paid to other funds	-	-	-	(149,380)	(149,380)	(87,923)
Cash received for other activities	<u>78,554</u>	<u>88,338</u>	<u>2,560</u>	<u>203,938</u>	<u>373,390</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>199,554</u>	<u>116,718</u>	<u>85,560</u>	<u>54,558</u>	<u>456,390</u>	<u>1,338,045</u>
Cash flows from capital and related financing activities:						
Cost paid for acquisition of capital assets	(4,485,183)	(2,379,925)	(851,557)	(398,271)	(8,114,936)	(17,300)
Interest paid on long-term debt	(944,494)	(121,020)	(876,084)	-	(1,941,598)	-
Principal payments on long-term debt	(1,357,172)	(825,000)	(1,119,509)	-	(3,301,681)	-
Grants received	-	45,074	-	343,030	388,104	-
Net loan proceeds received	<u>1,701,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,701,418</u>	<u>-</u>
Net cash provided by (used for) capital and related financing activities	<u>(5,085,431)</u>	<u>(3,280,871)</u>	<u>(2,847,150)</u>	<u>(55,241)</u>	<u>(11,268,693)</u>	<u>(17,300)</u>
Cash flows from investing activities:						
Interest received	<u>476,770</u>	<u>378,872</u>	<u>385,278</u>	<u>102,942</u>	<u>1,343,862</u>	<u>3,051</u>
Net cash provided by investing activities	<u>476,770</u>	<u>378,872</u>	<u>385,278</u>	<u>102,942</u>	<u>1,343,862</u>	<u>3,051</u>
Net increase (decrease) in cash and cash equivalents	1,883,861	(1,505,374)	1,920,510	22,031	2,321,028	817,767
Cash and cash equivalents at beginning of year	<u>16,123,416</u>	<u>12,416,757</u>	<u>9,187,213</u>	<u>842,146</u>	<u>38,569,532</u>	<u>4,577,690</u>
Cash and cash equivalents at end of year	<u>\$ 18,007,277</u>	<u>10,911,383</u>	<u>11,107,723</u>	<u>864,177</u>	<u>40,890,560</u>	<u>5,395,457</u>

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor Funds</u>	<u>Totals</u>	<u>Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 4,624,592	1,036,978	3,500,490	(237,007)	8,925,053	(701,218)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	1,958,869	726,332	1,446,556	67,136	4,198,893	17,215
(Increase) decrease in accounts receivable	(338,005)	(245,920)	(106,786)	42,994	(647,717)	(8,894)
(Increase) decrease in inventory	-	-	-	-	-	(7,381)
(Increase) decrease in due from other governments	-	-	-	21,593	21,593	-
(Increase) decrease in interest receivable	(368)	-	(194)	(22,524)	(23,086)	-
Increase (decrease) in accounts payable	(77,440)	(553,574)	(447,756)	14,386	(1,064,384)	21,606
Increase (decrease) in accrued payroll	20,939	9,682	2,911	380	33,912	18,596
Increase (decrease) in claims payable	-	-	-	-	-	163,347
Increase (decrease) in due to other funds	-	-	-	-	-	(61,281)
Increase (decrease) in deposits	7,215	-	-	44,034	51,249	-
Increase (decrease) in compensated absences	117,516	(6,415)	(163,916)	(11,220)	(64,035)	51,981
Increase (decrease) in interest payable	(20,350)	(18,700)	65,517	-	26,467	-
Increase (decrease) in landfill closure liability	-	331,524	-	-	331,524	-
Total adjustments	<u>1,668,376</u>	<u>242,929</u>	<u>796,332</u>	<u>156,779</u>	<u>2,864,416</u>	<u>195,189</u>
Net cash provided by (used for) operating activities	<u>\$ 6,292,968</u>	<u>1,279,907</u>	<u>4,296,822</u>	<u>(80,228)</u>	<u>11,789,469</u>	<u>(506,029)</u>

Supplemental information:

During the year ended June 30, 2006, there were no noncash investing, capital or financing activities.

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Agency Funds

Statement of Fiduciary Assets and Liabilities

June 30, 2006

Assets:

Cash and investments (note 2)	\$ 6,614,728
Interest receivable	<u>591,550</u>

Total assets	<u>\$ 7,206,278</u>
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Liabilities:

Accounts payable	\$ 13,381
Deposits	<u>7,192,897</u>

Total liabilities	<u>\$ 7,206,278</u>
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See accompanying notes to the basic financial statements.

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CITY OF REDLANDS

Notes to the Basic Financial Statements

Year ended June 30, 2006

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The City of Redlands is a municipal corporation governed by a five-member city council with the mayor elected by the council itself. The City was incorporated in 1888 under the general laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Redlands and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City of Redlands. Each blended component unit has a June 30 year-end.

Blended Component Units. The Redevelopment Agency of the City of Redlands was established on April 6, 1971 by the City of Redlands. The primary purpose of the Agency is to undertake a program for the redevelopment, replanning and redesign of blighted areas with stagnant, improperly utilized and unproductive land. The Agency's director is appointed by the City Council and the City has full responsibility for the financial matters of the Agency. The Redevelopment Agency is presented as a governmental fund type. The Redlands Public Improvement Corporation was organized in June 1985 pursuant to the Nonprofit Public Benefit Corporation Law of the State of California, solely for the purpose of providing financial assistance to the City by acquiring, constructing, improving, developing and installing certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The corporation was formed at the request of the City and the directors receive no compensation. The corporation is presented as a governmental fund type. The Redlands Financing Authority was established May 1, 1999 pursuant to the Joint Exercise of Powers Laws of the State of California. The Authority was created by the Redevelopment Agency of the City of Redlands and the City for the primary purpose of assisting the financing capital improvements, working capital, liability and other insurance needs, or projects whenever there are significant public benefits.

Separate financial statements are prepared for the Redevelopment Agency of the City of Redlands and may be obtained at the City of Redlands Finance Department, 35 Cajon Street, Redlands, California 92373.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including the blended component units), as well as discretely presented financial statements. The City of Redlands has no discretely presented component units. Eliminations have been made in the Statement Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when the revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(b) Basis of Accounting and Measurement Focus. (Continued)

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental 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.

Fund financial statements for the primary government's governmental, proprietary, permanent, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental and enterprise funds. The City's permanent fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus, (Continued)

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in-lieu, transient occupancy taxes, grants 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 to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Revenue recognition is subject to the *measurability* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated* and *voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables is deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus, (Continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary and Fiduciary Funds

The City's enterprise and internal service funds are proprietary funds. In the fund financial statements, proprietary and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

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 internal service funds are charges to customers for sales and services. Operating expenses for 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 noncapital revenues and expenses.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Proprietary and Fiduciary Funds, (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as expenditure.

Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses.

(c) Fund Classifications

The City utilizes the following broad categories of funds:

Major Funds

Major funds are those funds which are either material or of particular importance.

Major Governmental Funds – Governmental funds are generally used to account for tax-supported activities. The following governmental funds met the criteria of a major fund:

General Fund

The General Fund is the general operating fund of the City. It is used to account for all activities, except those required to be accounted for in another fund.

Public Facilities Development

The Public Facilities Development Fund is used to account for the collection and related expenditure of development impact fees designated for constructing new and upgrading existing public facilities.

Major Proprietary Funds – Proprietary funds are used to report an activity for which a fee is charged to external users to recover the cost of operation.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(c) Fund Classifications, (Continued)

Water Fund

The Water Fund is an enterprise fund used to account for water utility services provided by the City.

Disposal Fund

The Disposal Fund is an enterprise fund used to account for refuse disposal utility services provided by the City.

Sewer Fund

The Sewer Fund is an enterprise fund used to account for waste water utility services provided by the City.

Internal Service Funds – The Internal Service Funds are used to account for the City's self-insured general liability and workers' compensation and the cost of maintaining and replacing the City's rolling stock fleet. City departments are the primary users of these services and are charged a fee on a cost reimbursement basis.

Cemetery Endowment Permanent Fund – The Cemetery Endowment Permanent fund is used to account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs. The endowment is invested in LAIF as part of the City's LAIF pool. The City council has authorized the City to transfer the net appreciation and investment earnings in the amount of \$54,337 for the year ended June 30, 2006 to the cemetery enterprise fund for maintaining the cemetery's operations. No expenditures are incurred until the cemetery is closed.

Agency Funds – Agency funds are used to account for the City's Special Deposits and Community Facilities District Trust in a trustee capacity. The funds are custodial in nature, and do not involve measurement of results of operations.

(d) Investments

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair market value and the carrying amount is material.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(d) Investments, (Continued)

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balances.

(e) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds' share in the cash and investment pool of the City of Redlands. Cash equivalents have an original maturity date of three months or less from the date of purchase. For purposes of the statement of cash flows, the entire balance of cash and investments on the combined balance sheet for the proprietary funds is considered cash and cash equivalents.

(f) Capital Assets

Capital assets, which include land, structures, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Capital assets purchased or constructed in excess of \$5,000 are capitalized if it has an expected useful life of three years or more. The cost of normal maintenance and repairs that do not add to the value of the asset's lives are not capitalized.

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. For debt-financed capital assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Contributed capital assets are valued at their estimated fair market value at the date of contribution.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(f) Capital Assets, (Continued)

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

Structures	25 years
Equipment	10 years
Infrastructure	40 years

(g) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities, but are reported as reservations of fund balance.

(h) Inventory of Supplies

Inventory is valued at cost, using the first-in, first-out method, which approximates market value. Supplies are recorded as expenditures when they are used rather than when purchased.

(i) Compensated Absences

A total of 10 to 25 days of vacation and 12 days of sick leave per year may be accumulated by each employee. The City accrues a liability for compensated absences which meets the following criteria:

- (1) The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- (2) The obligation relates to rights that vest or accumulate.
- (3) Payment of the compensation is probable.
- (4) The amount can be reasonably estimated.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(i) Compensated Absences, (Continued)

In accordance with GASB Statement No. 16, a liability is recorded in the governmental funds only if it has matured for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16 a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City.

(j) Cash and Investments With Fiscal Agent

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds, Certificates of Participation and lease obligations. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates or leases, may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions and indentures are generally more restrictive than the City's general investment policy.

(k) Property Taxes

With the passage of Proposition 13 in 1978 (Article XIII A, California State Constitution), property taxes are limited to one percent of market value, plus additional taxes for repayment of existing or subsequent voter-approved indebtedness. Under Article XIII A, the market value of taxable property is subject to a maximum annual increase of two percent. Market value may be appraised at significantly more than two percent depending on other factors such as improvements, sale or change of ownership. The City receives a portion of the one percent general tax levy which is shared by several other local governments including the county, the school district and the redevelopment agency. The City's share is based on a formula prescribed in Section 26912(b) of the Government Code. The county apportions property taxes to the City on a scheduled basis which generally adheres to the actual tax collection periods. The tax lien date is March 1 of each year and covers the ensuing fiscal year's tax returns. The tax levy date is from July 1 to June 30 of each year. The first installment becomes due on November 1 with penalties and interest accruing after December 10. The second installment is due no later than April 10.

CITY OF REDLANDS
Notes to the Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(l) Bond Discounts/Issuance Costs

Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bond using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

(2) Cash and Investments

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 79,320,767
Cash and investments held by bond trustee	13,086,771
Fiduciary funds:	
Cash and investments	<u>6,614,728</u>
Total cash and investments	<u>\$99,022,266</u>

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	\$ 54,568
Deposits with financial institutions	(600,158)
Investments	<u>99,567,856</u>
Total cash and investments	<u>\$99,022,266</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage Of Portfolio	*Maximum Investment In One Issuer
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	15%	15%
Negotiable Certificates of Deposit	Yes	5 years	30%	30%
Repurchase Agreements	Yes	7 days	None	None
Reverse Repurchase Agreements	No	92 days	None	None
Medium-Term Notes	Yes	5 years	15%	15%
Mutual Funds	Yes	N/A	10%	10%
Money Market Mutual Funds	Yes	N/A	10%	10%
Mortgage Pass-Through Securities	No	5 years	None	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	15%	10%
Money market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
Federal agency securities	\$60,174,598	34,805,848	23,430,000	1,938,750	-
Mutual funds	557,931	557,931	-	-	-
Money market funds	24,382	24,382	-	-	-
LAIF	10,433,174	10,433,174	-	-	-
Investment contracts	15,291,000	-	15,291,000	-	-
Held by bond trustee:					
U.S. Treasury notes	1,754,494	1,754,494	-	-	-
Federal agency securities	1,440,477	-	711,096	729,381	-
Money market funds	1,818,836	1,818,836	-	-	-
Investment contracts	<u>8,072,964</u>	<u>943,640</u>	<u>-</u>	<u>-</u>	<u>7,129,324</u>
Total	<u>\$99,567,856</u>	<u>50,338,305</u>	<u>39,432,096</u>	<u>2,668,131</u>	<u>7,129,324</u>

Investment with Fair Values Highly Sensitive to Interest Rate fluctuations

The City's investments (including investments held by bond trustees) include the Federal agency securities that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above) in the amount of fair value at year end of \$61,615,075.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments. (Continued)

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>AAA/Aa</u>	<u>Not Rated</u>
Federal agency securities	\$60,174,598	N/A		60,174,598	-
Mutual funds	557,931	A	-	557,931	-
Money market funds	24,382	A	-	24,382	-
LAIF	10,433,174	N/A	-	-	10,433,174
Investment contracts	15,291,000	N/A	-	-	15,291,000
Held by bond trustee:					
U.S. Treasury notes	1,754,494	N/A	1,754,494	-	-
Federal agency securities	1,440,477	N/A	-	1,440,477	-
Money market funds	1,818,836	A	-	1,818,836	-
Investment contracts	<u>8,072,964</u>	N/A	-	-	<u>8,072,964</u>
Total	<u>\$99,567,856</u>		<u>1,754,494</u>	<u>64,016,224</u>	<u>33,797,138</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	Federal agency securities	\$ 5,911,875
Federal Farm Credit Agency	Federal agency securities	7,826,250
Federal Home Loan Banks	Federal agency securities	39,973,752
Federal Home Loan Mortgage Corporation	Federal agency securities	7,903,198

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2006, \$87,853 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the City.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(3) Interfund Receivables, Payables and Transfers

Current interfund receivables and payables as of June 30, 2006 are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	<u>\$4,021,928 (A)</u>

Noncurrent interfund receivables and payables as of June 30, 2006 are as follows:

<u>Advances receivable</u>	<u>Advances payable</u>	<u>Amount</u>
General Fund	Public Facilities Development	\$3,984,436 (B)
	Special Revenue Fund	<u>1,334,084 (A)</u>
	Nonmajor Governmental Funds	<u>5,318,520</u>
Water Enterprise Fund	Nonmajor Enterprise Funds	1,507,169 (A)
Disposal Enterprise Fund	Nonmajor Enterprise Funds	1,795,184 (A)
Sewer Enterprise Fund	General Fund	<u>133,000 (B)</u>
		<u>3,435,353</u>
		<u>\$8,753,873</u>

- (A) Short-term borrowing for temporary cash shortfalls.
 (B) To provide funding for capital expenditures.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(3) Interfund Receivables, Payables and Transfers, (Continued)

Transfer in and out for the year ended June 30, 2006 were as follows:

	Transfers Out:				<u>Total</u>
	<u>General Fund</u>	<u>Public Facilities Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	
Transfers In:					
General Fund	\$ -	-	1,716,445	-	1,716,445
Nonmajor Governmental	1,773,563	324,347	5,753,133	87,923	7,938,966
Internal Service Funds	<u>1,425,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,425,968</u>
Total	<u>\$3,199,531</u>	<u>324,347</u>	<u>7,469,578</u>	<u>87,923</u>	<u>11,081,379</u>

Interfund transfers were principally used for operations, deficit repayment, debt payment and general administration charges.

(4) Notes Receivable

Notes receivable at June 30, 2006 consisted of the following:

Capital Project Fund – Redevelopment Agency

Barnes

Interest rate: 9.50%

Repayment provision: Monthly principal and interest payments of \$395, maturing June 2017

Security: First Trust Deed

Balance

\$32,286

CITY OF REDLANDS
Notes to the Basic Financial Statements
(Continued)

(5) Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 26,391,140	149,599	-	26,540,739
Construction in progress	<u>1,901,051</u>	<u>9,057,295</u>	<u>-</u>	<u>10,958,346</u>
Total capital assets not being depreciated	<u>28,292,191</u>	<u>9,206,894</u>	<u>-</u>	<u>37,499,085</u>
Capital assets being depreciated:				
Infrastructure	396,910,529	2,725,695	(707,831)	398,928,393
Buildings and improvements	13,431,304	1,825,705	-	15,257,009
Machinery, equipment and vehicles	<u>14,216,869</u>	<u>1,562,032</u>	<u>(601,436)</u>	<u>15,177,465</u>
Total capital assets being depreciated	<u>424,558,702</u>	<u>6,113,432</u>	<u>(1,309,267)</u>	<u>429,362,867</u>
Less accumulated depreciation for:				
Infrastructure	(52,208,476)	(3,164,971)	266,593	(55,106,854)
Buildings and improvements	(6,128,435)	(313,677)	-	(6,442,112)
Machinery, equipment and vehicles	<u>(10,290,469)</u>	<u>(950,339)</u>	<u>601,436</u>	<u>(10,639,372)</u>
Total accumulated depreciation	<u>(68,627,380)</u>	<u>(4,428,987)</u>	<u>868,029</u>	<u>(72,188,338)</u>
Total capital assets being depreciated, net	<u>355,931,322</u>	<u>1,684,445</u>	<u>(441,238)</u>	<u>357,174,529</u>
Governmental activities Capital assets, net	<u>\$384,223,513</u>	<u>10,891,339</u>	<u>(441,238)</u>	<u>394,673,614</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets, (Continued)

	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 27,840,335	-	-	27,840,335
Water rights	9,166,933	12,500	-	9,179,433
Construction in progress	<u>5,706,163</u>	<u>959,307</u>	<u>-</u>	<u>6,665,470</u>
Total capital assets not being depreciated	<u>42,713,431</u>	<u>971,807</u>	<u>-</u>	<u>43,685,238</u>
Capital assets being depreciated:				
Infrastructure	108,446,720	3,806,433	-	112,253,153
Buildings and improvements	75,619,200	1,351,031	-	76,970,231
Machinery, equipment and vehicles	<u>10,898,062</u>	<u>2,059,011</u>	<u>(1,516,000)</u>	<u>11,441,073</u>
Total capital assets being depreciated	<u>194,963,982</u>	<u>7,216,475</u>	<u>(1,516,000)</u>	<u>200,664,457</u>
Less accumulated depreciation for:				
Infrastructure	(46,495,898)	(2,013,888)	-	(48,509,786)
Buildings and improvements	(50,146,595)	(1,310,872)	-	(51,457,467)
Machinery, equipment and vehicles	<u>(7,558,073)</u>	<u>(874,133)</u>	<u>1,442,654</u>	<u>(6,989,552)</u>
Total accumulated depreciation	<u>(104,200,566)</u>	<u>(4,198,893)</u>	<u>1,442,654</u>	<u>(106,956,805)</u>
Total capital assets being depreciated, net	<u>90,763,416</u>	<u>3,017,582</u>	<u>(73,346)</u>	<u>93,707,652</u>
Business-type activities Capital assets, net	<u>\$133,476,847</u>	<u>3,989,389</u>	<u>(73,346)</u>	<u>137,392,890</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets, (Continued)

Depreciation expense was charged to the following functions in the Statement of Activities:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General government	\$ 270,103	-
Public safety	541,788	-
Highway and streets	3,290,728	-
Culture and recreation	309,153	-
Water	-	1,958,869
Disposal	-	726,332
Sewer	-	1,446,556
Others	-	67,136
Internal service	<u>17,215</u>	<u>-</u>
Total	<u>\$4,428,987</u>	<u>4,198,893</u>

(6) Long-Term Liabilities – Governmental Activities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2006:

	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2006</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 7,150,660	4,412,452	(4,528,548)	7,034,564	1,406,913
Capital leases payable	451,487	1,250,448	(294,108)	1,407,827	345,743
Claims payable	2,157,738	793,203	(629,856)	2,321,085	2,321,085
General obligation bonds:					
2003 Refunding	4,510,000	-	(435,000)	4,075,000	450,000
Tax allocation bonds:					
1998A Refunding	26,130,000	-	(985,000)	25,145,000	1,025,000
2003A Series	16,550,000	-	(590,000)	15,960,000	705,000

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities – Governmental Activities, (Continued)

	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2006</u>	<u>Amount Due Within One Year</u>
Certificate of participation:					
2003 lease revenue refunding	\$16,620,000	-	-	16,620,000	1,310,000
Add: issuance premium	640,056	-	(53,338)	586,718	53,338
Note payable:					
California Energy Commission – LED lighting project	86,196	-	(57,037)	29,159	29,159
F.M. Thomas Air Conditioning, Inc.	<u>149,081</u>	<u>-</u>	<u>(42,595)</u>	<u>106,486</u>	<u>42,595</u>
Total governmental activities long-term liabilities	<u>\$74,445,218</u>	<u>6,456,103</u>	<u>(7,615,482)</u>	<u>73,285,839</u>	<u>7,688,833</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$231,749 of compensated absences for internal service funds are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Amount
Outstanding at
June 30, 2006

Capital Leases Payable

The City has entered into several lease agreements for various equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. The assets acquired under capital leases are machinery, equipment and vehicles. The total cost was \$1,936,966

\$1,407,827

CITY OF REDLANDS
Notes to the Basic Financial Statements
(Continued)

(6) Long-Term Liabilities – Governmental Activities, (Continued)

The following schedule summarizes the debt to maturity payments for capital leases:

<u>Year ending June 30</u>	<u>Amount</u>
2007	\$ 405,469
2008	375,982
2009	252,900
2010	233,038
2011	171,113
2012-2013	<u>141,899</u>
Total minimum lease payments	1,580,401
Less: amount representing interest	<u>(172,574)</u>
Present value of minimum lease payments	<u>\$1,407,827</u>

General Obligation Bonds

2003 General Obligation Refunding Bonds

At June 30, 2003, the City had \$5,140,000 in outstanding principal relating to the 1994 Refunding General Obligation Bonds. On October 29, 2003, the City issued \$5,380,000 of 2003 General Obligation Refunding Bonds for the purposes of funding 1994 General Obligation Refunding Bonds and paying the costs of issuance of the Bonds. As a result, the 1994 refunded bonds were considered to be defeased and the liability had been removed from the governmental activities column of the statement of net assets. The advance refunding was undertaken to reduce total debt service payments over the next ten years by \$338,898 and resulted in an economic gain of \$286,142. The final maturity date is February 1, 2014. Interest rates vary from 2% to 5% with annual principal payments varying from \$440,000 to \$585,000 in the final year.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities – Governmental Activities, (Continued)

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 450,000	148,025
2008	455,000	139,025
2009	475,000	128,788
2010	500,000	109,788
2011	515,000	89,786
2012-2014	<u>1,680,000</u>	<u>153,950</u>
	<u>\$4,075,000</u>	<u>769,362</u>

Tax Allocation Bonds

1998A Tax Allocation Refunding Bonds

The \$31,805,000 of tax allocation refunding bonds, issue of 1998, Series A consist of serial bonds with varying interest rates from 3.7% to 5%. Interest is payable semiannually on February 1 and August 1. Serial bonds mature annually on August 1, 1999 through August 1, 2022. The amount outstanding at June 30, 2006 is \$25,145,000.

Series 2003A Tax Allocation Bonds

In November of 2003, the Agency issued \$17,300,000 in 2003 Tax Allocation Bonds, Series A with interest rates of 2% to 4.25%. The proceeds of the bond will be used to provide funds for redevelopment activities in the Project Area, fund a deposit to a debt service reserve account, and to pay for costs incurred in connection with the issuance, sale, and delivery of the Series 2003A Bonds, including the premium for a municipal bond insurance policy. Interest on the Series 2003A Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and payable on February 1 and August 1 of each year, commencing February 1, 2004, until maturity or earlier redemption thereof. At June 30, 2006, the outstanding principal was \$15,960,000.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities – Governmental Activities, (Continued)

The annual requirements to amortize tax allocation bonds outstanding as of June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,730,000	1,760,630
2008	1,785,000	1,701,727
2009	1,845,000	1,639,168
2010	1,915,000	1,569,532
2011	1,985,000	1,493,569
2012-2016	11,260,000	6,089,490
2017-2021	14,020,000	3,249,183
2022-2023	<u>6,565,000</u>	<u>317,714</u>
	<u>\$41,105,000</u>	<u>17,821,013</u>

Certificate of Participation

2003 Lease Revenue Refunding Certificate of Participation

On May 28, 2003, the Redlands Financing Authority issued \$16,620,000 of Lease Revenue Refunding Certificate of Participation. The certificates were issued to retire \$18,145,000 outstanding Certificates of Participation dated in 1993.

The Certificates mature on September 1 of each year, beginning September 1, 2006 through September 1, 2017, in amounts ranging from \$595,000 to \$1,785,000. The interest will be calculated from September 1, 2003 at the rates per annum set forth in the bond documents and will represent the sum of the portions of the lease payments coming due during the six months preceding each interest payment date. The interest rates will range from 2.2% to 5%. The outstanding balance at June 30, 2006 was \$16,620,000 with premium in the amount of \$586,718.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities – Governmental Activities, (Continued)

The following schedule summarizes the annual debt service requirements to maturity for the certificate of participation:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,310,000	610,992
2008	1,355,000	574,404
2009	1,380,000	542,286
2010	1,415,000	498,806
2011	1,475,000	446,537
2012-2016	8,315,000	1,229,896
2016-2017	<u>1,370,000</u>	<u>64,001</u>
	<u>\$16,620,000</u>	<u>3,966,922</u>

Notes Payable

California Energy Commission – LED Lighting Project Note Payable

At June 30, 2006 the City has \$29,159 in outstanding principal relating to a note payable to the State of California Energy Commission. The note was provided through the Grants and Loan Office for the LED Traffic Signal Lamp Replacement Program. The note carries an annual interest rate of 3% with principal and interest payments due every six months and payable in full on December 22, 2006.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities – Governmental Activities, (Continued)

F.M. Thomas Air Conditioning, Inc. – Note Payable

On January 20, 2004, the City purchased a heating and air conditioning system in the amount of \$212,973 and agreed to pay the amount over five years commencing on the date of the note, which carries no interest with principal payments due every month and payable in full on January 20, 2009. At June 30, 2006, the outstanding balance of the F.M. Thomas Air Conditioning, Inc. note payable balance was \$106,486.

The annual retirements to amortize notes payable outstanding as of June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 71,754	439
2008	42,595	-
2009	<u>21,296</u>	<u>-</u>
	<u>\$135,645</u>	<u>439</u>

(7) Long-Term Liabilities – Business-Type

The following is a summary of changes in business-type long-term liabilities, including landfill closure liability, for the year ended June 30, 2006:

	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>	<u>Amount Due Within One Year</u>
Enterprise Funds:					
Compensated absences	\$ 868,779	386,083	(450,118)	804,744	402,373
Landfill closure liability	<u>3,785,493</u>	<u>331,524</u>	<u>-</u>	<u>4,117,017</u>	<u>-</u>
	<u>4,654,272</u>	<u>717,607</u>	<u>(450,118)</u>	<u>4,921,761</u>	<u>402,373</u>
Revenue Bonds:					
1999 Water Refunding	17,685,000	-	(1,270,000)	16,415,000	1,325,000
1999 Wastewater Refunding	<u>14,130,000</u>	<u>-</u>	<u>(815,000)</u>	<u>13,315,000</u>	<u>855,000</u>
	<u>31,815,000</u>	<u>-</u>	<u>(2,085,000)</u>	<u>29,730,000</u>	<u>2,180,000</u>
Certificate of participation:					
1992 Solid Waste Facilities	<u>1,705,000</u>	<u>-</u>	<u>(825,000)</u>	<u>880,000</u>	<u>880,000</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Liabilities – Business-Type, (Continued)

	<u>Balance at June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2006</u>	<u>Amount Due Within One Year</u>
Notes payable:					
Agricultural drainage water management loan program	\$ 1,027,385	-	(87,171)	940,124	90,310
California recycled water project	5,772,387	-	(304,509)	5,467,878	228,342
Safe drinking water project	<u>4,399,426</u>	<u>1,701,418</u>	<u>-</u>	<u>6,100,844</u>	<u>120,479</u>
	<u>11,199,198</u>	<u>1,701,418</u>	<u>(391,680)</u>	<u>12,508,936</u>	<u>439,131</u>
Total business-type activities long-term liabilities	<u>\$49,373,470</u>	<u>2,419,025</u>	<u>(3,751,798)</u>	<u>48,040,697</u>	<u>3,901,504</u>

Revenue Bonds Payable

1999 Water Refunding Revenue Bonds

The \$23,345,000 of water refunding revenue bonds, issue of 1999, consist of serial bonds with varying interest rates from 3.7% to 5%. Interest is payable semiannually on March 1 and September 1. Serial bonds mature annually on September 1, 1999 through September 1, 2015. The amount outstanding at June 30, 2006 was \$16,415,000.

1999A Wastewater Refunding Revenue Bonds

The \$17,770,000 of wastewater refunding revenue bonds, issue of 1999, Series A, consist of serial bonds with varying interest rates from 3.7% to 4.875%. Interest is payable semiannually on March 1 and September 1. Serial bonds mature semiannually on September 1, 1999 through September 1, 2017. The amount outstanding at June 30, 2006 was \$13,315,000.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Liabilities – Business-Type, (Continued)

The annual requirements to amortize bonds payable subsequent to June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 2,180,000	1,370,141
2008	2,285,000	1,268,365
2009	2,380,000	1,164,544
2010	2,495,000	1,054,856
2011	2,600,000	938,919
2012-2016	15,015,000	2,633,866
2017	<u>2,775,000</u>	<u>140,374</u>
	<u>\$29,730,000</u>	<u>8,571,065</u>

Certificate of Participation

1992 Solid Waste Facilities Certificate of Participation

The \$7,980,000 of solid waste facilities certificate of participation, issue of 1992 consist of serial bonds with varying interest rates of 5.62% to 6.8%. Interest is payable semiannually on March 1 and September 1. Serial bonds mature annually on March 1, 1995 through March 1, 2007. The amount outstanding at June 30, 2006 is \$880,000.

The following schedule summarizes the annual debt service requirements to maturity for the certificate of participation:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	<u>\$880,000</u>	<u>59,840</u>

Notes Payable

At June 30, 2006, the City has \$940,214 in outstanding principal relating to a note payable to the Water Resources Control Board through the Agricultural Drainage Water Management Loan Program for the Texas Street Wellhead Treatment Project. The note carries an annual interest rate of 3.6% with principal and interest payments due annually.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Liabilities – Business-Type, (Continued)

On January 30, 2004, the City has a loan made by the State of California, Department of Water Resources in the amount of \$1,664,876 to assist in financing construction of a project which will enable the City to meet safe drinking water standards. As of June 30, 2006, the loan has been increased to \$6,100,844. The note carries an annual interest rate of 2.34% with principal and interest payments due every six months starting January 1, 2006.

On September 2, 2003, the City has a loan made by the California Water Resources Control Board in the amount of \$7,918,234 to assist in financing the construction of advanced wastewater treatment facilities at the existing wastewater treatment plant. The note carries an annual interest rate of 2.5% with principal and interest payments due annually starting November 30, 2005. The amount outstanding at June 30, 2006 is \$5,467,878.

The annual requirements to amortize notes payable outstanding as of June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 439,131	241,925
2008	572,815	300,099
2009	587,807	285,108
2010	603,200	269,715
2011	619,010	253,905
2012-2016	3,223,360	1,017,059
2017-2021	3,120,833	622,955
2022-2026	<u>3,342,780</u>	<u>227,828</u>
	<u>\$12,508,936</u>	<u>3,218,594</u>

(8) Claims Payable

On June 30, 2006 and throughout 2005-2006, the City was self-insured for the first \$500,000 per occurrence for commercial general liability and automobile liability. The City purchased excess liability insurance to provide additional coverage of \$10,000,000 per occurrence with a \$10,000,000 aggregate. The City also purchased airport liability insurance including comprehensive general liability, contractual liability, personal injury, bodily injury and property damage in a single limit liability amount of \$10,000,000 for each occurrence. For worker's compensation and employer's liability, the City was self-insured for \$1,000,000 per occurrence with excess coverage of \$25,000,000 for worker's compensation per occurrence with a \$25,000,000 aggregate, and \$1,000,000 for employer's liability per occurrence.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(8) Claims Payable, (Continued)

At June 30, 2006, \$574,219 and \$1,746,866 have been accrued for general liability and worker's compensation claims, respectively. All funds of the City participate in the worker's compensation program and make payments to the Worker's Compensation Internal Service Fund based on estimates of the amounts needed to pay prior and current year claims. The Liability Insurance Internal Service Fund receives an annual operating transfer from the General Fund to cover operating costs including payment of claims. The liability for unpaid claims for general liability and worker's compensation is discounted to reflect anticipated future investment earnings, assuming a five percent interest rate. Settled claims have not exceeded the commercial coverage in the past three years.

The accruals indicated above represent estimates of amounts to be paid for reported claims, and incurred but not reported claims based upon past experience, modified for current trends and information. While the ultimate amounts of losses incurred through June 30, 2006 are dependent on future developments, based upon information provided from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual is adequate to cover such losses.

Reconciliation of the changes in the City's aggregate liabilities for the year ended June 30, 2006 is as follows:

<u>2005-2006</u>	<u>Liability Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability End of Year</u>
Liability claims	\$ 546,563	384,839	357,183	574,219
Worker's compensation	<u>1,611,175</u>	<u>408,364</u>	<u>272,673</u>	<u>1,746,866</u>
	<u>\$2,157,738</u>	<u>793,203</u>	<u>629,856</u>	<u>2,321,085</u>
<u>2004-2005</u>	<u>Liability Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability End of Year</u>
Liability claims	\$ 520,239	305,220	278,896	546,563
Worker's compensation	<u>1,451,562</u>	<u>917,158</u>	<u>757,545</u>	<u>1,611,175</u>
	<u>\$1,971,801</u>	<u>1,222,378</u>	<u>1,036,441</u>	<u>2,157,738</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(9) Fund/Net Asset Deficits and Expenditures in Excess of Appropriations

At June 30, 2006, the following governmental funds have fund deficits that are anticipated to be funded from future grants, other revenues and operating transfers:

	<u>Deficit Amount</u>
Special Revenue Funds:	
Public Facilities Development	\$3,188,496
Community Development Block Grant	45,997
Disaster Recovery	76,492
General Capital Improvement	3,258,147
Police Grants	263,293
Enterprise Fund:	
Cemetery	761,579
Internal Service Fund:	
Utility billing	86,369

Expenditures for the year ended June 30, 2006 exceeded the appropriations of the following funds/departments:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General:			
City council	\$ 171,580	176,827	(5,247)
City attorney	471,980	498,256	(26,276)
Community development	1,774,491	1,794,868	(20,377)
Administrative services	2,559,893	2,735,683	(175,790)
Police	21,182,523	21,237,674	(55,151)
Capital outlay	2,012,652	2,649,682	(637,030)
Interest	18,599	24,728	(6,129)
Special Revenue:			
Community Facilities District	-	263,686	(263,686)
Air quality improvement	-	37	(37)
Designated receipts	-	1,101,438	(1,101,438)
Debt Service:			
Redevelopment agency	3,823,232	4,461,142	(637,910)

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(10) Defined Benefit Pension Plan

The City of Redlands contributes to the California Public Employee's Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan for miscellaneous employees and a cost-sharing multiple-employer public employee defined benefit pension plan for safety employees. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 P Street, Sacramento, California 95814.

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

Under GASB No. 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2005 to June 30, 2006 has been determined by an actuarial valuation of the plan as of June 30, 2003. The contribution rate for the indicated period is 10.442%, 31.994% and 38.219% of payroll for the Retirement Programs for the miscellaneous, police and fire plans, respectively. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2006, these contribution rates, as modified by any amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2005 to June 30, 2006. The employer and the employer's auditor are responsible for determining the NPO and the APC.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(10) Defined Benefit Pension Plan, (Continued)

A summary of principal assumptions and methods used to determine the ARC is shown below.

Miscellaneous

Valuation Date	June 30, 2003
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	14 Years as of the Valuation Date
Asset Valuation Method	3 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

Safety Police

Valuation Date	June 30, 2003
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	17 Years as of the Valuation Date
Asset Valuation Method	3 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(10) Defined Benefit Pension Plan, (Continued)

Safety Fire

Valuation Date	June 30, 2003
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	17 Years as of the Valuation Date
Asset Valuation Method	3 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

Miscellaneous

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll for miscellaneous. The most recent PERS information is not available.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(10) Defined Benefit Pension Plan, (Continued)

Required Supplementary Information – Miscellaneous:

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability as a % of Covered Payroll</u>
6/30/02	\$59,806,059	\$66,258,498	\$(6,452,439)	110.8%	\$14,244,659	(45.3%)
6/30/03	67,640,848	65,789,128	1,851,720	97.3%	14,733,630	12.6%
6/30/04	73,067,357	68,950,101	4,117,256	94.4%	14,929,805	27.6%

Safety Police and Fire

Initial plan unfunded liabilities are amortized over a closed period equal to the average amortization period at the plan's date of entry into the CalPERS Risk Pool. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the risk pool are amortized over a rolling 30-year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The Schedule of Funding Progress below shows the recent history of the Risk Pool's actuarial value of assets, accrued liability, their relationship, and the relationship of the unfunded liability (UL) to payroll.

Plans Risk Pool History of Funded Status and Funding Progress – Safety Police and Fire

<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Assets</u>	<u>Unfunded Liabilities UL</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL as a % of Payroll</u>
6/30/03	\$4,270,573,982	3,577,742,166	692,831,816	83.8%	476,089,674	145.5%
6/30/04	5,383,921,942	4,424,586,846	959,335,096	82.2%	575,296,434	166.8%

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(10) Defined Benefit Pension Plan, (Continued)

Three Year Trend Information:

Fiscal Year	Annual Pension Cost (Employer Contribution)				Net Pension Obligation
	Miscellaneous	Safety Police	Safety Fire	Percentage of APC Contributed	
6/30/04	\$ -	649,596	585,324	100%	-
6/30/05	823,125	1,849,110	1,734,591	100%	-
6/30/06	1,776,416	2,741,792	2,339,943	100%	-

(11) Other Post-Employment Benefits

In addition to the pension benefits described in Note 10, the City of Redlands provides post-retirement health care benefits, in accordance with applicable Memoranda of Understanding and the California Government Code, to all employees who retire from the City of Redlands.

Currently, 225 retirees meet those eligibility requirements. The City of Redlands contributes a flat monthly rate of \$319 for those employees who retire under the PERS retirement system and subscribe to the PERS Health Insurance System, in accordance with the Government Code. This is a perpetual benefit which is available to all PERS retirees including eligible dependents of deceased retirees. Annual increases in the monthly rate are limited to \$20 and based upon the annual increase in PERS Health Net family premiums. In addition, the City of Redlands also contributed the entire monthly premium for health insurance for all employees who retire with the City of Redlands and have a minimum of 15 years of continuous service with the City of Redlands, or 20 years depending on the particular bargaining units. These post-employment benefits are funded by the City on a pay-as-you-go basis. Upon retirement, City of Redlands employees who are not eligible for fully paid medical benefits based on service may elect to convert the value of their sick leave for payment of the balance of the premiums which are not paid by the City of Redlands. During the year ended June 30, 2006, the City expended \$1,257,622 for these post-employment benefits.

(12) Contingencies

The City is presently involved in other matters of litigation that have arisen in the normal course of the City's business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to have a material adverse financial impact on the City.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(13) Commitments – Contract with County of San Bernardino

In 1998, the voters of California approved Proposition No. 11 which amended Article XIII, Section 29 of the California Constitution to allow cities and counties to enter into contracts to apportion sales and use tax revenue, by ordinance or resolution, and upon approval by a two-thirds vote of the legislative bodies of the parties to the contract. The City has provided in its contract with the County of San Bernardino that the benefit of receiving the sales and use tax revenue generated by businesses located in the unincorporated area of the Donut Hole, in exchange for the City's provision of municipal services, will terminate on December 31, 2003, unless an extension of the term of the contract beyond December 31, 2003 is consented to by a majority vote of the qualified voters of the City of Redlands. The term has been extended beyond December 31, 2003 under the Ordinance No. 2550. The County of San Bernardino and the City apportion the sales and use tax revenue generated by businesses located in the Donut Hole generally on the basis of ninety percent (90%) of such sales and use tax revenue being provided to the City and ten percent (10%) of such sales and use tax revenue being provided to the County.

(14) Commitments

The following material construction commitments existed at June 30, 2006:

<u>Project Name</u>	<u>Remaining Commitments</u>
Alabama/Orange Street Bridge	\$2,865,173
Recycled Water Treatment	2,213,688
Sports Park	2,244,839
Mill Creek Reservoir	539,104
WW Replacement Program	347,801
Orange/Nevada Well Project	341,758
Barton/San Timoteo Signal project	240,779
Highline Relocation	217,161
Redlands/Alabamba Street Improvements	216,905
NIP-Boys/Girls Club Redlands program	213,835

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(15) Solid Waste Landfill

State and federal laws and regulations require the City to provide financial assurance for closure and postclosure costs for closure of the California Street Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for fifteen years after closure. Although closure and postclosure activities will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4,117,017 reported as landfill closure and postclosure liability at June 30, 2006 represents the cumulative amount reported to date based on the use of 40.96 percent of the total estimated capacity of the landfill including final covering. The City will recognize the remaining estimated costs of closure and postclosure care of \$750,000 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform closure and postclosure activities in 2006 dollars. The City expects to close the landfill in the year 2040. Actual costs may differ due to inflation, changes in technology or changes in regulations.

The City is required by state and federal laws and regulations to maintain adequate funds to provide financial assurance for closure and postclosure costs through one or a combination of alternative mechanisms. For closure costs, the City has established an enterprise fund mechanism with a separate fund, the California Street Landfill Closure fund, with a subsidiary mechanism of certificates of participation. For postclosure costs, the City has entered into a Pledge of Revenue Agreement with the California Integrated Waste Management Board. The City is in compliance with these requirements. At June 30, 2006, proceeds from the sale of certificates of participation in the amount of \$5,152,123 are held for landfill closure. These are reported as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from future annual operating revenues in the enterprise fund. Postclosure costs are agreed to be covered by revenue from solid waste customer billings which is deposited directly into the Solid Waste enterprise fund.

(16) Debt Without Government Commitment

Assessment District Bonds

The special assessment bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying basic financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit, nor taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(16) Debt Without Government Commitment, (Continued)

In September 2001, the City issued for and on behalf of the Community Facilities District No. 2001-1 (Northwest Development Project) \$9,255,000 aggregate principal amount of 2001 Special Tax Bonds to finance the acquisition of certain public improvements with appurtenant work and incidental expenses within the District. The Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from proceeds of annual special tax to be levied on the property within the District. Bonds maturing in the years 2002 to 2015 are serial bonds payable in annual installments of \$170,000 to \$355,000 while bonds maturing in the year 2022 in the amount of \$3,175,000 and bonds maturing in the year 2026 in the amount of \$2,535,000 are term bonds. The interest rates on the bonds range from 3.75% to 6.45%. The outstanding balance at June 30, 2006 was \$8,490,000.

In February 2004, the City issued for and on behalf of the Community Facilities District No. 2003-1 (Redlands Business Center) \$9,545,000 aggregate principal amount of 2004 Special Tax Bonds to finance the acquisition and construction of certain street improvements, sewers, storm drains, water distribution facilities, and other public improvements within the District. The Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from proceeds of annual special tax to be levied on the property within the District. Bonds maturing in the years 2006 to 2021 are serial bonds payable in annual installments of \$20,000 to \$270,000, while bonds maturing in the year 2027 in the amount of \$2,255,000 and bonds maturing in the year 2033 in the amount of \$5,280,000 are term bonds. The interest rates on the bonds range from 2.5% to 5.9%. The outstanding balance at June 30, 2006 was \$9,545,000.

(17) Operating Lease

The City has entered into an operating lease with Xerox Corporation for copier equipment, services and supplies in November 2004. The term calls for a five-year lease with a minimum monthly payment of \$12,627. The minimum future payments as of June 30, 2006 are as follows:

<u>June 30 ending</u>	<u>Amount</u>
2007	\$151,524
2008	151,524
2009	151,524
2010	<u>50,508</u>
	<u>\$505,080</u>

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF REDLANDS

Notes to Required Supplementary Information

Year ended June 30, 2006

(1) Budgetary Control and Accounting

The City adheres to the following general procedures in establishing its annual budget, which is reflected in the accompanying basic financial statements:

- The annual budget adopted by the City Council provides for the general operations of the City. It includes proposed expenditures and the means of financing them. Budgeted appropriations lapse at the end of the year.
- The City Council approves total budgeted appropriations and amendments to appropriations throughout the year. The City Council must approve budget appropriation transfers between departments within a fund. The departments of the General Fund are considered to be departments for purposes of this requirement. Each fund other than the General Fund is considered to be departments. Actual expenditures may not legally exceed budgeted appropriations at the departmental level.
- Annual budgets are adopted for all Governmental Funds Types on a basis substantially consistent with Generally Accepted Accounting Principles (GAAP).
- The budgetary information shown for revenues and expenditures represents the original adopted budget adjusted for any changes made by the City Council. For the year ended June 30, 2006, supplemental appropriations in the amount of \$13,341,798 were made.
- Formal budgetary information is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations which are encumbered at year end lapse, and then are added to the following year's budgeted appropriations. However, encumbrances at year-end are reported as reservations of fund balance.

CITY OF REDLANDS
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 Year ended June 30, 2006

	Budget		Actual	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 30,524,318	33,372,340	33,899,732	527,392
Licenses, permits and fines	5,634,457	9,993,322	10,131,124	137,802
Intergovernmental	-	852,104	832,339	(19,765)
Charges for services	5,777,843	1,137,628	1,272,239	134,611
Investment income	937,152	962,476	1,647,201	684,725
Other	-	358,464	359,901	1,437
Total revenues	<u>42,873,770</u>	<u>46,676,334</u>	<u>48,142,536</u>	<u>1,466,202</u>
Expenditures:				
General government:				
City council	157,485	171,580	176,827	(5,247)
City clerk	373,902	445,897	443,373	2,524
City manager	383,840	413,033	399,870	13,163
Finance	1,083,350	1,232,680	1,094,492	138,188
City treasurer	581,513	604,310	596,553	7,757
City attorney	450,941	471,980	498,256	(26,276)
Community development	1,688,922	1,774,491	1,794,868	(20,377)
Administrative services	2,597,567	2,559,893	2,735,683	(175,790)
Management information systems	576,550	575,573	537,855	37,718
Total general government	<u>7,894,070</u>	<u>8,249,437</u>	<u>8,277,777</u>	<u>(28,340)</u>
Public safety:				
Police	20,029,835	21,182,523	21,237,674	(55,151)
Fire	8,952,800	10,233,389	10,189,297	44,092
Total public safety	<u>28,982,635</u>	<u>31,415,912</u>	<u>31,426,971</u>	<u>(11,059)</u>
Highway and streets	<u>3,505,982</u>	<u>4,328,143</u>	<u>3,744,630</u>	<u>583,513</u>
Culture and recreation:				
Community services	1,597,137	1,576,910	1,562,781	14,129
Parks	1,743,159	1,915,600	1,781,996	133,604
Total culture and recreation	<u>3,340,296</u>	<u>3,492,510</u>	<u>3,344,777</u>	<u>147,733</u>
Library	<u>1,906,895</u>	<u>1,867,247</u>	<u>1,856,592</u>	<u>10,655</u>
Capital outlay	<u>1,007,800</u>	<u>2,012,652</u>	<u>2,649,682</u>	<u>(637,030)</u>

(Continued)

CITY OF REDLANDS
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 (Continued)

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Debt service:				
Principal	545,352	449,385	393,739	55,646
Interest	20,632	18,599	24,728	(6,129)
Total debt service	<u>565,984</u>	<u>467,984</u>	<u>418,467</u>	<u>49,517</u>
Total expenditures	<u>47,203,662</u>	<u>51,833,885</u>	<u>51,718,896</u>	<u>114,989</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,329,892)</u>	<u>(5,157,551)</u>	<u>(3,576,360)</u>	<u>1,581,191</u>
Other financing sources (uses):				
Proceeds of capital lease	-	-	1,250,448	1,250,448
Transfers in	1,540,978	1,540,978	1,716,445	175,467
Transfers out	(3,173,191)	(3,173,191)	(3,199,531)	(26,340)
Total other financing sources (uses)	<u>(1,632,213)</u>	<u>(1,632,213)</u>	<u>(232,638)</u>	<u>1,399,575</u>
Net change in fund balance	(5,962,105)	(6,789,764)	(3,808,998)	2,980,766
Fund balance at beginning of year	<u>15,617,958</u>	<u>15,617,958</u>	<u>15,617,958</u>	<u>-</u>
Fund balance at end of year	<u>\$ 9,655,853</u>	<u>8,828,194</u>	<u>11,808,960</u>	<u>2,980,766</u>

CITY OF REDLANDS
Special Revenue Fund

Public Facilities Development

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

Year ended June 30, 2006

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Licenses, permits and fines	\$ 1,681,160	2,444,400	1,804,022	(640,378)
Total revenues	1,681,160	2,444,400	1,804,022	(640,378)
Expenditures:				
Current:				
General government	-	130,962	4,836	126,126
Capital outlay	-	18,712	18,712	-
Total expenditures	-	149,674	23,548	126,126
Excess of revenues over expenditures	1,681,160	2,294,726	1,780,474	(514,252)
Other financing uses:				
Transfers out	(325,621)	(325,621)	(324,347)	1,274
Net change in fund balance	1,355,539	1,969,105	1,456,127	(512,978)
Fund balance (deficit) at beginning of year	(4,644,623)	(4,644,623)	(4,644,623)	-
Fund balance (deficit) at end of year	\$ (3,289,084)	(2,675,518)	(3,188,496)	(512,978)

SUPPLEMENTARY SCHEDULES

CITY OF REDLANDS
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2006

	Special Revenue	Debt Service	Capital Projects	Permanent Fund Cemetery Endowment	Totals
Assets:					
Cash and investments	\$ 25,583,511	7,845,005	9,813,911	1,519,207	44,761,634
Receivables:					
Accounts	8,874	-	-	1,366	10,240
Taxes	318,245	218,133	-	-	536,378
Interest	137,462	64,778	128,538	-	330,778
Notes	-	-	32,286	-	32,286
Due from other governments	<u>6,860,436</u>	-	-	-	<u>6,860,436</u>
Total assets	<u>\$ 32,908,528</u>	<u>8,127,916</u>	<u>9,974,735</u>	<u>1,520,573</u>	<u>52,531,752</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 1,598,436	-	8,752	-	1,607,188
Accrued payroll	117,918	-	7,315	-	125,233
Advances payable	-	1,334,084	-	-	1,334,084
Deferred revenue	7,147,946	-	-	-	7,147,946
Due to other funds	4,021,928	-	-	-	4,021,928
Deposits	<u>3,685</u>	-	-	-	<u>3,685</u>
Total liabilities	<u>12,889,913</u>	<u>1,334,084</u>	<u>16,067</u>	-	<u>14,240,064</u>
Fund balances:					
Reserved for:					
Notes receivable	-	-	32,286	-	32,286
Encumbrances	293,433	-	93,433	-	386,866
Endowment	-	-	-	1,520,573	1,520,573
Unreserved	<u>19,725,182</u>	<u>6,793,832</u>	<u>9,832,949</u>	-	<u>36,351,963</u>
Total fund balances	<u>20,018,615</u>	<u>6,793,832</u>	<u>9,958,668</u>	<u>1,520,573</u>	<u>38,291,688</u>
Total liabilities and fund balances	<u>\$ 32,908,528</u>	<u>8,127,916</u>	<u>9,974,735</u>	<u>1,520,573</u>	<u>52,531,752</u>

CITY OF REDLANDS
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year ended June 30, 2006

	Special Revenue	Debt Service	Capital Projects	Permanent Fund Cemetery Endowment	Totals
Revenues:					
Taxes	\$ 1,131,963	6,611,125	-	-	7,743,088
Licenses, permits and fines	1,679,596	-	456,803	-	2,136,399
Intergovernmental	10,664,696	-	-	-	10,664,696
Charges for services	305,790	-	-	-	305,790
Investment income	927,609	193,429	376,536	-	1,497,574
Other	1,727,886	-	500	50,325	1,778,711
Total revenues	<u>16,437,540</u>	<u>6,804,554</u>	<u>833,839</u>	<u>50,325</u>	<u>24,126,258</u>
Expenditures:					
Current:					
General government	2,645,890	-	549,682	-	3,195,572
Public safety	3,923,766	-	-	-	3,923,766
Highway and streets	1,324,949	-	6,933	-	1,331,882
Capital outlay	13,335,795	-	-	-	13,335,795
Debt service:					
Principal	-	2,010,000	-	-	2,010,000
Interest	-	3,250,524	-	-	3,250,524
Fiscal charges	-	447,327	-	-	447,327
Total expenditures	<u>21,230,400</u>	<u>5,707,851</u>	<u>556,615</u>	<u>-</u>	<u>27,494,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,792,860)</u>	<u>1,096,703</u>	<u>277,224</u>	<u>50,325</u>	<u>(3,368,608)</u>
Other financing sources (uses):					
Transfers in	3,823,082	1,313,709	2,802,175	-	7,938,966
Transfers out	(3,300,837)	(4,008,935)	(159,806)	-	(7,469,578)
Total other financing sources (uses)	<u>522,245</u>	<u>(2,695,226)</u>	<u>2,642,369</u>	<u>-</u>	<u>469,388</u>
Net change in fund balances	<u>(4,270,615)</u>	<u>(1,598,523)</u>	<u>2,919,593</u>	<u>50,325</u>	<u>(2,899,220)</u>
Fund balances at beginning of year	<u>24,289,230</u>	<u>8,392,355</u>	<u>7,039,075</u>	<u>1,470,248</u>	<u>41,190,908</u>
Fund balances at end of year	<u>\$ 20,018,615</u>	<u>6,793,832</u>	<u>9,958,668</u>	<u>1,520,573</u>	<u>38,291,688</u>

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NONMAJOR SPECIAL REVENUE FUNDS

The City maintains the following special revenue funds for the purposes indicated:

State Gas Tax– To account for the receipt and subsequent expenditure of the City’s share of the State levied tax on gasoline and other vehicle fuels.

Community Development Block Grant – To account for expenditures and related reimbursements of various grants from the San Bernardino County Office of Economic and Community Development.

Downtown Redlands Business Association – To account for collection and subsequent expenditure of a fee, collected with the business license fee, for attracting business to the downtown area.

Parking Authority – To account for a city-wide authority formed to control parking.

Low and Moderate Income Housing – To account for annual monies which, by law, must be set aside from Redevelopment tax increment revenues for the purpose of funding a program for development and improvement of housing for low and moderate income families.

Emergency Services – To account for the collection of a special property tax to be spent on paramedic services.

Street Construction – To account for the collection and related expenditure of development impact fees designated for new street construction projects.

Traffic Safety – To account for the receipt and subsequent expenditure of traffic fines for moving violations within the City limits.

Open Space – To account for receipt and subsequent expenditure of fees collected to provide for open space land in and around the City.

Disaster Recovery – To account for all expenditures and revenues relating to natural disasters for the purpose of consolidating such information for federal and state reimbursements and enhancing Single Audit reporting requirements.

Park Development – To account for the collection and subsequent expenditure of developer fees levied for the purpose of acquiring land for parks.

Local Transportation – To account for the receipt and subsequent expenditure of street and road construction and maintenance projects financed by a share of the quarter of one percent State sales tax pursuant to the Transportation Development Act.

Community Facilities District – To account for developer deposits and bond proceeds related to Community Facilities Districts established for the purpose of constructing infrastructure.

Street Lighting District #1 – To account for the maintenance, operation and service of street lighting facilities financed by assessments collected from landowners within the district.

NONMAJOR SPECIAL REVENUE FUNDS, (CONTINUED)

Air Quality Improvement – To account for the collection and subsequent expenditure of AB2766 (District Fees to Implement the California Clean Air Act) monies to be used for pollution reduction.

Measure I – To account for revenues resulting from a voter approved half cent retail transaction and use tax, to be used for transportation improvements and traffic management programs.

General Capital Improvement – To account for the receipt and expenditure of grant revenue received by the City, other than Community Development Block Grant revenues.

Designated Receipts – To account for deposits and donations designated for specific purposes.

Traffic Signals – To account for the collection and related expenditure of development impact fees designated for new traffic signal construction projects.

Landscape Maintenance District – To account for assessments collected from landowners to maintain landscaping in parkways and common areas within the District.

Household Hazardous Waste – To account for revenue collected and expenditures made to properly dispose of household hazardous waste.

Supplemental Law Enforcement – To account for receipt and subsequent expenditure of AB3229 monies which pursuant to the Citizens' Option for Public Safety (COPS) Program must be spent for supplemental law enforcement services.

Neighborhood Initiative Program – To account for expenditures and related reimbursements of grant monies received from the County of San Bernardino to preserve and revitalize neighborhoods.

Drug Confiscation – To account for receipt and subsequent expenditure of various asset seizure monies.

Police Grants – To account for receipt and expenditure of grant monies received from various agencies for public safety programs.

CFD 2004 – 1 Assessment – To account for the maintenance of landscaping in public right-of-way and easements surrounding tract no. 16408.

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CITY OF REDLANDS
Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2006

	<u>State Gas Tax</u>	<u>Community Development Block Grant</u>	<u>Downtown Redlands Business Association</u>	<u>Parking Authority</u>	<u>Low and Moderate Income Housing</u>
Assets:					
Cash and investments	\$ -	-	443,841	139,461	10,861,971
Receivables:					
Accounts	-	-	-	-	-
Taxes	121,110	-	-	-	-
Interest	-	-	-	-	137,462
Due from other governments	-	49,704	-	-	-
Total assets	<u>\$ 121,110</u>	<u>49,704</u>	<u>443,841</u>	<u>139,461</u>	<u>10,999,433</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	6,764	61,576	1,765	2,328
Accrued payroll	-	-	6,009	-	8,820
Deferred revenue	-	45,758	-	-	-
Due to other funds	-	43,179	-	-	-
Deposits	-	-	-	3,685	-
Total liabilities	<u>-</u>	<u>95,701</u>	<u>67,585</u>	<u>5,450</u>	<u>11,148</u>
Fund balances (deficits):					
Reserved	-	-	2,323	-	25,833
Unreserved	121,110	(45,997)	373,933	134,011	10,962,452
Total fund balances (deficit)	<u>121,110</u>	<u>(45,997)</u>	<u>376,256</u>	<u>134,011</u>	<u>10,988,285</u>
Total liabilities and fund balances	<u>\$ 121,110</u>	<u>49,704</u>	<u>443,841</u>	<u>139,461</u>	<u>10,999,433</u>

<u>Emergency Services</u>	<u>Street Construction</u>	<u>Traffic Safety</u>	<u>Open Space</u>	<u>Disaster Recovery</u>	<u>Park Development</u>	<u>Local Transportation</u>	<u>Community Facility District</u>
165,755	-	-	1,542,575	-	1,969,848	2,845,428	50
-	-	-	-	-	-	-	-
17,679	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,191	-	76,324	-	2,303,167	-
<u>183,434</u>	<u>-</u>	<u>3,191</u>	<u>1,542,575</u>	<u>76,324</u>	<u>1,969,848</u>	<u>5,148,595</u>	<u>50</u>
104,668	-	-	-	43	-	818,886	-
78,766	-	-	-	504	-	7,066	-
-	-	-	-	76,324	-	1,889,707	-
-	-	-	-	75,945	-	-	-
-	-	-	-	-	-	-	-
<u>183,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,816</u>	<u>-</u>	<u>2,715,659</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	3,191	1,542,575	(76,492)	1,969,848	2,432,936	50
-	-	3,191	1,542,575	(76,492)	1,969,848	2,432,936	50
<u>183,434</u>	<u>-</u>	<u>3,191</u>	<u>1,542,575</u>	<u>76,324</u>	<u>1,969,848</u>	<u>5,148,595</u>	<u>50</u>

(Continued)

CITY OF REDLANDS
Nonmajor Special Revenue Funds

Combining Balance Sheet

(Continued)

	Street Lighting District #1	Air Quality Improvement	Measure I	General Capital Improvement	Designated Receipts	Traffic Signals
Assets:						
Cash and investments	140	147,973	3,755,119	-	1,470,269	-
Receivables:						
Accounts	-	-	-	779	-	-
Taxes	288	-	175,427	-	-	-
Interest	-	-	-	-	-	-
Due from other governments	-	21,992	-	3,327,192	-	-
Total assets	428	169,965	3,930,546	3,327,971	1,470,269	-
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	-	-	204,611	214,425	101,029	-
Accrued payroll	428	-	1,559	1,193	-	-
Deferred revenue	-	-	-	3,370,729	-	-
Due to other funds	-	-	-	2,999,771	-	-
Deposits	-	-	-	-	-	-
Total liabilities	428	-	206,170	6,586,118	101,029	-
Fund balances (deficits):						
Reserved	-	-	263,602	-	-	-
Unreserved	-	169,965	3,460,774	(3,258,147)	1,369,240	-
Total fund balances (deficit)	-	169,965	3,724,376	(3,258,147)	1,369,240	-
Total liabilities and fund balances	428	169,965	3,930,546	3,327,971	1,470,269	-

<u>Landscape Maintenance District</u>	<u>Household Hazardous Waste</u>	<u>Supplemental Law Enforcement</u>	<u>Neighborhood Initiative Program</u>	<u>Drug Confiscation</u>	<u>Police Grants</u>	<u>CFD 2004-1 Assessment</u>	<u>Totals</u>
2,249	384,394	64,060	1,440,880	199,360	-	150,138	25,583,511
-	8,095	-	-	-	-	-	8,874
493	-	-	-	-	-	3,248	318,245
-	-	-	-	-	-	-	137,462
-	-	-	-	8,262	1,070,604	-	6,860,436
<u>2,742</u>	<u>392,489</u>	<u>64,060</u>	<u>1,440,880</u>	<u>207,622</u>	<u>1,070,604</u>	<u>153,386</u>	<u>32,908,528</u>
2,314	261	1,231	6,250	132	72,108	45	1,598,436
428	-	-	-	-	13,145	-	117,918
-	-	19,817	1,400,000	-	345,611	-	7,147,946
-	-	-	-	-	903,033	-	4,021,928
-	-	-	-	-	-	-	3,685
<u>2,742</u>	<u>261</u>	<u>21,048</u>	<u>1,406,250</u>	<u>132</u>	<u>1,333,897</u>	<u>45</u>	<u>12,889,913</u>
-	-	-	-	1,675	-	-	293,433
-	392,228	43,012	34,630	205,815	(263,293)	153,341	19,725,182
-	392,228	43,012	34,630	207,490	(263,293)	153,341	20,018,615
<u>2,742</u>	<u>392,489</u>	<u>64,060</u>	<u>1,440,880</u>	<u>207,622</u>	<u>1,070,604</u>	<u>153,386</u>	<u>32,908,528</u>

CITY OF REDLANDS
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Year ended June 30, 2006

	<u>State Gas Tax</u>	<u>Community Development Block Grant</u>	<u>Downtown Redlands Business Association</u>	<u>Parking Authority</u>	<u>Low and Moderate Income Housing</u>
Revenues:					
Taxes	\$ -	-	-	-	-
Licenses, permits and fines	-	-	73,253	27,520	-
Intergovernmental	1,286,980	449,565	-	-	-
Charges for services	-	-	294,299	-	-
Investment income	-	-	11,182	5,165	363,810
Other	-	-	13,863	-	146,566
	<u>1,286,980</u>	<u>449,565</u>	<u>392,597</u>	<u>32,685</u>	<u>510,376</u>
Total revenues					
Expenditures:					
Current:					
General government	-	36,350	371,875	20,059	364,789
Public safety	-	-	-	-	-
Highway and streets	-	59,146	-	-	-
Capital outlay	-	206,838	59,400	-	-
	<u>-</u>	<u>302,334</u>	<u>431,275</u>	<u>20,059</u>	<u>364,789</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>1,286,980</u>	<u>147,231</u>	<u>(38,678)</u>	<u>12,626</u>	<u>145,587</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	1,200,541
Transfers out	<u>(1,284,832)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(665,017)</u>
	<u>(1,284,832)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535,524</u>
Total other financing sources (uses)					
Net change in fund balances	2,148	147,231	(38,678)	12,626	681,111
Fund balances (deficit) at beginning of year	<u>118,962</u>	<u>(193,228)</u>	<u>414,934</u>	<u>121,385</u>	<u>10,307,174</u>
Fund balances (deficit) at end of year	<u>\$ 121,110</u>	<u>(45,997)</u>	<u>376,256</u>	<u>134,011</u>	<u>10,988,285</u>

<u>Emergency Services</u>	<u>Street Construction</u>	<u>Traffic Safety</u>	<u>Open Space</u>	<u>Disaster Recovery</u>	<u>Park Development</u>	<u>Local Transportation</u>	<u>Community Facilities District</u>
999,272	-	-	-	-	-	-	-
-	465,791	151,476	210,154	-	629,164	-	-
-	-	-	-	63,491	-	4,189,287	-
8,049	-	-	-	-	-	-	-
23,528	-	-	34,366	-	52,709	98,676	6,124
-	-	-	28,894	-	-	-	-
<u>1,030,849</u>	<u>465,791</u>	<u>151,476</u>	<u>273,414</u>	<u>63,491</u>	<u>681,873</u>	<u>4,287,963</u>	<u>6,124</u>
-	-	-	-	16,414	-	-	263,686
2,409,848	-	-	-	-	-	-	-
-	-	-	-	-	-	1,012,867	-
<u>23,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,069</u>	<u>-</u>	<u>5,184,956</u>	<u>-</u>
<u>2,433,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,483</u>	<u>-</u>	<u>6,197,823</u>	<u>263,686</u>
<u>(1,402,535)</u>	<u>465,791</u>	<u>151,476</u>	<u>273,414</u>	<u>(28,992)</u>	<u>681,873</u>	<u>(1,909,860)</u>	<u>(257,562)</u>
1,402,535	-	-	-	-	-	588,029	-
-	(465,791)	(152,797)	-	(13,998)	(585,294)	-	-
<u>1,402,535</u>	<u>(465,791)</u>	<u>(152,797)</u>	<u>-</u>	<u>(13,998)</u>	<u>(585,294)</u>	<u>588,029</u>	<u>-</u>
-	-	(1,321)	273,414	(42,990)	96,579	(1,321,831)	(257,562)
-	-	4,512	1,269,161	(33,502)	1,873,269	3,754,767	257,612
-	-	3,191	1,542,575	(76,492)	1,969,848	2,432,936	50

(Continued)

CITY OF REDLANDS
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 (Continued)

	Street Lighting District #1	Air Quality Improvement	Measure I	General Capital Improvement	Designated Receipts
Revenues:					
Taxes	24,312	-	-	-	-
Licenses, permits and fines	-	-	-	-	-
Intergovernmental	-	83,651	1,233,850	1,027,746	-
Charges for services	-	-	-	3,442	-
Investment income	-	2,016	146,666	19,463	-
Other	-	-	-	-	1,489,264
Total revenues	<u>24,312</u>	<u>85,667</u>	<u>1,380,516</u>	<u>1,050,651</u>	<u>1,489,264</u>
Expenditures:					
Current:					
General government	-	37	-	322,779	1,101,438
Public safety	-	-	-	-	-
Highway and streets	14,631	-	238,305	-	-
Capital outlay	-	-	2,743,633	4,223,279	-
Total expenditures	<u>14,631</u>	<u>37</u>	<u>2,981,938</u>	<u>4,546,058</u>	<u>1,101,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,681</u>	<u>85,630</u>	<u>(1,601,422)</u>	<u>(3,495,407)</u>	<u>387,826</u>
Other financing sources (uses):					
Transfers in	-	-	-	585,295	-
Transfers out	<u>(10,870)</u>	-	-	-	-
Total other financing sources (uses)	<u>(10,870)</u>	<u>-</u>	<u>-</u>	<u>585,295</u>	<u>-</u>
Net change in fund balances	<u>(1,189)</u>	<u>85,630</u>	<u>(1,601,422)</u>	<u>(2,910,112)</u>	<u>387,826</u>
Fund balances (deficit) at beginning of year	<u>1,189</u>	<u>84,335</u>	<u>5,325,798</u>	<u>(348,035)</u>	<u>981,414</u>
Fund balances (deficit) at end of year	<u>-</u>	<u>169,965</u>	<u>3,724,376</u>	<u>(3,258,147)</u>	<u>1,369,240</u>

Traffic Signals	Landscape Maintenance District	Household Hazardous Waste	Supplemental Law Enforcement	Neighborhood Initiative Program	Drug Confiscation	Police Grants	CFD 2004-1 Assessment	Totals
-	26,558	-	-	-	-	-	81,821	1,131,963
122,238	-	-	-	-	-	-	-	1,679,596
-	-	11,751	96,488	22,644	-	2,199,243	-	10,664,696
-	-	-	-	-	-	-	-	305,790
-	-	126,388	1,796	33,573	-	-	2,147	927,609
-	-	-	-	-	49,299	-	-	1,727,886
<u>122,238</u>	<u>26,558</u>	<u>138,139</u>	<u>98,284</u>	<u>56,217</u>	<u>49,299</u>	<u>2,199,243</u>	<u>83,968</u>	<u>16,437,540</u>
-	73,240	65,341	-	-	-	-	9,882	2,645,890
-	-	-	48,425	-	40,059	1,425,434	-	3,923,766
-	-	-	-	-	-	-	-	1,324,949
-	-	93,397	48,063	-	-	676,624	-	13,335,795
-	<u>73,240</u>	<u>158,738</u>	<u>96,488</u>	-	<u>40,059</u>	<u>2,102,058</u>	<u>9,882</u>	<u>21,230,400</u>
<u>122,238</u>	<u>(46,682)</u>	<u>(20,599)</u>	<u>1,796</u>	<u>56,217</u>	<u>9,240</u>	<u>97,185</u>	<u>74,086</u>	<u>(4,792,860)</u>
-	46,682	-	-	-	-	-	-	3,823,082
<u>(122,238)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,300,837)</u>
<u>(122,238)</u>	<u>46,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,245</u>
-	-	(20,599)	1,796	56,217	9,240	97,185	74,086	(4,270,615)
-	-	412,827	41,216	(21,587)	198,250	(360,478)	79,255	24,289,230
-	-	392,228	43,012	34,630	207,490	(263,293)	153,341	20,018,615

CITY OF REDLANDS
State Gas Tax Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,145,500	1,286,980	141,480
Excess of revenues over expenditures	1,145,500	1,286,980	141,480
Other financing uses:			
Transfers out	<u>(1,207,500)</u>	<u>(1,284,832)</u>	<u>(77,332)</u>
Net change in fund balance	(62,000)	2,148	64,148
Fund balance at beginning of year	<u>118,962</u>	<u>118,962</u>	<u>-</u>
Fund balance at end of year	<u>\$ 56,962</u>	<u>121,110</u>	<u>64,148</u>

CITY OF REDLANDS
Community Development Block Grant Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 390,000	449,565	59,565
Expenditures:			
Current:			
General government	71,382	36,350	35,032
Highways and streets	135,072	59,146	75,926
Capital outlay	<u>579,565</u>	<u>206,838</u>	<u>372,727</u>
Total expenditures	<u>786,019</u>	<u>302,334</u>	<u>483,685</u>
Net change in fund balance	(396,019)	147,231	543,250
Fund balance (deficit) at beginning of year	<u>(193,228)</u>	<u>(193,228)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (589,247)</u>	<u>(45,997)</u>	<u>543,250</u>

CITY OF REDLANDS
Downtown Redlands Business Association Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 70,000	73,253	3,253
Charges for services	278,348	294,299	15,951
Investment income	8,343	11,182	2,839
Other	<u>13,540</u>	<u>13,863</u>	<u>323</u>
Total revenues	<u>370,231</u>	<u>392,597</u>	<u>22,366</u>
Expenditures:			
Current:			
General government	373,700	371,875	1,825
Capital outlay	<u>66,000</u>	<u>59,400</u>	<u>6,600</u>
Total expenditures	<u>439,700</u>	<u>431,275</u>	<u>8,425</u>
Net change in fund balance	(69,469)	(38,678)	30,791
Fund balance at beginning of year	<u>414,934</u>	<u>414,934</u>	<u>-</u>
Fund balance at end of year	<u>\$ 345,465</u>	<u>376,256</u>	<u>30,791</u>

CITY OF REDLANDS
Parking Authority Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits, and fines	\$ -	27,520	27,520
Investment income	<u>6,000</u>	<u>5,165</u>	<u>(835)</u>
Total revenues	<u>6,000</u>	<u>32,685</u>	<u>26,685</u>
Expenditures:			
Current:			
General government	<u>22,640</u>	<u>20,059</u>	<u>2,581</u>
Total expenditures	<u>22,640</u>	<u>20,059</u>	<u>2,581</u>
Net change in fund balance	(16,640)	12,626	29,266
Fund balance at beginning of year	<u>121,385</u>	<u>121,385</u>	<u>-</u>
Fund balance at end of year	<u>\$ 104,745</u>	<u>134,011</u>	<u>29,266</u>

CITY OF REDLANDS
Low and Moderate Income Housing Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 400,000	363,810	(36,190)
Other	<u>150,000</u>	<u>146,566</u>	<u>(3,434)</u>
Total revenues	<u>550,000</u>	<u>510,376</u>	<u>(39,624)</u>
Expenditures:			
Current:			
General government	<u>493,850</u>	<u>364,789</u>	<u>129,061</u>
Total expenditures	<u>493,850</u>	<u>364,789</u>	<u>129,061</u>
Excess of revenues over expenditures	<u>56,150</u>	<u>145,587</u>	<u>89,437</u>
Other financing sources (uses):			
Transfers in	857,800	1,200,541	342,741
Transfers out	<u>(768,068)</u>	<u>(665,017)</u>	<u>103,051</u>
Total other financing sources (uses)	<u>89,732</u>	<u>535,524</u>	<u>445,792</u>
Net change in fund balance	145,882	681,111	535,229
Fund balance at beginning of year	<u>10,307,174</u>	<u>10,307,174</u>	<u>-</u>
Fund balance at end of year	<u>\$ 10,453,056</u>	<u>10,988,285</u>	<u>535,229</u>

CITY OF REDLANDS
Emergency Services Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 1,000,000	999,272	(728)
Charges for services	10,000	8,049	(1,951)
Investment income	-	23,528	23,528
	<u>\$ 1,010,000</u>	<u>1,030,849</u>	<u>20,849</u>
Total revenues			
Expenditures:			
Current:			
Public safety	2,447,040	2,409,848	37,192
Capital outlay	23,536	23,536	-
	<u>2,470,576</u>	<u>2,433,384</u>	<u>37,192</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	(1,460,576)	(1,402,535)	58,041
Other financing sources:			
Transfers in	1,661,115	1,402,535	(258,580)
Net change in fund balance	200,539	-	(200,539)
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ 200,539</u>	<u>-</u>	<u>(200,539)</u>

CITY OF REDLANDS
Street Construction Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 837,000	465,791	(371,209)
Excess of revenues over expenditures	837,000	465,791	(371,209)
Other financing uses:			
Transfers out	<u>(861,705)</u>	<u>(465,791)</u>	<u>395,914</u>
Net change in fund balance	(24,705)	-	24,705
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (24,705)</u>	<u>-</u>	<u>24,705</u>

CITY OF REDLANDS
Traffic Safety Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 160,000	151,476	(8,524)
Excess of revenues over expenditures	160,000	151,476	(8,524)
Other financing uses:			
Transfers out	(170,000)	(152,797)	17,203
Net change in fund balance	(10,000)	(1,321)	8,679
Fund balance at beginning of year	<u>4,512</u>	<u>4,512</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (5,488)</u>	<u>3,191</u>	<u>8,679</u>

CITY OF REDLANDS
Open Space Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fees	\$ 207,000	210,154	3,154
Investment income	24,000	34,366	10,366
Other	<u>28,900</u>	<u>28,894</u>	<u>(6)</u>
 Total revenues	 <u>259,900</u>	 <u>273,414</u>	 <u>13,514</u>
 Net change in fund balance	 259,900	 273,414	 13,514
 Fund balance at beginning of year	 <u>1,269,161</u>	 <u>1,269,161</u>	 <u>-</u>
 Fund balance at end of year	 <u>\$ 1,529,061</u>	 <u>1,542,575</u>	 <u>13,514</u>

CITY OF REDLANDS
Disaster Recovery Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 63,500	63,491	(9)
Total revenues	<u>63,500</u>	<u>63,491</u>	<u>(9)</u>
Expenditures:			
Current:			
General government	359,287	16,414	342,873
Capital outlay	<u>132,481</u>	<u>76,069</u>	<u>56,412</u>
Total expenditures	<u>491,768</u>	<u>92,483</u>	<u>399,285</u>
Excess (deficiency) of revenues over (under) expenditures	(428,268)	(28,992)	399,276
Other financing uses:			
Transfers out	<u>-</u>	<u>(13,998)</u>	<u>(13,998)</u>
Net change in fund balance	(428,268)	(42,990)	385,278
Fund balance (deficit) at beginning of year	<u>(33,502)</u>	<u>(33,502)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (461,770)</u>	<u>(76,492)</u>	<u>385,278</u>

CITY OF REDLANDS
Park Development Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 635,000	629,164	(5,836)
Investment income	<u>24,000</u>	<u>52,709</u>	<u>28,709</u>
Total revenues	<u>659,000</u>	<u>681,873</u>	<u>22,873</u>
Excess of revenues over expenditures	659,000	681,873	22,873
Other financing uses:			
Transfers out	<u>(366,000)</u>	<u>(585,294)</u>	<u>(219,294)</u>
Net change in fund balance	293,000	96,579	(196,421)
Fund balance at beginning of year	<u>1,873,269</u>	<u>1,873,269</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,166,269</u>	<u>1,969,848</u>	<u>(196,421)</u>

CITY OF REDLANDS
Local Transportation Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 5,536,758	4,189,287	(1,347,471)
Investment income	<u>66,100</u>	<u>98,676</u>	<u>32,576</u>
Total revenues	<u>5,602,858</u>	<u>4,287,963</u>	<u>(1,314,895)</u>
Expenditures:			
Current:			
Highway and streets	2,324,414	1,012,867	1,311,547
Capital outlay	<u>9,655,176</u>	<u>5,184,956</u>	<u>4,470,220</u>
Total expenditures	<u>11,979,590</u>	<u>6,197,823</u>	<u>5,781,767</u>
Excess (deficiency) of revenues over (under) expenditures	(6,376,732)	(1,909,860)	4,466,872
Other financing sources:			
Transfers in	<u>1,011,705</u>	<u>588,029</u>	<u>(423,676)</u>
Net change in fund balance	(5,365,027)	(1,321,831)	4,043,196
Fund balance at beginning of year	<u>3,754,767</u>	<u>3,754,767</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (1,610,260)</u>	<u>2,432,936</u>	<u>4,043,196</u>

CITY OF REDLANDS
Community Facilities District

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 5,000	6,124	1,124
Total revenues	<u>5,000</u>	<u>6,124</u>	<u>1,124</u>
Expenditures:			
Current:			
General government	<u>-</u>	<u>263,686</u>	<u>(263,686)</u>
Net change in fund balance	5,000	(257,562)	(262,562)
Fund balance at beginning of year	<u>257,612</u>	<u>257,612</u>	<u>-</u>
Fund balance at end of year	<u>\$ 262,612</u>	<u>50</u>	<u>(262,562)</u>

CITY OF REDLANDS
Street Lighting District #1 Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 21,200	24,312	3,112
Expenditures:			
Current:			
Highway and streets	27,302	14,631	12,671
Excess (deficiency) of revenue over (under) expenditures	(6,102)	9,681	15,783
Other financing uses:			
Transfer out	-	(10,870)	(10,870)
Net change in fund balance	(6,102)	(1,189)	4,913
Fund balance at beginning of year	1,189	1,189	-
Fund balance (deficit) at end of year	<u>\$ (4,913)</u>	<u>-</u>	<u>4,913</u>

CITY OF REDLANDS
Air Quality Improvement Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 82,700	83,651	951
Investment income	<u>1,500</u>	<u>2,016</u>	<u>516</u>
Total revenues	<u>84,200</u>	<u>85,667</u>	<u>1,467</u>
Expenditures:			
Current:			
General government	<u>-</u>	<u>37</u>	<u>(37)</u>
Net change in fund balance	84,200	85,630	1,430
Fund balance at beginning of year	<u>84,335</u>	<u>84,335</u>	<u>-</u>
Fund balance at end of year	<u>\$ 168,535</u>	<u>169,965</u>	<u>1,430</u>

CITY OF REDLANDS
Measure I Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,013,000	1,233,850	220,850
Investment income	<u>100,000</u>	<u>146,666</u>	<u>46,666</u>
Total revenues	<u>1,113,000</u>	<u>1,380,516</u>	<u>267,516</u>
Expenditures:			
Current:			
Highway and streets	618,259	238,305	379,954
Capital outlay	<u>2,820,391</u>	<u>2,743,633</u>	<u>76,758</u>
Total expenditures	<u>3,438,650</u>	<u>2,981,938</u>	<u>456,712</u>
Net change in fund balance	(2,325,650)	(1,601,422)	724,228
Fund balance at beginning of year	<u>5,325,798</u>	<u>5,325,798</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 3,000,148</u></u>	<u><u>3,724,376</u></u>	<u><u>724,228</u></u>

CITY OF REDLANDS
General Capital Improvement Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 3,635,000	1,027,746	(2,607,254)
Charges for services	-	3,442	3,442
Investment income	<u>71,923</u>	<u>19,463</u>	<u>(52,460)</u>
 Total revenues	 <u>3,706,923</u>	 <u>1,050,651</u>	 <u>(2,656,272)</u>
 Expenditures:			
Current:			
General government	503,346	322,779	180,567
Capital outlay	<u>7,068,925</u>	<u>4,223,279</u>	<u>2,845,646</u>
 Total expenditures	 <u>7,572,271</u>	 <u>4,546,058</u>	 <u>3,026,213</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(3,865,348)</u>	 <u>(3,495,407)</u>	 <u>369,941</u>
 Other financing sources:			
Transfers in	<u>366,000</u>	<u>585,295</u>	<u>219,295</u>
 Net change in fund balance	 (3,499,348)	 (2,910,112)	 589,236
 Fund balance (deficit) at beginning of year	 <u>(348,035)</u>	 <u>(348,035)</u>	 <u>-</u>
 Fund balance (deficit) at end of year	 <u>\$ (3,847,383)</u>	 <u>(3,258,147)</u>	 <u>589,236</u>

CITY OF REDLANDS
Designated Receipts Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other	\$ -	1,489,264	1,489,264
Total revenues	<u>-</u>	<u>1,489,264</u>	<u>1,489,264</u>
Expenditures:			
Current:			
General government	<u>-</u>	<u>1,101,438</u>	<u>(1,101,438)</u>
Net change in fund balance	-	387,826	387,826
Fund balance at beginning of year	<u>981,414</u>	<u>981,414</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 981,414</u></u>	<u><u>1,369,240</u></u>	<u><u>387,826</u></u>

CITY OF REDLANDS
Traffic Signals Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fees	\$ 102,400	122,238	19,838
Excess of revenues over expenditures	<u>102,400</u>	<u>122,238</u>	<u>19,838</u>
Other financing uses:			
Transfers out	<u>(150,000)</u>	<u>(122,238)</u>	<u>27,762</u>
Net change in fund balance	(47,600)	-	47,600
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (47,600)</u>	<u>-</u>	<u>47,600</u>

CITY OF REDLANDS
Landscape Maintenance District Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 25,400	26,558	1,158
Expenditures:			
Current:			
General government	84,188	73,240	10,948
Excess (deficiency) of revenues over (under) expenditures	(58,788)	(46,682)	12,106
Other financing sources:			
Transfers in	33,385	46,682	13,297
Net change in fund balance	(25,403)	-	25,403
Fund balance at beginning of year	-	-	-
Fund balance (deficit) at end of year	<u>\$ (25,403)</u>	<u>-</u>	<u>25,403</u>

CITY OF REDLANDS
Household Hazardous Waste Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 8,800	11,751	2,951
Investment income	<u>120,000</u>	<u>126,388</u>	<u>6,388</u>
Total Revenue	<u>\$ 128,800</u>	<u>138,139</u>	<u>9,339</u>
Expenditures:			
Current:			
General government	68,023	65,341	2,682
Capital outlay	<u>93,397</u>	<u>93,397</u>	<u>-</u>
Total expenditures	<u>161,420</u>	<u>158,738</u>	<u>2,682</u>
Net change in fund balance	(32,620)	(20,599)	12,021
Fund balance at beginning of year	<u>412,827</u>	<u>412,827</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 380,207</u></u>	<u><u>392,228</u></u>	<u><u>12,021</u></u>

CITY OF REDLANDS
Supplemental Law Enforcement Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 102,241	96,488	(5,753)
Investment income	<u>593</u>	<u>1,796</u>	<u>1,203</u>
Total revenues	<u>102,834</u>	<u>98,284</u>	<u>(4,550)</u>
Expenditures:			
Current:			
Public safety	66,219	48,425	17,794
Capital outlay	<u>48,400</u>	<u>48,063</u>	<u>337</u>
Total expenditures	<u>114,619</u>	<u>96,488</u>	<u>18,131</u>
Net change in fund balance	(11,785)	1,796	13,581
Fund balance at beginning of year	<u>41,216</u>	<u>41,216</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 29,431</u></u>	<u><u>43,012</u></u>	<u><u>13,581</u></u>

CITY OF REDLANDS
 Neighborhood Initiative Program Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 22,643	22,644	1
Investment Income	<u>50,000</u>	<u>33,573</u>	<u>(16,427)</u>
Total revenues	<u>72,643</u>	<u>56,217</u>	<u>(16,426)</u>
Net change in fund balance	72,643	56,217	(16,426)
Fund balance (deficit) at beginning of year	<u>(21,587)</u>	<u>(21,587)</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 51,056</u></u>	<u><u>34,630</u></u>	<u><u>(16,426)</u></u>

CITY OF REDLANDS
Drug Confiscation Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other	\$ 42,100	49,299	7,199
Expenditures:			
Current:			
Public safety	68,449	40,059	28,390
Net change in fund balance	(26,349)	9,240	35,589
Fund balance at beginning of year	<u>198,250</u>	<u>198,250</u>	<u>-</u>
Fund balance at end of year	<u>\$ 171,901</u>	<u>207,490</u>	<u>35,589</u>

CITY OF REDLANDS
Police Grants Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 780,000	2,199,243	1,419,243
Total revenues	<u>780,000</u>	<u>2,199,243</u>	<u>1,419,243</u>
Expenditures:			
Current:			
Public safety	2,346,403	1,425,434	920,969
Capital outlay	<u>2,760,686</u>	<u>676,624</u>	<u>2,084,062</u>
Total expenditures	<u>5,107,089</u>	<u>2,102,058</u>	<u>3,005,031</u>
Net change in fund balance	(4,327,089)	97,185	4,424,274
Fund balance (deficit) at beginning of year	<u>(360,478)</u>	<u>(360,478)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u><u>\$ (4,687,567)</u></u>	<u><u>(263,293)</u></u>	<u><u>4,424,274</u></u>

CITY OF REDLANDS
CFD 2004-1 Assessment

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 71,200	81,821	10,621
Investment income	<u>603</u>	<u>2,147</u>	<u>1,544</u>
Total revenues	<u>71,803</u>	<u>83,968</u>	<u>12,165</u>
Expenditures:			
Current:			
General government	<u>96,580</u>	<u>9,882</u>	<u>86,698</u>
Net change in fund balance	(24,777)	74,086	98,863
Fund balance at beginning of year	<u>79,255</u>	<u>79,255</u>	<u>-</u>
Fund balance at end of year	<u>\$ 54,478</u>	<u>153,341</u>	<u>98,863</u>

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DEBT SERVICE FUNDS

The City maintains the following debt service funds for the purposes indicated:

Nonmajor Funds

City of Redlands – To account for the receipt of property taxes to be used for the retirement of the 1988 General Obligation Measure “O” Open Space Bonds and the 1994 Refunding General Obligation Bonds, and the 2003 General Obligation Refunding Bonds.

Redlands Public Improvement Corporation – To account for the retirement of the 1993 Refunding of the 1986 and 1987 Projects Certificates of Participation and the 1994 Taxable Certificates of Participation (City of Redlands/Wal-Mart Parking Facility), and the 2003 Refunding Lease Revenue Certificates of Participation.

Redevelopment Agency – To account for the receipt of tax increment and retirement of the 1987 Tax Allocation Refunding Bonds, the 1994 Subordinated Tax Allocation Refunding Bonds, the 1994 Refunding Parking Lease Revenue Bonds, and the 2003A Series Tax Allocation Bonds.

CITY OF REDLANDS
Nonmajor Debt Service Funds

Combining Balance Sheet

June 30, 2006

	City of Redlands	Redlands Public Improvement Corporation	Redevelopment Agency	Totals
Assets:				
Cash and investments	\$ 1,153,693	-	6,691,312	7,845,005
Receivables:				
Taxes	26,349	-	191,784	218,133
Interest	-	-	64,778	64,778
Total assets	\$ 1,180,042	-	6,947,874	8,127,916
 Liabilities and Fund Balances:				
Liabilities:				
Advances payable	\$ -	-	1,334,084	1,334,084
Total liabilities	-	-	1,334,084	1,334,084
 Fund balances:				
Unreserved	1,180,042	-	5,613,790	6,793,832
Total fund balances	1,180,042	-	5,613,790	6,793,832
Total liabilities and fund balances	\$ 1,180,042	-	6,947,874	8,127,916

CITY OF REDLANDS
Nonmajor Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2006

	<u>City of Redlands</u>	<u>Redlands Public Improvement Corporation</u>	<u>Redevelopment Agency</u>	<u>Totals</u>
Revenues:				
Taxes	\$ 705,932	-	5,905,193	6,611,125
Investment income	<u>-</u>	<u>-</u>	<u>193,429</u>	<u>193,429</u>
Total revenues	<u>705,932</u>	<u>-</u>	<u>6,098,622</u>	<u>6,804,554</u>
Expenditures:				
Debt service:				
Principal	435,000	-	1,575,000	2,010,000
Interest	156,725	630,641	2,463,158	3,250,524
Fiscal charges	<u>6,292</u>	<u>18,051</u>	<u>422,984</u>	<u>447,327</u>
Total expenditures	<u>598,017</u>	<u>648,692</u>	<u>4,461,142</u>	<u>5,707,851</u>
Excess (deficiency) of revenues over (under) expenditures	<u>107,915</u>	<u>(648,692)</u>	<u>1,637,480</u>	<u>1,096,703</u>
Other financing sources (uses):				
Transfers in	-	648,692	665,017	1,313,709
Transfers out	<u>(6,219)</u>	<u>-</u>	<u>(4,002,716)</u>	<u>(4,008,935)</u>
Total other financing sources (uses)	<u>(6,219)</u>	<u>648,692</u>	<u>(3,337,699)</u>	<u>(2,695,226)</u>
Net change in fund balances	101,696	-	(1,700,219)	(1,598,523)
Fund balances at beginning of year	<u>1,078,346</u>	<u>-</u>	<u>7,314,009</u>	<u>8,392,355</u>
Fund balances at end of year	<u>\$ 1,180,042</u>	<u>-</u>	<u>5,613,790</u>	<u>6,793,832</u>

CITY OF REDLANDS
City of Redlands
Debt Service Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 602,500	705,932	103,432
Total revenues	<u>602,500</u>	<u>705,932</u>	<u>103,432</u>
Expenditures:			
Debt service:			
Principal	435,000	435,000	-
Interest	156,725	156,725	-
Fiscal charges	<u>6,292</u>	<u>6,292</u>	<u>-</u>
Total expenditures	<u>598,017</u>	<u>598,017</u>	<u>-</u>
Excess of revenues over expenditures	4,483	107,915	103,432
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(6,219)</u>	<u>(6,219)</u>
Net change in fund balances	4,483	101,696	97,213
Fund balance at beginning of year	<u>1,078,346</u>	<u>1,078,346</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,082,829</u>	<u>1,180,042</u>	<u>97,213</u>

CITY OF REDLANDS
 Redlands Public Improvement Corporation
 Debt Service Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	-	-
Expenditures:			
Debt service:			
Interest	630,641	630,641	-
Fiscal charges	<u>18,051</u>	<u>18,051</u>	-
Total expenditures	<u>648,692</u>	<u>648,692</u>	-
Excess (deficiency) of revenues (over) under expenditures	<u>(648,692)</u>	<u>(648,692)</u>	-
Other financing sources:			
Transfers in	<u>651,242</u>	<u>648,692</u>	<u>(2,550)</u>
Net change in fund balance	2,550	-	(2,550)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 2,550</u></u>	<u><u>-</u></u>	<u><u>(2,550)</u></u>

CITY OF REDLANDS
Redevelopment Agency
Debt Service Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 5,161,800	5,905,193	743,393
Investment income	<u>150,000</u>	<u>193,429</u>	<u>43,429</u>
Total revenues	<u>5,311,800</u>	<u>6,098,622</u>	<u>786,822</u>
Expenditures:			
Debt service:			
Principal	1,575,000	1,575,000	-
Interest	1,815,248	2,463,158	(647,910)
Fiscal charges	<u>432,984</u>	<u>422,984</u>	<u>10,000</u>
Total expenditures	<u>3,823,232</u>	<u>4,461,142</u>	<u>(637,910)</u>
Excess of revenues over expenditures	<u>1,488,568</u>	<u>1,637,480</u>	<u>148,912</u>
Other financing sources (uses):			
Transfers in	768,068	665,017	(103,051)
Transfers out	<u>(1,523,706)</u>	<u>(4,002,716)</u>	<u>(2,479,010)</u>
Total other financing sources (uses)	<u>(755,638)</u>	<u>(3,337,699)</u>	<u>(2,582,061)</u>
Net change in fund balance	732,930	(1,700,219)	(2,433,149)
Fund balance at beginning of year	<u>7,314,009</u>	<u>7,314,009</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,046,939</u>	<u>5,613,790</u>	<u>(2,433,149)</u>

NONMAJOR CAPITAL PROJECTS FUNDS

The City maintains the following capital project funds for the purposes indicated:

Storm Drain – To account for receipt and subsequent expenditure of developer fees assessed to provide additional storm drains as required.

General Obligation Bonds Series 1988A – To account for proceeds of a general obligation bond approved by the voters for the purchase of park lands and “open space” areas.

Redevelopment Projects – To account for monies to be used for the acquisition or construction of facilities or land, as well as other miscellaneous administrative costs.

CITY OF REDLANDS
Nonmajor Capital Projects Funds

Combining Balance Sheet

June 30, 2006

	<u>Storm Drain</u>	<u>General Obligation Bond Series 1988A</u>	<u>Redevelopment Projects</u>	<u>Totals</u>
Assets:				
Cash and investments	\$ 2,065,513	169,456	7,578,942	9,813,911
Receivables:				
Interest	-	-	128,538	128,538
Notes	-	-	32,286	32,286
Total assets	<u>\$ 2,065,513</u>	<u>169,456</u>	<u>7,739,766</u>	<u>9,974,735</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	-	8,752	8,752
Accrued payroll	226	-	7,089	7,315
Total liabilities	<u>226</u>	<u>-</u>	<u>15,841</u>	<u>16,067</u>
Fund balances:				
Reserved for notes receivable	-	-	32,286	32,286
Reserved for encumbrances	-	-	93,433	93,433
Unreserved	2,065,287	169,456	7,598,206	9,832,949
Total fund balances	<u>2,065,287</u>	<u>169,456</u>	<u>7,723,925</u>	<u>9,958,668</u>
Total liabilities and fund balances	<u>\$ 2,065,513</u>	<u>169,456</u>	<u>7,739,766</u>	<u>9,974,735</u>

CITY OF REDLANDS
Nonmajor Capital Projects Funds

Combining Statement Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2006

	<u>Storm Drain</u>	<u>General Obligation Bond, Series 1998A</u>	<u>Redevelopment Projects</u>	<u>Totals</u>
Revenues:				
Licenses, permits and fines	\$ 456,803	-	-	456,803
Investment income	42,726	4,300	329,510	376,536
Other	-	-	500	500
	<u>499,529</u>	<u>4,300</u>	<u>330,010</u>	<u>833,839</u>
Total revenues				
Expenditures:				
Current:				
General government	-	-	549,682	549,682
Highway and streets	6,933	-	-	6,933
	<u>6,933</u>	<u>-</u>	<u>549,682</u>	<u>556,615</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>492,596</u>	<u>4,300</u>	<u>(219,672)</u>	<u>277,224</u>
Other financing sources (uses):				
Transfers in	-	-	2,802,175	2,802,175
Transfer out	-	-	(159,806)	(159,806)
	<u>-</u>	<u>-</u>	<u>2,642,369</u>	<u>2,642,369</u>
Total other financing sources (uses)				
Net change in fund balances	492,596	4,300	2,422,697	2,919,593
Fund balances at beginning of year	<u>1,572,691</u>	<u>165,156</u>	<u>5,301,228</u>	<u>7,039,075</u>
Fund balances at end of year	<u>\$ 2,065,287</u>	<u>169,456</u>	<u>7,723,925</u>	<u>9,958,668</u>

CITY OF REDLANDS
Storm Drain Fund
Capital Projects Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 312,069	456,803	144,734
Investment income	<u>15,130</u>	<u>42,726</u>	<u>27,596</u>
Total revenues	<u>327,199</u>	<u>499,529</u>	<u>172,330</u>
Expenditures:			
Current:			
Highway and streets	<u>6,988</u>	<u>6,933</u>	<u>55</u>
Net change in fund balances	320,211	492,596	172,385
Fund balance at beginning of year	<u>1,572,691</u>	<u>1,572,691</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,892,902</u>	<u>2,065,287</u>	<u>172,385</u>

CITY OF REDLANDS
 General Obligation Bonds, Series 1988A
 Capital Projects Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 2,500	4,300	1,800
Total revenues	<u>2,500</u>	<u>4,300</u>	<u>1,800</u>
Net change in fund balances	2,500	4,300	1,800
Fund balance at beginning of year	<u>165,156</u>	<u>165,156</u>	<u>-</u>
Fund balance at end of year	<u>\$ 167,656</u>	<u>169,456</u>	<u>1,800</u>

CITY OF REDLANDS
 Redevelopment Projects Fund
 Capital Projects Fund

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

Year ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 226,000	329,510	103,510
Other	<u>-</u>	<u>500</u>	<u>500</u>
Total revenues	<u>226,000</u>	<u>330,010</u>	<u>104,010</u>
Expenditures:			
Current:			
General government	<u>1,039,505</u>	<u>549,682</u>	<u>489,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(813,505)</u>	<u>(219,672)</u>	<u>593,833</u>
Other financing sources (uses):			
Transfers in	665,906	2,802,175	2,136,269
Transfers out	<u>-</u>	<u>(159,806)</u>	<u>(159,806)</u>
Total other financing sources (uses)	<u>665,906</u>	<u>2,642,369</u>	<u>1,976,463</u>
Net change in fund balance	(147,599)	2,422,697	2,570,296
Fund balance at beginning of year	<u>5,301,228</u>	<u>5,301,228</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,153,629</u>	<u>7,723,925</u>	<u>2,570,296</u>

NONMAJOR ENTERPRISE FUNDS

The City maintains the following enterprise funds for the purposes indicated:

Aviation – To account for the operations of the Redlands Municipal Airport.

Cemetery – To account for the operations of Hillside Memorial Park Cemetery.

Groves – To account for the farming operations of citrus groves owned by the City.

CITY OF REDLANDS
Nonmajor Enterprise Funds
Combining Statement of Net Assets
June 30, 2006

	Business-type Enterprise Funds			Totals
	Aviation	Cemetery	Groves	
Assets:				
Current assets:				
Cash and investments	\$ -	569,215	294,962	864,177
Accounts receivable	-	92,968	-	92,968
Total current assets	<u>-</u>	<u>662,183</u>	<u>294,962</u>	<u>957,145</u>
Noncurrent assets:				
Interest receivable	-	31,625	-	31,625
Capital assets:				
Land and water rights	1,165,281	630,631	13,255,463	15,051,375
Buildings	2,726,995	57,319	-	2,784,314
Machinery and equipment	70,650	396,041	-	466,691
Less accumulated depreciation	<u>(114,908)</u>	<u>(443,516)</u>	<u>-</u>	<u>(558,424)</u>
Total capital assets	<u>3,848,018</u>	<u>640,475</u>	<u>13,255,463</u>	<u>17,743,956</u>
Total assets	<u>3,848,018</u>	<u>1,334,283</u>	<u>13,550,425</u>	<u>18,732,726</u>
Liabilities:				
Current liabilities:				
Accounts payable	15,216	16,744	31,987	63,947
Accrued payroll	922	8,523	768	10,213
Deposits	1,431	557,828	25,000	584,259
Compensated absences - current	-	2,799	-	2,799
Total current liabilities	<u>17,569</u>	<u>585,894</u>	<u>57,755</u>	<u>661,218</u>
Long-term liabilities:				
Compensated absences - noncurrent	-	2,799	-	2,799
Advances payable	<u>1,795,184</u>	<u>1,507,169</u>	<u>-</u>	<u>3,302,353</u>
Total long-term liabilities	<u>1,795,184</u>	<u>1,509,968</u>	<u>-</u>	<u>3,305,152</u>
Total liabilities	<u>1,812,753</u>	<u>2,095,862</u>	<u>57,755</u>	<u>3,966,370</u>
Net assets:				
Invested in capital assets, net of related debts	3,848,018	640,475	13,255,463	17,743,956
Unrestricted	<u>(1,812,753)</u>	<u>(1,402,054)</u>	<u>237,207</u>	<u>(2,977,600)</u>
Total net assets (deficit)	<u>\$ 2,035,265</u>	<u>(761,579)</u>	<u>13,492,670</u>	<u>14,766,356</u>

CITY OF REDLANDS
Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2006

	<u>Business-type Enterprise Funds</u>			<u>Totals</u>
	<u>Aviation</u>	<u>Cemetery</u>	<u>Groves</u>	
Operating revenues:				
Charges for services	\$ -	393,298	609,712	1,003,010
Other	<u>154,907</u>	<u>-</u>	<u>104,223</u>	<u>259,130</u>
Total operating revenues	<u>154,907</u>	<u>393,298</u>	<u>713,935</u>	<u>1,262,140</u>
Operating expenses:				
Personal services	28,339	287,533	11,051	326,923
Repairs and maintenance	1,640	66,673	-	68,313
Administrative and general	109,432	184,220	743,123	1,036,775
Depreciation	<u>54,456</u>	<u>12,680</u>	<u>-</u>	<u>67,136</u>
Total operating expenses	<u>193,867</u>	<u>551,106</u>	<u>754,174</u>	<u>1,499,147</u>
Operating income (loss)	<u>(38,960)</u>	<u>(157,808)</u>	<u>(40,239)</u>	<u>(237,007)</u>
Nonoperating revenues (expenses):				
Property taxes	35,616	-	-	35,616
Investment income	-	95,894	7,048	102,942
Interest expense	(25,915)	(44,229)	-	(70,144)
Miscellaneous income	<u>-</u>	<u>168,322</u>	<u>-</u>	<u>168,322</u>
Total non-operating revenues (expenses)	<u>9,701</u>	<u>219,987</u>	<u>7,048</u>	<u>236,736</u>
Grants	<u>343,030</u>	<u>-</u>	<u>-</u>	<u>343,030</u>
Change in net assets	313,771	62,179	(33,191)	342,759
Net assets (deficit) at beginning of year	<u>1,721,494</u>	<u>(823,758)</u>	<u>13,525,861</u>	<u>14,423,597</u>
Net assets (deficit) at end of year	<u>\$ 2,035,265</u>	<u>(761,579)</u>	<u>13,492,670</u>	<u>14,766,356</u>

CITY OF REDLANDS
Nonmajor Enterprise Funds

Combining Statement of Cash Flows

Year ended June 30, 2006

	<u>Business-type Enterprise Funds</u>			<u>Totals</u>
	<u>Aviation</u>	<u>Cemetery</u>	<u>Groves</u>	
Cash flows from primary activities:				
Cash received from customers	\$ 176,503	450,385	721,349	1,348,237
Cash payments to suppliers for goods and services	(100,444)	(246,859)	(743,399)	(1,090,702)
Cash payments for employees for services	(28,054)	(298,726)	(10,983)	(337,763)
Net cash provided by (used for) operating activities	<u>48,005</u>	<u>(95,200)</u>	<u>(33,033)</u>	<u>(80,228)</u>
Cash flows from noncapital financing activities:				
Cash paid to other funds	(28,380)	(121,000)	-	(149,380)
Cash received for other activities	35,616	168,322	-	203,938
Net cash provided by noncapital financing activities	<u>7,236</u>	<u>47,322</u>	<u>-</u>	<u>54,558</u>
Cash flows from capital and related financing activities:				
Cash paid for acquisition of capital assets	(398,271)	-	-	(398,271)
Grants received	343,030	-	-	343,030
Net cash provided by (used for) capital and related financing activities	<u>(55,241)</u>	<u>-</u>	<u>-</u>	<u>(55,241)</u>
Cash flows from investing activities:				
Interest received	-	95,894	7,048	102,942
Net cash provided by investing activities	<u>-</u>	<u>95,894</u>	<u>7,048</u>	<u>102,942</u>
Net increase (decrease) in cash and cash equivalents	-	48,016	(25,985)	22,031
Cash and cash equivalents at beginning of year	-	521,199	320,947	842,146
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>569,215</u>	<u>294,962</u>	<u>864,177</u>

CITY OF REDLANDS
Nonmajor Enterprise Funds

Combining Statement of Cash Flows

(Continued)

	<u>Business-type Enterprise Funds</u>			<u>Totals</u>
	<u>Aviation</u>	<u>Cemetery</u>	<u>Groves</u>	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	<u>(38,960)</u>	<u>(157,808)</u>	<u>(40,239)</u>	<u>(237,007)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	54,456	12,680	-	67,136
(Increase) decrease in accounts receivable	3	35,577	7,414	42,994
(Increase) decrease in due from other governments	21,593	-	-	21,593
(Increase) decrease in interest receivable	-	(22,524)	-	(22,524)
Increase (decrease) in accounts payable	10,628	4,034	(276)	14,386
Increase (decrease) in accrued payroll	285	27	68	380
Increase (decrease) in deposits	-	44,034	-	44,034
Increase (decrease) in compensated absences	<u>-</u>	<u>(11,220)</u>	<u>-</u>	<u>(11,220)</u>
Total adjustments	<u>86,965</u>	<u>62,608</u>	<u>7,206</u>	<u>156,779</u>
Net cash provided by (used for) operating activities	<u>\$ 48,005</u>	<u>(95,200)</u>	<u>(33,033)</u>	<u>(80,228)</u>

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INTERNAL SERVICE FUNDS

The City maintains the following internal service funds for the purposes indicated:

Workers' Compensation Self-Insurance – To account for the City's self-insured Workers' Compensation program which is provided to all City departments and funds.

Liability Self-Insurance – To account for the City's self-insured general and automobile liability programs which are provided to all City departments and funds.

Payroll Clearing –To account for the City's activity relative to all taxes, health, and Public Employee Retirement System contributions.

Utility Billing – To account for billing services costs provided for water, sewer and solid waste.

Vehicle Pool and Maintenance – To provide replacement and maintenance of all City vehicles and major equipment and to account for vehicle rental services to all City departments.

CITY OF REDLANDS
Internal Service Funds

Combining Statement of Net Assets

June 30, 2006

	<u>Workers'</u> <u>Compensation</u> <u>Self-Insurance</u>	<u>Liability</u> <u>Self-Insurance</u>	<u>Payroll</u> <u>Clearing</u>	<u>Utility</u> <u>Billing</u>	<u>Vehicle</u> <u>Pool and</u> <u>Maintenance</u>	<u>Totals</u>
Assets:						
Current assets:						
Cash and investments	\$ 3,293,685	1,669,832	-	5,090	426,850	5,395,457
Accounts receivable	-	4,954	-	3,020	9,098	17,072
Inventory	-	-	-	-	129,766	129,766
Total current assets	<u>3,293,685</u>	<u>1,674,786</u>	<u>-</u>	<u>8,110</u>	<u>565,714</u>	<u>5,542,295</u>
Capital assets:						
Machinery and equipment	-	-	-	-	163,854	163,854
Less accumulated depreciation	-	-	-	-	(37,695)	(37,695)
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,159</u>	<u>126,159</u>
Total assets	<u>3,293,685</u>	<u>1,674,786</u>	<u>-</u>	<u>8,110</u>	<u>691,873</u>	<u>5,668,454</u>
Liabilities:						
Current liabilities:						
Accounts payable	32,698	23,772	-	7,444	200,054	263,968
Accrued payroll	7,248	2,576	-	24,971	31,365	66,160
Claims payable	1,746,866	574,219	-	-	-	2,321,085
Compensated absences	2,593	-	-	62,064	167,092	231,749
Total liabilities	<u>1,789,405</u>	<u>600,567</u>	<u>-</u>	<u>94,479</u>	<u>398,511</u>	<u>2,882,962</u>
Net assets:						
Invested in capital assets, net of related debt	-	-	-	-	126,159	126,159
Unrestricted	1,504,280	1,074,219	-	(86,369)	167,203	2,659,333
Total net assets (deficit)	<u>\$ 1,504,280</u>	<u>1,074,219</u>	<u>-</u>	<u>(86,369)</u>	<u>293,362</u>	<u>2,785,492</u>

CITY OF REDLANDS
Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended June 30, 2006

	Workers' Compensation Self-Insurance	Liability Self-Insurance	Payroll Clearing	Utility Billing	Vehicle Pool and Maintenance	Totals
Operating revenues:						
Charges for services	\$ 2,351,758	-	87,923	1,015,375	3,772,146	7,227,202
Other	-	10,431	-	346,817	1,145	358,393
Total operating revenues	<u>2,351,758</u>	<u>10,431</u>	<u>87,923</u>	<u>1,362,192</u>	<u>3,773,291</u>	<u>7,585,595</u>
Operating expenses:						
Personal services	397,636	88,870	-	846,935	1,189,701	2,523,142
Repairs and maintenance	-	-	-	27,711	1,934,164	1,961,875
Administration and general	1,286,579	962,690	-	465,756	439,700	3,154,725
Depreciation	-	-	-	-	17,215	17,215
Premiums paid out	272,673	357,183	-	-	-	629,856
Total operating expenses	<u>1,956,888</u>	<u>1,408,743</u>	<u>-</u>	<u>1,340,402</u>	<u>3,580,780</u>	<u>8,286,813</u>
Operating income (loss)	<u>394,870</u>	<u>(1,398,312)</u>	<u>87,923</u>	<u>21,790</u>	<u>192,511</u>	<u>(701,218)</u>
Nonoperating revenues:						
Investment income	-	-	-	3,051	-	3,051
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,051</u>	<u>-</u>	<u>3,051</u>
Income (loss) before transfers	<u>394,870</u>	<u>(1,398,312)</u>	<u>87,923</u>	<u>24,841</u>	<u>192,511</u>	<u>(698,167)</u>
Transfers:						
Transfers in	-	1,425,968	-	-	-	1,425,968
Transfers out	-	-	(87,923)	-	-	(87,923)
Total transfers	<u>-</u>	<u>1,425,968</u>	<u>(87,923)</u>	<u>-</u>	<u>-</u>	<u>1,338,045</u>
Change in net assets	394,870	27,656	-	24,841	192,511	639,878
Net assets (deficit) at beginning of year	<u>1,109,410</u>	<u>1,046,563</u>	<u>-</u>	<u>(111,210)</u>	<u>100,851</u>	<u>2,145,614</u>
Net assets (deficit) at end of year	<u>\$ 1,504,280</u>	<u>1,074,219</u>	<u>-</u>	<u>(86,369)</u>	<u>293,362</u>	<u>2,785,492</u>

CITY OF REDLANDS
Internal Service Funds

Combining Statement of Cash Flows

Year ended June 30, 2006

	<u>Workers' Compensation Self-Insurance</u>	<u>Liability Self-Insurance</u>	<u>Payroll Clearing</u>	<u>Utility Billing</u>	<u>Vehicle Pool and Maintenance</u>	<u>Totals</u>
Cash flows from operating activities:						
Cash received from user departments	\$ 2,351,758	5,477	87,923	1,301,053	3,769,209	7,515,420
Cash payments to suppliers for goods and services	(1,268,355)	(955,989)	(41,295)	(493,269)	(2,343,467)	(5,102,375)
Cash payments for claims	(136,981)	(329,528)	-	-	-	(466,509)
Cash payments to employees for services	<u>(393,428)</u>	<u>(90,098)</u>	<u>-</u>	<u>(805,745)</u>	<u>(1,163,294)</u>	<u>(2,452,565)</u>
Net cash provided by (used for) operating activities	<u>552,994</u>	<u>(1,370,138)</u>	<u>46,628</u>	<u>2,039</u>	<u>262,448</u>	<u>(506,029)</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	-	1,425,968	-	-	-	1,425,968
Cash paid to other funds	<u>-</u>	<u>-</u>	<u>(87,923)</u>	<u>-</u>	<u>-</u>	<u>(87,923)</u>
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>1,425,968</u>	<u>(87,923)</u>	<u>-</u>	<u>-</u>	<u>1,338,045</u>
Cash flows from capital and related financing activities:						
Cash paid for acquisition of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,300)</u>	<u>(17,300)</u>
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,300)</u>	<u>(17,300)</u>
Cash flows from investing activities:						
Interest received	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,051</u>	<u>-</u>	<u>3,051</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,051</u>	<u>-</u>	<u>3,051</u>
Net increase (decrease) in cash and cash equivalents	552,994	55,830	(41,295)	5,090	245,148	817,767
Cash and cash equivalents at beginning of year	<u>2,740,691</u>	<u>1,614,002</u>	<u>41,295</u>	<u>-</u>	<u>181,702</u>	<u>4,577,690</u>
Cash and cash equivalents at end of year	<u>\$ 3,293,685</u>	<u>1,669,832</u>	<u>-</u>	<u>5,090</u>	<u>426,850</u>	<u>5,395,457</u>

CITY OF REDLANDS
Internal Service Funds

Combining Statement of Cash Flows
(Continued)

	<u>Workers'</u>					
	<u>Compensation</u>	<u>Liability</u>	<u>Payroll</u>	<u>Utility</u>	<u>Vehicle</u>	<u>Totals</u>
	<u>Self-Insurance</u>	<u>Self-Insurance</u>	<u>Clearing</u>	<u>Billing</u>	<u>Pool and</u>	
					<u>Maintenance</u>	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 394,870	(1,398,312)	87,923	21,790	192,511	(701,218)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	-	-	-	-	17,215	17,215
(Increase) decrease in accounts receivable	-	(4,954)	-	142	(4,082)	(8,894)
(Increase) decrease in inventory	-	-	-	-	(7,381)	(7,381)
Increase (decrease) in accounts payable	18,224	6,701	(41,295)	198	37,778	21,606
Increase (decrease) in accrued payroll	3,941	(1,228)	-	12,918	2,965	18,596
Increase (decrease) in due to other funds	-	-	-	(61,281)	-	(61,281)
Increase (decrease) in claims payable	135,692	27,655	-	-	-	163,347
Increase (decrease) in compensated absences	267	-	-	28,272	23,442	51,981
Total adjustments	<u>158,124</u>	<u>28,174</u>	<u>(41,295)</u>	<u>(19,751)</u>	<u>69,937</u>	<u>195,189</u>
Net cash provided by (used for) operating activities	<u>\$ 552,994</u>	<u>(1,370,138)</u>	<u>46,628</u>	<u>2,039</u>	<u>262,448</u>	<u>(506,029)</u>

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AGENCY FUNDS

The City maintains the following Agency Funds for the purposes indicated:

Special Deposits – To account for the collection and disposition of deposits collected by various City departments which will be retained for specific purposes or subsequently refunded.

Community Facilities District Trust – To account for fiscal agent activity related to a Community Facilities District established for the purpose of constructing infrastructure.

CITY OF REDLANDS
 Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year ended June 30, 2006

	<u>Balance at</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2006</u>
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 3,488,289	3,277,264	2,699,161	4,066,392
Interest receivable	<u>562,227</u>	<u>584,811</u>	<u>562,227</u>	<u>584,811</u>
Total assets	<u>\$ 4,050,516</u>	<u>3,862,075</u>	<u>3,261,388</u>	<u>4,651,203</u>
Liabilities:				
Accounts payable	\$ 19,033	460,020	465,672	13,381
Deposits	<u>4,031,483</u>	<u>3,864,372</u>	<u>3,258,033</u>	<u>4,637,822</u>
Total liabilities	<u>\$ 4,050,516</u>	<u>4,324,392</u>	<u>3,723,705</u>	<u>4,651,203</u>
<u>Community Facilities District</u>				
Assets:				
Cash and investments	\$ 2,601,993	1,019,558	1,073,215	2,548,336
Interest receivable	<u>6,062</u>	<u>6,739</u>	<u>6,062</u>	<u>6,739</u>
Total assets	<u>\$ 2,608,055</u>	<u>1,026,297</u>	<u>1,079,277</u>	<u>2,555,075</u>
Liabilities:				
Accounts payable	\$ -	3,402	3,402	-
Deposits	<u>2,608,055</u>	<u>1,314,445</u>	<u>1,367,425</u>	<u>2,555,075</u>
Total liabilities	<u>\$ 2,608,055</u>	<u>1,317,847</u>	<u>1,370,827</u>	<u>2,555,075</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 6,090,282	4,296,822	3,772,376	6,614,728
Interest receivable	<u>568,289</u>	<u>591,550</u>	<u>568,289</u>	<u>591,550</u>
Total assets	<u>\$ 6,658,571</u>	<u>4,888,372</u>	<u>4,340,665</u>	<u>7,206,278</u>
Liabilities:				
Accounts payable	\$ 19,033	463,422	469,074	13,381
Deposits	<u>6,639,538</u>	<u>5,178,817</u>	<u>4,625,458</u>	<u>7,192,897</u>
Total liabilities	<u>\$ 6,658,571</u>	<u>5,642,239</u>	<u>5,094,532</u>	<u>7,206,278</u>

STATISTICAL SECTION

CITY OF REDLANDS
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 76,832,088	286,402,338	333,560,602	338,283,471
Restricted	7,680,350	20,217,874	20,169,777	19,302,690
Unrestricted	<u>17,731,491</u>	<u>22,731,051</u>	<u>15,269,017</u>	<u>21,427,233</u>
Total governmental activities net assets	<u>\$ 102,243,929</u>	<u>329,351,263</u>	<u>368,999,396</u>	<u>379,013,394</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 73,291,319	97,298,064	106,786,695	101,228,505
Restricted	-	-	-	-
Unrestricted	<u>27,462,231</u>	<u>19,503,335</u>	<u>17,894,867</u>	<u>32,616,394</u>
Total business-type activities net assets	<u>100,753,550</u>	<u>116,801,399</u>	<u>124,681,562</u>	<u>133,844,899</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 150,123,407	383,700,402	440,347,297	439,511,976
Restricted	7,680,350	20,217,874	20,169,777	19,302,690
Unrestricted	<u>45,193,722</u>	<u>42,234,386</u>	<u>33,163,884</u>	<u>54,043,627</u>
Total primary government net assets	<u>\$ 202,997,479</u>	<u>446,152,662</u>	<u>493,680,958</u>	<u>512,858,293</u>

*The City of Redlands implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.*

CITY OF REDLANDS
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
General government	\$ 11,406,883	9,937,107	10,634,567	11,868,103
Public safety	21,521,649	27,458,958	32,397,475	36,994,587
Highway and streets	6,130,261	5,752,512	6,284,884	8,325,785
Culture and recreation	2,694,475	3,667,475	2,858,152	3,692,986
Library	1,569,843	1,707,371	1,806,206	1,871,418
Interest and fiscal charges	4,366,521	3,352,377	3,169,104	3,713,659
Total governmental activities expenses	<u>47,689,632</u>	<u>51,875,800</u>	<u>57,150,388</u>	<u>66,466,538</u>
Business-type activities:				
Water	14,743,147	15,018,863	15,165,061	14,882,261
Disposal	6,535,367	8,154,201	8,339,209	8,799,485
Sewer	4,384,793	7,465,712	6,945,863	6,922,541
Aviation	143,518	117,417	456,441	218,316
Cemetery	519,639	569,764	630,307	591,363
Groves	472,247	463,753	872,263	749,143
Total business-type activities expenses	<u>26,798,711</u>	<u>31,789,710</u>	<u>32,409,144</u>	<u>32,163,109</u>
Total primary government expenses	<u>74,488,343</u>	<u>83,665,510</u>	<u>89,559,532</u>	<u>98,629,647</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	7,739,885	5,920,646	5,644,238	6,559,998
Public safety	978,690	1,137,806	1,160,479	935,186
Highway and streets	417,834	1,189,059	1,201,865	1,491,579
Culture and recreation	303,366	251,492	219,018	263,771
Library	44,126	43,648	67,977	55,976
Operating grants and contributions	7,526,482	9,695,136	9,849,623	18,542,273
Capital grants and contributions	4,443,648	10,258,428	38,659,823	3,715,690
Total governmental activities program revenues	<u>21,454,031</u>	<u>28,496,215</u>	<u>56,803,023</u>	<u>31,564,473</u>
Business-type activities:				
Charges for services:				
Water	15,061,628	14,797,671	13,651,258	14,988,327
Disposal	8,396,057	8,815,119	11,619,754	9,056,597
Sewer	6,691,929	6,131,723	5,364,393	6,093,675
Aviation	331,945	90,768	86,507	154,907
Cemetery	422,644	475,047	455,865	561,620
Groves	374,712	464,116	950,970	713,935
Operating grants and contributions	29,128	26,628	1,488,852	423,720
Capital grants and contributions	-	14,266,620	4,794,810	7,891,272
Total business-type activities program revenues	<u>31,308,043</u>	<u>45,067,692</u>	<u>38,412,409</u>	<u>39,884,053</u>
Total primary government program revenues	<u>52,762,074</u>	<u>73,563,907</u>	<u>95,215,432</u>	<u>71,448,526</u>
Net revenues (expenses):				
Governmental activities	(26,235,601)	(23,379,585)	(347,365)	(34,902,065)

CITY OF REDLANDS
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities	4,509,332	13,277,982	6,003,265	7,720,944
Total net revenues (expenses)	<u>(21,726,269)</u>	<u>(10,101,603)</u>	<u>5,655,900</u>	<u>(27,181,121)</u>
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	13,894,252	15,248,199	15,346,936	23,914,760
Sales taxes	10,546,723	10,870,623	13,646,820	15,267,688
Franchise taxes	816,204	939,519	996,858	1,097,157
Other taxes	892,445	1,080,199	1,115,401	1,230,525
Investment income	725,284	905,943	1,356,544	2,180,119
Intergovernmental (unrestricted)	7,467,008	3,394,937	8,261,949	1,225,814
Land sale proceeds	-	216,174	-	-
Transfers	136,947	48,139	(729,010)	-
Total governmental activities	<u>34,478,863</u>	<u>32,703,733</u>	<u>39,995,498</u>	<u>44,916,063</u>
Business-type activities:				
Investment income	1,378,230	611,614	1,147,888	1,442,393
Transfers	(136,947)	(48,139)	729,010	-
Total business-type activities	<u>1,241,283</u>	<u>563,475</u>	<u>1,876,898</u>	<u>1,442,393</u>
Total primary government	<u>35,720,146</u>	<u>33,267,208</u>	<u>41,872,396</u>	<u>46,358,456</u>
Changes in net assets				
Governmental activities	8,243,262	9,324,148	39,648,133	10,013,998
Business-type activities	5,750,615	13,841,457	7,880,163	9,163,337
Total primary government	<u>\$ 13,993,877</u>	<u>23,165,605</u>	<u>47,528,296</u>	<u>19,177,335</u>

*The City of Redlands implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.*

CITY OF REDLANDS
Fund Balances of Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General fund:				
Reserved	\$ 9,099,467	7,693,349	8,559,857	8,886,457
Unreserved	<u>10,548,153</u>	<u>10,672,433</u>	<u>7,058,101</u>	<u>2,922,503</u>
Total general fund	<u>\$ 19,647,620</u>	<u>18,365,782</u>	<u>15,617,958</u>	<u>11,808,960</u>
All other governmental funds:				
Reserved	\$ 1,428,001	2,601,356	11,500,492	2,033,335
Unreserved, reported in:				
Special revenue fund	5,301,464	17,717,671	9,791,298	16,410,790
Debt service fund	4,716,871	8,617,660	8,392,355	6,793,832
Capital projects fund	<u>1,039,229</u>	<u>6,470,702</u>	<u>6,862,140</u>	<u>9,865,235</u>
Total all other governmental funds	<u>\$ 12,485,565</u>	<u>35,407,389</u>	<u>36,546,285</u>	<u>35,103,192</u>

The City of Redlands has elected to show only four years of data for this schedule.

CITY OF REDLANDS
Changes in Fund Balances of Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes	\$ 25,874,219	28,211,269	31,241,724	41,642,820
Licenses, permits and fines	7,926,637	9,813,539	9,412,476	14,071,545
Intergovernmental	12,267,871	9,230,680	11,082,073	11,497,035
Charges for services	4,117,522	1,746,893	1,552,689	1,578,029
Charges for services to other city funds	-	3,252,119	2,935,835	-
Investment income	1,259,181	1,300,138	2,004,338	3,144,775
Contributions from property owners	-	6,608,423	-	-
Other	4,453,462	1,667,652	2,320,474	2,138,612
Total revenues	<u>55,898,892</u>	<u>61,830,713</u>	<u>60,549,609</u>	<u>74,072,816</u>
Expenditures				
Current:				
General government	12,144,871	9,548,691	10,308,122	11,478,185
Public safety	22,672,706	26,073,331	30,772,182	35,350,737
Highway and streets	4,415,591	3,542,929	6,600,623	5,076,512
Culture and recreation	2,567,771	2,443,711	2,594,046	3,344,777
Library	1,583,168	1,642,304	1,761,765	1,856,592
Capital outlay	5,172,975	8,911,917	3,196,389	16,004,189
Debt service:				
Principal	4,356,901	1,727,146	2,449,329	2,403,739
Interest	2,754,952	1,989,154	2,709,433	3,275,252
Fiscal charges	184,346	276,104	468,879	447,327
Underwriters' fees	-	268,705	-	-
Cost of issuance	-	704,438	-	-
Total expenditures	<u>55,853,281</u>	<u>57,128,430</u>	<u>60,860,768</u>	<u>79,237,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,611</u>	<u>4,702,283</u>	<u>(311,159)</u>	<u>(5,164,494)</u>
Other financing sources (uses):				
Transfers in	6,265,001	18,897,881	8,407,181	9,655,411
Transfers out	(6,025,606)	(20,134,841)	(9,704,950)	(10,993,456)
Land sale proceeds	-	216,174	-	-
Capital assets acquired with capital lease	-	654,891	-	-
Proceeds of capital lease	-	-	-	1,250,448
Issuance of long term debt	-	17,300,000	-	-
Refunding bonds issued	-	5,380,000	-	-
Proceeds of refunding bonds	17,366,732	-	-	-
Discount on issuance of long term debt	-	(154,936)	-	-
Premium on refunding bonds issued	-	142,261	-	-
Payment to refunding bond escrow agent	(17,338,898)	(5,363,727)	-	-
Total other financing sources (uses)	<u>267,229</u>	<u>16,937,703</u>	<u>(1,297,769)</u>	<u>(87,597)</u>
Net change in fund balances	<u>\$ 312,840</u>	<u>21,639,986</u>	<u>(1,608,928)</u>	<u>(5,252,091)</u>
Debt service as a percentage of noncapital expenditures	14.4%	10.3%	9.8%	9.7%

The City of Redlands has elected to show only four years of data for this schedule.

CITY OF REDLANDS
Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (in thousands of dollars)

Fiscal Year Ended June 30 ¹	City				Redevelopment Agency				Total Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value		
1997	\$ 2,762,856	135,028	(78,176)	2,819,708	-	-	-	-	2,819,708	0.32345
1998	2,807,963	145,915	(77,871)	2,876,007	-	-	-	-	2,876,007	0.32087
1999	2,832,777	154,174	(77,080)	2,909,871	-	-	-	-	2,909,871	0.31727
2000	2,907,804	154,083	(76,084)	2,985,803	-	-	-	-	2,985,803	0.31582
2001	2,828,293	104,875	(73,957)	2,859,211	229,932	40,466	(780)	269,618	3,128,829	0.31211
2002	2,954,145	120,501	(75,664)	2,998,982	247,116	42,240	(801)	288,555	3,287,537	0.31489
2003	3,332,102	145,151	(79,354)	3,397,899	271,199	49,078	(823)	319,454	3,717,353	0.31197
2004	3,672,991	152,007	(79,354)	3,745,644	287,821	46,720	(854)	333,687	4,079,331	0.30679
2005	4,072,008	137,651	(79,611)	4,130,048	316,589	44,019	(843)	359,765	4,489,813	0.30228
2006	4,854,140	160,644	(79,240)	4,935,544	348,224	47,055	(841)	394,438	5,329,982	0.28835

NOTE:

In 1978, the voters of the State of California passed Proposition 13, which limited property taxes to a total minimum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is re-assessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available, with respect to the actual market value of taxable property, and is subject to the limitations described above.

¹ For fiscal years ended 1997 through 2000, separate City and RDA information was not readily available. Therefore, the amounts shown in the City columns for those years represent the taxable assessed value for both the City and RDA combined.

Source: San Bernardino County Assessor (via Hdl, Coren & Cone)

CITY OF REDLANDS

Assessed Value and Estimated Actual Value of Taxable Property by Major Type

Last Ten Fiscal Years
(in thousands of dollars)

Category	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Residential	\$ 2,155,046	2,195,454	2,240,604	2,289,854	2,390,268	2,491,831	2,731,840	3,035,139	3,298,525	3,717,496
Commercial	259,521	266,410	275,300	286,957	358,716	385,745	426,292	446,564	492,024	560,210
Industrial	70,043	69,180	63,614	64,443	77,254	85,389	120,855	182,833	232,590	257,161
Dry Farm	220	224	229	233	1,722	1,755	2,062	1,113	1,097	337
Government	-	-	-	-	3,976	4,312	4,050	3,444	8,320	4,284
Institutional	17,555	22,387	19,972	22,575	9,777	11,874	27,394	10,896	15,557	25,209
Irrigated	3,776	2,619	2,617	2,569	22,481	29,626	26,701	24,053	29,247	39,464
Miscellaneous	12,101	12,182	11,554	11,109	5,685	8,113	70,751	15,709	11,049	12,328
Recreational	83,969	82,104	77,884	80,350	25,797	26,103	26,336	26,728	27,379	27,870
Vacant Land	140,316	137,589	134,038	141,673	145,896	139,106	149,807	151,675	175,163	248,366
SBE Nonunitary	5,664	5,847	6,144	6,180	16,645	17,407	17,213	61,061	96,019	306,375
Unsecured	135,028	145,915	154,174	154,083	145,341	162,741	194,229	198,727	181,670	207,699
Unknown	14,645	13,967	821	1,861	8	-	-	1,597	1,627	3,264
Total Assessed Value	\$ 2,897,884	2,953,878	2,986,951	3,061,887	3,203,566	3,364,002	3,797,530	4,159,539	4,570,267	5,410,063
Less: Exemptions	(78,176)	(77,871)	(77,080)	(76,084)	(74,737)	(76,465)	(80,177)	(80,208)	(80,454)	(80,081)
Taxable Assessed Value	\$ 2,819,708	2,876,007	2,909,871	2,985,803	3,128,829	3,287,537	3,717,353	4,079,331	4,489,813	5,329,982
Total Direct Rate	0.32345	0.32087	0.31727	0.31582	0.31211	0.31489	0.31197	0.30679	0.30228	0.28835

NOTE:

In 1978, the voters of the State of California passed Proposition 13, which limited property taxes to a total minimum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is re-assessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available, with respect to the actual market value of taxable property, and is subject to the limitations described above.

Source: San Bernardino County Assessor (via HdL, Coren & Cone)

CITY OF REDLANDS
 Direct and Overlapping Property Tax Rates
 (Rate per \$100 of assessed value)
 Last Four Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City Basic Rate	0.21455	0.21455	0.21455	0.21455
Overlapping Rates:				
County General Fund	0.14707	0.14707	0.14707	0.14707
County Superintendent	0.00755	0.00755	0.00755	0.00755
East Valley Resource Conservation District	0.00049	0.00049	0.00049	0.00049
Educational Revenue Augmentation Fund	0.22257	0.22257	0.22257	0.22257
Flood Control Zone 3	0.02584	0.02584	0.02584	0.02584
Flood Control Zone 8	0.00089	0.00089	0.00089	0.00089
Redlands Unified	0.30207	0.30207	0.30207	0.30207
San Bernardino Community College	0.05185	0.05185	0.05185	0.05185
San Bernardino Valley Municipal Water	0.02668	0.02668	0.02668	0.02668
San Bernardino Valley Water Conservation District	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>
Total Proposition 13 Rate	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
Redlands Measure "O" Bonds	0.01960	0.01770	0.01550	0.01350
Redlands Unified	0.03510	0.06280	0.04690	0.04490
San Bernardino Community College	-	0.01690	0.01890	0.01660
San Bernardino Valley Municipal Water	<u>0.14000</u>	<u>0.14000</u>	<u>0.14000</u>	<u>0.16000</u>
Total Voter Approved Rate	<u>0.19470</u>	<u>0.23740</u>	<u>0.22130</u>	<u>0.23500</u>
Total Tax Rate	<u>1.19470</u>	<u>1.23740</u>	<u>1.22130</u>	<u>1.23500</u>
 RDA Incremental Rate	 1.15960	 1.15770	 1.15550	 1.17350
 Total Direct Rate	 0.31197	 0.30679	 0.30228	 0.28835

NOTE:

In 1978, California voters passed Proposition 13, which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies in which the subject property resides. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of various voter approved items.

Source: San Bernardino County Assessor (via HdL, Coren & Cone)

CITY OF REDLANDS
Principal Property Tax Payers
Current Year and Three Years Ago

Taxpayer	2006		2003	
	Property Tax Revenue	Percent of Total City Property Tax Levies	Property Tax Revenue	Percent of Total City Property Tax Levies
NYS New LLC	\$ 310,424	1.46%	\$ 232,290	1.99%
A & A Royal Plaza	221,276	1.04%	-	N/A
Evans Withycombe Residential	153,984	0.72%	149,189	1.28%
HD Development of Maryland, Inc.	132,485	0.62%	-	N/A
Showprop Redlands, LLC	130,482	0.61%	106,311	0.91%
ESRI	121,495	0.57%	116,749	1.00%
Orange Street Plaza, LLC	119,665	0.56%	89,033	0.76%
NYS, LLC	112,743	0.53%	-	N/A
GGP Redlands Mall	104,342	0.49%	95,811	0.82%
Redlands Community Investment Corporation	97,139	0.46%	75,104	0.64%
Home Depot USA, Inc.	-	N/A	148,901	1.27%
Tri-City Associates, LLC	-	N/A	84,583	0.72%
K-Mart Corporation	-	N/A	83,258	0.71%
	<u>\$ 1,504,035</u>	<u>7.07%</u>	<u>\$ 1,181,229</u>	<u>10.10%</u>

The amounts shown above include estimated tax revenue data for both the City and the Redevelopment Agency.

Source: San Bernardino County Assessor (via HdL, Coren & Cone)

CITY OF REDLANDS
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1997	\$ 10,607,575	9,790,232	92.29%	985,877	10,776,109	101.59%
1998	11,021,502	9,836,134	89.24%	1,037,227	10,873,361	98.66%
1999	10,977,102	9,935,972	90.52%	930,550	10,866,522	98.99%
2000	10,833,250	10,715,869	98.92%	784,744	11,500,613	106.16%
2001	10,981,937	11,512,935	104.84%	329,758	11,842,693	107.84%
2002	11,141,753	11,589,661	104.02%	765,510	12,355,171	110.89%
2003	11,689,975	13,093,816	112.01%	829,560	13,923,376	119.11%
2004	13,693,200	14,146,989	103.31%	682,615	14,829,604	108.30%
2005	14,540,000	18,153,068	124.85%	722,833	18,875,901	129.82%
2006	21,285,300	22,204,121	104.32%	1,392,399	23,596,520	110.86%

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

Source: City of Redlands

CITY OF REDLANDS
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				Business-type Activities							Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Total Governmental Activities	Water Revenue Bonds	Wastewater Revenue Bonds	Certificates of Participation	Loans	Business-type Activities					
1997	\$ 6,860,000	30,810,000	24,815,000	\$ 62,485,000	-	-	51,950,000	1,624,109	\$ 53,574,109	\$ 116,059,109	9.14%	\$ 1,761		
1998	6,610,000	30,095,000	23,775,000	60,480,000	-	-	50,070,000	1,558,419	51,628,419	112,108,419	8.33%	1,696		
1999	6,350,000	31,805,000	22,685,000	60,840,000	23,345,000	17,770,000	5,665,000	1,490,364	48,270,364	109,110,364	7.77%	1,632		
2000	6,075,000	30,535,000	21,525,000	58,135,000	23,345,000	17,770,000	5,110,000	1,419,859	47,644,859	105,779,859	7.10%	1,561		
2001	5,780,000	29,715,000	20,300,000	55,795,000	22,295,000	17,095,000	4,515,000	1,346,816	45,251,816	101,046,816	6.74%	1,547		
2002	5,470,000	28,865,000	19,005,000	53,593,272	21,210,000	16,395,000	3,880,000	2,006,599	43,491,599	97,084,871	6.32%	1,471		
2003	5,140,000	27,985,000	17,366,732	50,687,019	20,085,000	15,670,000	3,205,000	2,692,748	41,652,748	92,339,767	5.75%	1,366		
2004	4,940,000	44,375,000	17,313,394	66,961,631	18,910,000	14,915,000	2,480,000	11,995,991	48,300,991	115,262,622	6.67%	1,675		
2005	4,510,000	42,680,000	17,260,056	64,683,333	17,685,000	14,130,000	1,705,000	11,199,198	44,719,198	109,404,531	5.97%	1,556		
2006	4,075,000	41,105,000	16,620,000	61,935,647	16,415,000	13,315,000	880,000	12,508,935	43,118,935	105,054,582	5.46%	1,478		

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF REDLANDS
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt					Percent of Assessed Value ¹	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Loans	Total		
1997	\$ 6,860	30,810	24,815	-	\$ 62,485	2.16%	\$ 948
1998	6,610	30,095	23,775	-	60,480	2.05%	915
1999	6,350	31,805	22,685	-	60,840	2.04%	910
2000	6,075	30,535	21,525	-	58,135	1.90%	858
2001	5,780	29,715	20,300	-	55,795	1.74%	854
2002	5,470	28,865	19,005	253	53,593	1.59%	812
2003	5,140	27,985	17,367	195	50,687	1.33%	750
2004	4,940	44,375	17,313	333	66,962	1.61%	973
2005	4,510	42,680	17,260	235	64,685	1.42%	920
2006	4,075	41,105	16,620	136	61,936	1.14%	871

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

CITY OF REDLANDS
Direct and Overlapping Debt
June 30, 2006

Total 2005-2006 Assessed Valuation	\$ 5,410,062,595	
Redevelopment Agency Incremental Valuation	<u>395,279,475</u>	
Adjusted City Assessed Valuation	<u>\$ 5,014,783,120</u>	
	Percentage Applicable ¹	Outstanding Debt 06/30/06
		Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:		
San Bernardino Community College District	14.683%	\$ 67,292,550
Redlands Unified School District	64.542%	71,498,512
San Bernardino City Unified School District	0.079%	159,025,304
City of Redlands Community Facilities District No. 2001-1	100.000%	8,490,000
City of Redlands Community Facilities District No. 2003-1	100.000%	<u>9,545,000</u>
Total Overlapping Tax and Assessment Debt		<u>315,851,366</u>
		<u>74,187,765</u>
Overlapping General Fund Debt:		
San Bernardino County General Fund Obligations	4.972%	\$ 885,315,000
San Bernardino County Pension Obligations	4.972%	761,360,591
San Bernardino Valley Municipal Water District Certificates of Participation	20.685%	5,075,000
Redlands Unified School District Certificates of Participation	64.542%	11,406,783
Yucaipa-Calimesa Joint Unified School District Authority	0.825%	<u>18,190,000</u>
Total Gross Overlapping General Fund Debt		<u>1,681,347,374</u>
Less: San Bernardino Valley Municipal Water District Certificates of Participation		(1,049,764)
Total Net Overlapping General Fund Debt		<u>89,384,945</u>
Total Gross Overlapping Debt		\$ 164,622,474
Total Net Overlapping Debt		\$ 163,572,710
Direct Tax and Assessment Debt:		
City of Redlands	100.000%	<u>\$ 4,075,000</u>
\$ 4,075,000		<u>\$ 4,075,000</u>
Direct General Fund Debt:		
City of Redlands General Fund Obligations	100.000%	<u>\$ 16,620,000</u>
\$ 16,620,000		<u>\$ 16,620,000</u>
Total Direct Debt		<u>\$ 20,695,000</u>
Total Gross Direct and Overlapping Debt ²		\$ 185,317,474
Total Net Direct and Overlapping Debt ²		\$ 184,267,710

¹ Percentage of overlapping agency's assessed valuation located within boundaries of the City.

² Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, tax allocation bonds, and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CITY OF REDLANDS
 Legal Debt Margin Information
 Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Assessed valuation	\$ 2,897,883,993	2,953,877,623	2,986,951,206	3,061,886,515	3,203,566,422	3,364,001,725	3,797,530,098	4,159,538,812	4,570,267,222	5,410,062,595
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 724,470,998	738,469,406	746,737,802	765,471,629	800,891,606	841,000,431	949,382,525	1,039,884,703	1,142,566,806	1,352,515,649
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	108,670,650	110,770,411	112,010,670	114,820,744	120,133,741	126,150,065	142,407,379	155,982,705	171,385,021	202,877,347
Total net debt applicable to limit: General obligation bonds	6,860,000	6,610,000	6,350,000	6,075,000	5,780,000	5,470,000	5,140,000	4,940,000	4,510,000	4,075,000
Legal debt margin	\$ 101,810,650	104,160,411	105,660,670	108,745,744	114,353,741	120,680,065	137,267,379	151,042,705	166,875,021	198,802,347
Total debt applicable to the limit as a percentage of debt limit	6.3%	6.0%	5.7%	5.3%	4.8%	4.3%	3.6%	3.2%	2.6%	2.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: San Bernardino County Assessor (via HdL, Coren & Conc)

CITY OF REDLANDS

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue Bonds					Wastewater Revenue Bonds				
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Coverage	Wastewater Revenue	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Coverage
1997	\$ -	-	-	-	N/A	\$ -	-	-	-	N/A
1998	-	-	-	-	N/A	-	-	-	-	N/A
1999	9,594,952	7,446,092	2,148,860	-	N/A	4,103,375	2,652,248	1,451,127	-	N/A
2000	15,018,702	7,593,679	7,425,023	-	10.16	4,154,359	2,861,516	1,292,843	-	2.30
2001	10,458,450	8,498,058	1,960,392	1,050,000	0.94	4,315,888	3,542,829	773,059	675,000	0.52
2002	11,335,908	9,230,587	2,105,321	1,085,000	1.01	4,318,650	3,689,006	629,644	700,000	0.43
2003	15,073,046	11,108,209	3,964,837	1,125,000	1.90	6,691,929	3,941,439	2,750,490	725,000	1.86
2004	17,392,023	11,107,771	6,284,252	1,175,000	3.01	17,829,276	4,630,817	13,198,459	755,000	8.94
2005	16,131,641	11,292,982	4,838,659	1,225,000	2.32	7,995,331	4,891,105	3,104,226	785,000	2.10
2006	19,199,475	11,976,185	7,223,290	1,270,000	3.47	9,919,748	4,584,864	5,334,884	815,000	3.63

NOTE:

Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

CITY OF REDLANDS
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds			
	Tax Increment	Debt Service		Coverage
		Principal	Interest	
1997	\$ 3,251,212	685,000	1,274,586	1.66
1998	3,298,755	715,000	1,327,728	1.61
1999	3,217,900	560,000	911,112	2.19
2000	3,382,741	1,270,000	1,392,728	1.27
2001	3,339,196	820,000	1,354,063	1.54
2002	3,750,394	850,000	1,323,168	1.73
2003	4,194,603	880,000	1,291,163	1.93
2004	4,263,387	910,000	1,377,309	1.86
2005	4,269,038	1,695,000	1,866,995	1.20
2006	5,905,194	1,575,000	1,815,247	1.74

CITY OF REDLANDS
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income	Per Capita Personal Income (2)	Unemployment Rate (3)
1997	65,900	\$ 1,269,563,500	\$ 19,265	6.5%
1998	66,100	1,345,994,300	20,363	5.7%
1999	66,866	1,404,252,866	21,001	4.9%
2000	67,771	1,489,064,412	21,972	3.6%
2001	65,313	1,498,868,037	22,949	3.9%
2002	65,984	1,537,031,296	23,294	4.6%
2003	67,604	1,607,082,288	23,772	4.8%
2004	68,832	1,728,233,856	25,108	4.3%
2005	70,324	1,833,979,596	26,079	3.8%
2006	71,086	1,925,577,568	27,088	3.8%

- Sources:
- (1) State of California, Department of Finance - Demographic Research Unit
 - (2) State of California, Employment Development Department (data shown is for San Bernardino County; 2005 and 2006 figures are estimates based on the average percentage change in prior years)
 - (3) State of California, Employment Development Department (data shown is annual rate for San Bernardino County from 1997-1999, annual rate for Redlands from 2000-2005, and for 2006, the Redlands preliminary June 2006 rate is shown)

CITY OF REDLANDS
Principal Employers
Current Year and Nine Years Ago

Employer	2006		1997	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Redlands Unified School District	1,730	4.63%	1,172	3.95%
ESRI	1,530	4.09%	1,150	3.88%
Redlands Community Hospital	1,100	2.94%	800	2.70%
University of Redlands	900	2.41%	500	1.69%
City of Redlands	608	1.63%	433	1.46%
Westcor Construction of CA, Inc.	600	1.60%	-	N/A
La-Z-Boy, Inc.	450	1.20%	356	1.20%
Wal-Mart Stores, Inc.	400	1.07%	-	N/A
Redlands Employment Services, Inc.	400	1.07%	-	N/A
AG Employers, Inc.	400	1.07%	-	N/A
United States Postal Service	-	N/A	1,350	4.55%
Beaver Medical Clinic	-	N/A	625	2.11%
Klaussner Furniture	-	N/A	617	2.08%
Southern California Gas Company	-	N/A	367	1.24%

"Total Employment" as used above represents the total employment of all employers located within City limits. For 2006, the June 2006 Redlands preliminary employment figure (37,400) was used. For 1997, an estimated figure (29,668) was used, based on the average percentage change in prior years.

Sources:

www.selectory.com (2006 principal employer data)

State of California, Employment Development Department (total employment data)

CITY OF REDLANDS
City Employees
by Function
Last Ten Fiscal Years

	Employees as of June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Full-time employees:										
City clerk's office	2	2	2	2	2	2	2	2	2	2
City manager's office	6	6	6	6	7	7	6	6	6	6
City treasurer's office	7	7	7	7	8	8	8	8	7	7
Administrative services	24	24	19	19	19	19	20	23	23	23
Community development	14	14	14	15	18	18	16	18	18	18
Finance	12	12	12	13	12	12	12	12	12	11
Fire	60	60	59	59	60	60	60	60	60	67
Library	19	19	19	19	21	21	21	21	21	21
Management information systems	3	3	3	4	4	4	4	4	4	4
Municipal utilities:										
Administration	16	16	17	18	19	19	18	23	23	29
Water	37	37	38	38	39	39	41	38	38	39
Solid waste	37	37	37	37	38	38	42	44	42	40
Wastewater	20	20	21	21	21	21	24	24	24	24
Cemetery	7	7	7	7	7	7	7	7	7	5
Police	111	111	125	126	130	138	151	157	154	161
Public works	51	51	51	53	53	53	56	54	53	49
Redevelopment	-	-	-	-	-	-	-	-	-	5
	<u>426</u>	<u>426</u>	<u>437</u>	<u>444</u>	<u>458</u>	<u>466</u>	<u>488</u>	<u>501</u>	<u>494</u>	<u>511</u>
Part-time employees ¹	-	-	-	-	-	-	-	-	-	72
At-will employees ²	-	-	-	-	-	-	-	-	-	10
Grant-funded employees	<u>7</u>	<u>7</u>	<u>7</u>	<u>8</u>	<u>7</u>	<u>7</u>	<u>13</u>	<u>16</u>	<u>14</u>	<u>15</u>
Total	<u>433</u>	<u>433</u>	<u>444</u>	<u>452</u>	<u>465</u>	<u>473</u>	<u>501</u>	<u>517</u>	<u>508</u>	<u>608</u>

¹ Data not available for all fiscal years.

² New employment classification in fiscal year 2005-06, which includes 4 positions for Fire, 2 for Solid Waste, and 4 for Police.

Source: City of Redlands Budget

CITY OF REDLANDS
 Operating Indicators
 by Function
 Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police:										
Calls for service ¹	45,768	43,959	40,926	42,935	45,614	48,124	55,512	63,727	63,560	
Emergency calls for service ¹	10,927	9,048	9,377	9,419	8,899	8,900	9,699	10,521	11,178	
Citations issued ¹	10,954	11,103	9,515	10,671	10,514	8,180	9,338	8,291	5,410	
Fire:										
Number of incidents	5,597	5,763	5,725	5,836	6,319	6,340	6,675	7,116	7,040	7,625
Inspections performed ¹	2,231	2,253	2,293	2,271	2,262	2,355	2,456	2,498	2,576	
Building and safety:										
Permits issued ²				2,055	2,409	2,385	2,876	3,070	2,997	2,838
Inspections performed ²				9,530	11,048	10,970	12,228	15,961	15,679	17,273
Parks and recreation:										
Community center attendance ²			40,619	54,076	39,686	46,968	36,211	45,228	35,160	62,048
Senior center attendance ²			38,786	40,920	43,452	48,788	47,941	43,644	42,496	43,374
Joslyn center attendance ²			38,092	41,407	39,989	40,175	47,292	43,201	49,808	39,328
Youth sports attendance ²			19,246	18,488	25,266	20,963	12,980	15,781	17,781	14,859
Adult sports attendance ²			11,026	12,077	12,943	14,780	10,255	11,989	20,418	19,797
Water:										
Number of services	18,350	17,957	18,401	18,617	18,857	19,357	19,670	20,140	20,500	21,047
Average daily consumption (thousands of gallons)	22,000	22,000	22,000	24,500	23,600	28,200	25,700	25,400	27,000	23,553
Solid waste:										
Recycled materials (tons) ²					19,495	21,058	24,502	29,794	37,123	38,083
Refuse disposed (tons) ²					50,250	52,034	54,599	56,865	59,745	61,607
Library:										
Number of volumes	123,142	82,500	93,181	95,307	129,472	134,032	138,513	136,671	138,446	141,310

¹ Data is calendar year, instead of fiscal year.

² Data not available for all years.

Source: City of Redlands

CITY OF REDLANDS
 Capital Asset Statistics
 by Function
 Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	3	3	4	4	4	4	4	4	4	4
Fire:										
Fire stations	3	3	3	3	3	3	3	3	4	4
Public works:										
Streets (miles)	279	270	270	272	285	290	305	307	310	312
Traffic signals (city-owned)	41	48	48	49	51	54	58	61	61	64
Parks and recreation:										
Parks (acreage)	250	250	250	250	250	250	250	250	250	250
Groves (acreage)	251	251	268	268	268	268	200	175	175	196
Community centers	4	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	357	362	346	346	361	361	368	381	387	407
Maximum daily production capacity (thousands of gallons)	52,000	52,000	52,000	52,000	42,600	45,400	45,400	55,400	59,000	50,000
Wastewater:										
Sewers (miles)	213	214	214	214	215	215	222	222	226	232
Daily capacity of wastewater plant (thousands of gallons)	9,000	9,000	9,000	9,500	9,500	9,500	9,500	9,500	9,500	9,500
Solid waste:										
Landfill (city-owned)	1	1	1	1	1	1	1	1	1	1
Library:										
Public library	1	1	1	1	1	1	1	1	1	1