



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

(This page intentionally left blank)

CITY OF REDLANDS
CALIFORNIA

Comprehensive Annual Financial Report

Year ended June 30, 2007

Prepared by:
FINANCE DEPARTMENT

Tina T. Kundig
Director of Finance

(This page intentionally left blank)

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

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
GFOA Certificate of Achievement for Excellence in Financial Reporting	vii
Principal Officers	viii
Organization Chart	ix
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	18
Statement of Activities	19
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Proprietary Funds:	
Statement of Net Assets	26
Statement of Revenues, Expenses and Changes in Fund Net Assets	28
Statement of Cash Flows	29
Agency Funds:	
Statement of Fiduciary Assets and Liabilities	31
Notes to the Basic Financial Statements	32

CITY OF REDLANDS
 Comprehensive Annual Financial Report
 (Continued)

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
Required Supplementary Information:	
Notes to Required Supplementary Information	73
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	74
Major Special Revenue Funds:	
Public Facilities Development	76
General Capital Improvement	77
Supplementary Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	79
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	86
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
State Gas Tax	90
Community Development Block Grant	91
Downtown Redlands Business Association	92
Parking Authority	93
Low and Moderate Income Housing	94
Emergency Services	95
Street Construction	96
Traffic Safety	97
Open Space	98
Disaster Recovery	99
Park Development	100
Local Transportation	101
Street Lighting District #1	102
Air Quality Improvement Measure I	103
	104

CITY OF REDLANDS
 Comprehensive Annual Financial Report
 (Continued)

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
Designated Receipts	105
Traffic Signals	106
Landscape Maintenance District	107
Household Hazardous Waste	108
Supplemental Law Enforcement	109
Neighborhood Initiative Program	110
Drug Confiscation	111
Community Facilities District	112
Police Grants	113
CFD 2004-1 Assessment	114
Nonmajor Debt Service Funds:	
Combining Balance Sheet	116
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	117
Schedule of Revenues, Expenditures and Changes in Fund Balances	
- Budget and Actual:	
City of Redlands	118
Redlands Public Improvement Corporation	119
Redevelopment Agency	120
Nonmajor Capital Projects Funds:	
Combining Balance Sheet	122
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	123
Schedules of Revenues, Expenditures and Changes in Fund Balances	
- Budget and Actual:	
Storm Drain	124
General Obligation Bonds, Series 1988A	125
Redevelopment Projects	126
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets	128
Combining Statement of Revenues, Expenses and Changes in Net Assets	129
Combining Statement of Cash Flows	130

CITY OF REDLANDS
Comprehensive Annual Financial Report
(Continued)

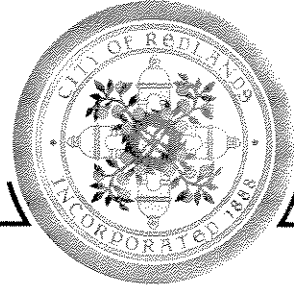
TABLE OF CONTENTS. (CONTINUED)

	<u>Page</u>
Internal Service Funds:	
Combining Statement of Net Assets	133
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	134
Combining Statement of Cash Flows	135
Agency Funds:	
Combining Statement of Changes in Assets and Liabilities	138
STATISTICAL SECTION:	
Net Assets by Component	139
Changes in Net Assets	140
Fund Balances of Governmental Funds	142
Changes in Fund Balances of Governmental Funds	143
Assessed Value and Estimated Actual Value of Taxable Property	144
Assessed Value and Estimated Actual Value of Taxable Property by Major Type	145
Direct and Overlapping Property Tax Rates	146
Principal Property Tax Payers	147
Property Tax Levies and Collections	148
Ratios of Outstanding Debt by Type	149
Ratio of General Bonded Debt Outstanding	150
Direct and Overlapping Debt	151
Legal Debt Margin Information	152
Pledged-Revenue Coverage	153
Demographic and Economic Statistics	154
Principal Employers	155
City Employees by Function	156
Operating Indicators by Function	157
Capital Asset Statistics by Function	158

INTRODUCTORY SECTION

(This page intentionally left blank)

City of Redlands



December 21, 2007

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, 2007.

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, 2007, 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, 2007, 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

"Preserving the Past, Protecting the Future"



(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 lies within the San Bernardino Valley in the southwestern portion of San Bernardino County, covering an area of 36 square miles, within the heart of the Inland Empire. It serves a population of 71,375 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 3.9%. Since 2000, the annual unemployment rate for the City has ranged from a low of 3.4% to a high of 4.5%.

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 15.3%. The City of Redlands experienced a net taxable value increase of 17.4% for the 2006-2007 tax roll. The increase experienced county wide was 17.9%. The assessed value increase from the prior year was \$939.6 million, with \$98.8 million or 10.5% of that amount attributable to the 2% CPI adjustment granted by the County assessor. The largest assessed value increase on a single parcel, \$27.5 million, was reported on an industrial property owned by United Prologis. The largest value increase in the City is attributed to the Mountainview Power Company, LLC, which increased in value from \$300.4 million to \$549.8 million. The taxable value of residential property in the City increased by \$515 million (13.85%), commercial property increased by \$98.4 million (17.56%), and industrial property increased by \$68 million (26.45%). From fiscal year 2000-2001 to 2006-2007 assessed valuation for the City of Redlands increased 107% reaching \$6.3 billion.

Development activity occurring in fiscal year 2006-2007 remained strong although residential growth continued to experience a slow down. There were permits issued for 154 single family detached residences with a building valuation of \$43,003,355 and permits for multifamily structures had a valuation of \$1,018,322. Building valuation for commercial buildings was up significantly from last fiscal year with permits for 50 commercial buildings being issued with a building valuation of 92,052,538, an increase of 76% over last year. Overall building valuation for permits issued in fiscal year 2006-2007 increased to \$201,335,000, a 67% increase over last year.

The strongest activity was industrial development. There was over 2.6 million square feet of industrial buildings completed this past year. AMB Property Corporation constructed two regional distribution centers; one with 1,313,470 square feet and the second with 699,350 square

feet. Western Realco completed a five building industrial park with 271,093 square feet. Thrifty Oil Company also developed a 140,380 square foot multiple building industrial park.

Industrial development will remain strong. There is 1.7 million square feet of industrial development under construction and another 1.1 million square feet of industrial development that is either approved or in the planning process. Some of the significant industrial projects under construction include: PGP Partners, developing a six building industrial park with 711,000 square feet of floor area; Rossmore Enterprises, developing a five building industrial park with 288,126 square feet; Western Realco, constructing a 411,879 square foot warehouse distribution facility; and MKJ-McCalla, developing an eight building business park with a combined building area of 135,570 square feet.

Office development is expanding and becoming a higher percentage of development than in past years. There was 75,717 square feet of office development built this year which includes a 39,178 square foot medical office condominium project by Edward Anderson and an eight building 36,539 square foot office condominium by Plum Lane Partners, LLC. There is 436,768 square feet of office development under construction and over 400,000 square feet of office development either approved or in the planning process. Some of the major office projects under construction include: Kaiser Foundation Hospitals, developing a three story 120,159 square foot medical office building; Redlands Spectrum LP, constructing a 101,127 square foot fifteen building office park; and James Didion, constructing a three story medial complex with a building area of 52,559 square feet.

Retail development is steady and there are a number of significant projects approved and ready for development. There was 109,481 square feet of retail development completed this fiscal year. The most significant retail projects include: the Country Inn, a 52,288 square foot 79 unit hotel; R.P. Wages, a 20,851 square foot retail development on Alabama Street; and Realty Bancorp Equities who completed a 13,650 square foot Walgreens Drug Store.

There is another 78,916 square feet of retail development under construction. This includes a 69,666 square foot automobile dealership being built for a new Toyota of Redlands. There is 590,261 square feet of retail development that is either approved or in the planning process. Approved projects include: Redlands Land Acquisition Company, LP., developing a 150,300 square foot commercial center containing retail, restaurant and health club; Citrus Packing LLC, developing a four building commercial center with 110,512 square feet of floor area; and the Ayres Hotel Company, Inc., building a 52,158 square foot, two-story, 107 room Ayres Hotel.

Residential development activity has continued at a slower pace than in prior years. There were 302 dwelling units completed this year. The primary residential projects included: KB Homes (Tract 16556), a 107 unit single family subdivision; Ryland Homes (Tract 16747), a 52 lot single family planned residential development; Quantum Structures (Tract 13986), an 85 unit town-home development; and Buckeyes Limited Partnership (Tract 17691), a 24 unit residential condominium.

There are 129 single family detached homes and a 64 unit attached condominium development under construction. Beazer Homes (Tract 16390) has 81 of its 139 unit subdivision under

construction. The 64 unit condominium development (Tract 16548) is being developed by Quantum Structures.

Redlands is ready to "bounce back" from the residential slow down once the market place is prepared to proceed with increased production. The inventory of approved projects would allow for 1,173 dwelling units to be developed with 741 detached single family homes and 432 attached units. Some of the key residential projects include: Standard Pacific Homes (Tract 16689), a 209 unit residential planned development; Granite Homes (Tract 16586), an 80 lot single family residential planned unit development; Quantum Structures (Tract 17693), a 77 unit residential town-home development; and Adrian Gaus, a 71 unit senior housing complex located north of Lugonia Avenue.

In addition to the development projects noted above, the City has the following other major projects completed or in process at June 30, 2007: Redlands Sports Park Phase I, a 45 acre park with eight lighted soccer fields and a large multipurpose field, was completed in fiscal year 2006-2007, except for some street paving work and the restroom building; 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 fiscal year 2006-2007. A major project for fiscal year 2006-2007, the Civic Center ADA Improvements project, designed to remove barriers to the disabled at City Hall, was completed in September, 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, up until fiscal year 2006-2007, the City's General Fund expenditures exceeded revenues, thereby causing a steady reduction in unreserved fund balance. Although the City experienced significant growth in property taxes, sales taxes and development during these years, its revenues still were not able to keep pace with its expenditures. Accordingly, the City began to focus on financial policy decisions to balance the budget, establish minimum reserve levels, as well as review service levels, enhance revenue opportunities, evaluate reorganizations and develop capital improvement plans. These actions helped the City's General Fund achieve a net increase in fund balance of \$1.4 million during fiscal year 2006-2007. This kind of innovation and teamwork by the Council, staff and the citizens of Redlands will be critical to the City's financial future, particularly in light of the fact that 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.

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 necessary to meet the City's needs, 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 1,818 days, with an average weighted maturity of 385 days. The average yield on investments was 4.77 per cent at June 30, 2007.

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 9 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 228 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.

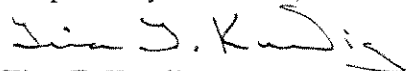
Awards and Acknowledgements

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, 2004, 2005 and 2006. 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, 2006

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.



Oliver S. Cox

President

Jeffrey R. Egan

Executive Director

CITY OF REDLANDS
PRINCIPAL OFFICERS

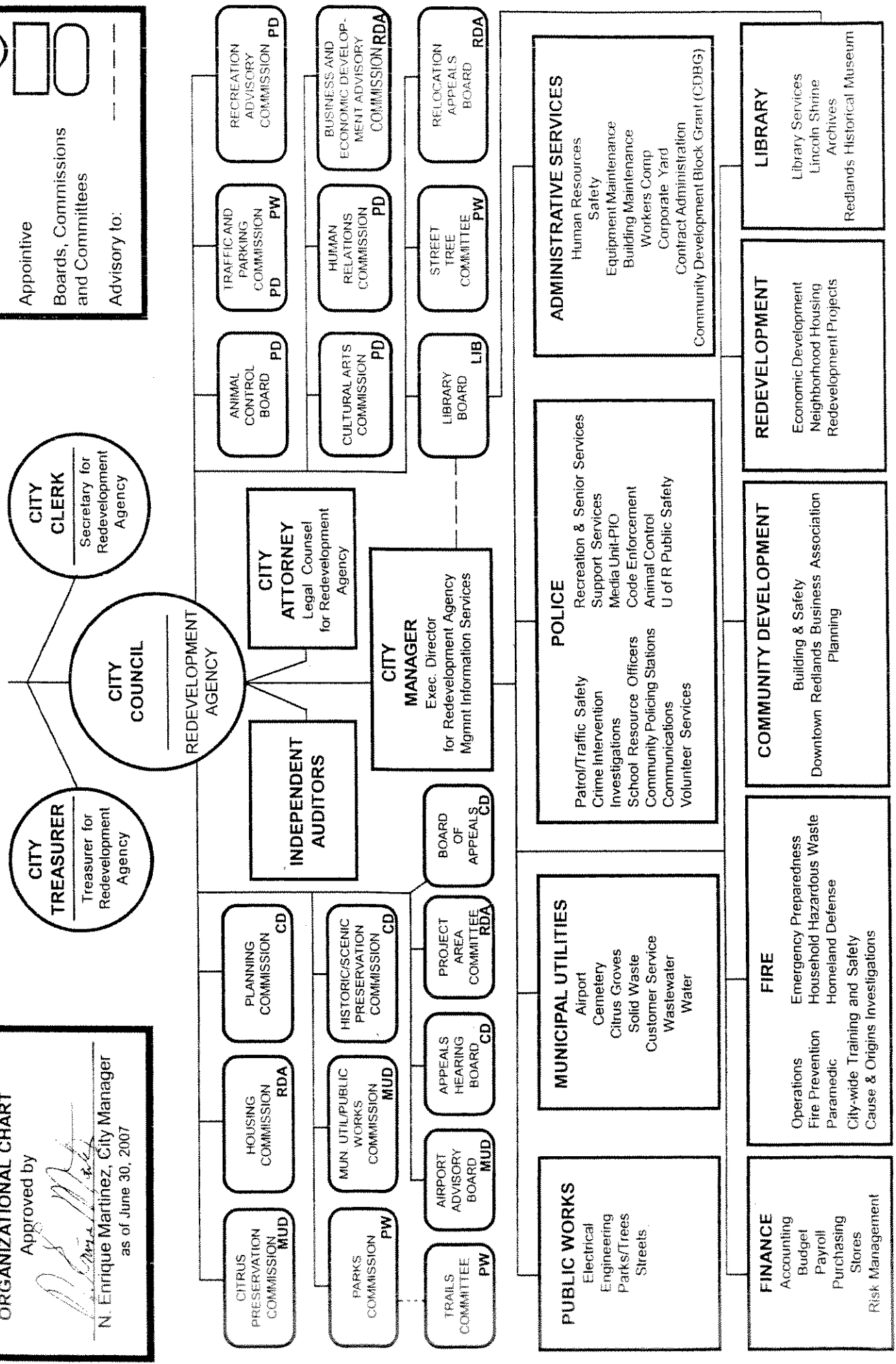
CITY COUNCIL (Elected)	Jon P. Harrison, Mayor Patricia L. Gilbreath, Mayor Pro Tem Peter R. Aguilar, Councilmember Michael T. Gallagher, Councilmember Gilberto Gil, Councilmember
CITY MANAGER	N. Enrique Martinez
CITY CLERK (Elected)	Lorrie C. Poyzer
CITY TREASURER (Elected)	Michael Reynolds
CITY ATTORNEY	Daniel J. McHugh
ADMINISTRATIVE SERVICES DIRECTOR (Acting)	Tina T. Kundig
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
POLICE CHIEF	James R. Bueermann
PUBLIC WORKS DIRECTOR	Ronald C. Mutter
REDEVELOPMENT DIRECTOR (Interim)	Steven H. Dukett

CITY OF REDLANDS
CALIFORNIA
ORGANIZATIONAL CHART
Approved by
[Signature]
N. Enrique Martinez, City Manager
as of June 30, 2007

ELECTORATE (VOTERS)

LEGEND

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



(This page intentionally left blank)

FINANCIAL SECTION

(This page intentionally left blank)



Mayer Hoffmann McCann P.C.
An Independent CPA Firm
Conrad Government Services Division
2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

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, 2007, 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 an opinion 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 opinion.

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, 2007, 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 an opinion 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 December 21, 2007 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 considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
December 21, 2007

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, 2007. 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

	Government-wide Statements	Fund Statements		
		<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, 2007

Table 1

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other Assets	68,245,276	62,835,891	55,635,021	48,138,038	123,880,297	110,973,929
Capital Assets	435,214,607	394,673,614	139,946,478	137,392,890	575,161,085	532,066,504
Total Assets	503,459,883	457,509,505	195,581,499	185,530,928	699,041,382	643,040,433
Long-term Debt Outstanding	72,321,273	73,285,839	44,840,273	48,040,697	117,161,546	121,326,536
Other Liabilities	5,737,239	5,210,272	3,971,262	3,645,332	9,708,501	8,855,604
Total Liabilities	78,058,512	78,496,111	48,811,535	51,686,029	126,870,047	130,182,140
Net Assets:	425,401,371	379,013,394	146,769,964	133,844,899	572,171,335	512,858,293
Invested in Capital Assets,						
Net of Debt	376,161,773	338,283,471	118,629,704	101,228,505	494,791,477	439,511,976
Restricted	19,431,228	19,302,690	-	-	19,431,228	19,302,690
Unrestricted	29,808,370	21,427,233	28,140,260	32,616,394	57,948,630	54,043,627
Total Net Assets	425,401,371	379,013,394	146,769,964	133,844,899	572,171,335	512,858,293

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 \$59,313,042 as indicated in the Changes in Net Assets Table 2 below. Table 1 shows that net assets of the government-wide activities increased by 11.6% from \$512,858,293 in 2006 to \$572,171,335 in 2007. Governmental Activities net assets increased by 12.2% from \$379,013,394 at June 2006 to \$425,401,371 at June 30, 2007. The City's net assets of business-type activities increased by 9.7% from \$133,844,899 in 2006 to \$146,769,964 in 2007.

The increase in the net assets of the Governmental Activities during 2007 was primarily the result of increases in capital assets, including \$31,822,967 for 805,406 square feet of added right-of-way surrounding various residential tracts, Redlands Early Education Center and Judson Elementary School; completion of over \$12 million of Construction in Progress that was added to infrastructure during the year; a land acquisition of \$1,010,200 by the Redevelopment Agency of a property on Third Street known as the Packing House; and increases in Equipment and Vehicles of approximately \$1.1 million in mobile computers and surveillance equipment for the Police department and \$1.2 million in lease-purchased vehicles, including police vehicles and two Seagrave pumpers for the Fire department at \$485,000 each. The increase in net assets of the Business Activities resulted, in part, due to an increase of \$2.6 million in Capital Assets.

Additions to Construction in Progress of \$6,432,569 included approximately \$4.2 million attributable to the Water Fund, for the CIP Pipe Line Replacement Phase II, the CIP Master Plan, the Mill Creek Reservoirs and the HTWTP/California Connection projects; approximately \$2.2 million was attributable to the Sewer Fund for the CIP Replacement Mains, the Mentone Boulevard Sewer, and the WWTP Annual Replacement Program projects. Construction in Progress was reduced by \$3,084,937 for completed sewer (\$1,795,748) and water pipelines (\$1,289,189) and transferred to Infrastructure assets. These changes were offset by a net accumulated depreciation of \$4.1 million for all capital assets of the business-type activities. Current and other assets of the Business Activities increased by \$7.5 million. Cash increased by \$3 million in the Water Fund, primarily as a result of increased charges to customers resulting from a 7% rate increase in January of 2006 and again in 2007, as well as land sale proceeds of \$584,767 from San Bernardino Valley Municipal Water District for an easement. Cash in the Sewer Fund increased by over \$1 million due to increased revenue in charges for services and impact fees of approximately \$730,000, increased investment income of approximately \$200,000 and \$423,074 from the County as reimbursement for its share of the Mentone Boulevard Sewer Project. Cash in the Disposal Fund increased by \$3.2 million over the prior year primarily due to a \$3.4 million adjustment related to the landfill closure that resulted in a one-time, nonrecurring reduction of cash in the prior year.

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

Change in Net Assets – Year Ended June 30, 2007
Table 2

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Program Revenues:						
Charges for Services	9,487,041	9,306,510	34,805,661	31,569,061	44,292,702	40,875,571
Operating Grants & Contributions	18,206,757	18,542,273	617,206	423,720	18,823,963	18,965,993
Capital Grants & Contributions	36,180,849	3,715,690	7,512,629	7,891,272	43,693,478	11,606,962
General Revenues:						
Property Taxes	27,036,122	23,914,760	52,655	-	27,088,777	23,914,760
Sales Taxes	14,762,456	15,267,688	-	-	14,762,456	15,267,688
Franchises	3,659,356	1,097,157	-	-	3,659,356	1,097,157
Other Taxes	1,543,302	1,230,525	-	-	1,543,302	1,230,525
Investment Income	2,421,829	2,180,119	2,714,291	1,442,393	5,136,120	3,622,512
Intergovernmental	654,950	1,225,814	-	-	654,950	1,225,814
Total Revenues	113,952,662	76,480,536	45,702,442	41,326,446	159,655,104	117,806,982
Program Expenses:						
General Government	13,987,953	11,868,103	-	-	13,987,953	11,868,103
Public Safety	36,805,550	36,994,587	-	-	36,805,550	36,994,587
Highways and Streets	8,492,440	8,325,785	-	-	8,492,440	8,325,785
Culture and Recreation	3,668,992	3,692,986	-	-	3,668,992	3,692,986
Library	1,845,482	1,871,418	-	-	1,845,482	1,871,418
Interest and Fiscal Charges	2,883,874	3,713,659	-	-	2,883,874	3,713,659
Water	-	-	14,926,296	14,882,261	14,926,296	14,882,261
Disposal	-	-	8,753,717	8,799,485	8,753,717	8,799,485
Sewer	-	-	7,458,724	6,922,541	7,458,724	6,922,541
Aviation	-	-	268,309	218,316	268,309	218,316
Cemetery	-	-	541,946	591,363	541,946	591,363
Groves	-	-	708,779	749,143	708,779	749,143
Total Expenses	67,684,291	66,466,538	32,657,771	32,163,109	100,342,062	98,629,647
Increase in Net Assets before Transfers	46,268,371	10,013,998	13,044,671	9,163,337	59,313,042	19,177,335
Transfers	119,606	-	(119,606)	-	-	-
Increase (decrease) Net Assets	46,387,977	10,013,998	12,925,065	9,163,337	59,313,042	19,177,335
Beginning Net Assets	379,013,394	368,999,396	133,844,899	124,681,562	512,858,293	493,680,958
Ending Net Assets	425,401,371	379,013,394	146,769,964	133,844,899	572,171,335	512,858,293

Governmental Activities

Revenues for the City's governmental activities increased 49.2% from \$76,480,536 in 2006 to \$113,952,662 in 2007. Total governmental activity expenses increased by 1.8% from \$66,466,538 in 2006 to \$67,684,291 in 2007. The cost of all *government-wide* activities increased by 1.7% from \$98,629,647 in 2006 to \$100,342,062 in 2007. 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 \$3,809,644, while other costs were paid by those who directly benefited from the programs (\$9,487,041), by other governments and organizations that subsidized certain programs with operating grants and contributions (\$18,206,757), or capital grants and contributions (\$36,180,849). Overall, the City's governmental program revenues were \$63,874,647 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 \$180,531, or 1.9% in 2007 with notable increases in mutual aid in the General Fund and Cost Recovery in the Local Transportation Fund.

Operating Grants and Contributions decreased by \$335,516, or 1.8% from prior year. General Government had a net increase of approximately \$514,000, with approximately \$1 million from the County of San Bernardino Housing Authority for a senior housing project known as Vista Del Sol. Reductions of approximately \$569,000 in Public Safety and \$2.9 million in Highways and Streets resulted from adjustments for decreases in deferred revenue. Culture and Recreation increased by approximately 2.6 million primarily as a result of state grants in the amount of \$2.2 million for the Sports Park and \$550,000 grant from the County for the Boys & Girls Club. A decrease for the Library was a result of a state grant reduction of \$62,000 from prior year.

Capital Grants and Contributions increased by approximately \$32.5 million. This is primarily the result of right-of-way contributions in Highways and Streets valued at \$31,822,967.

Property Taxes increased by \$3.1 million or 13.1%, over prior year due to growth in the assessed value of residential and commercial properties. Growth in assessed value was 17.4%, compared to a countywide growth of 17.9%. The largest value increase in the City was attributed to a local utility which had its value increase from \$300.4 million to \$549.8 million.

Sales Tax decreased by \$505,232 or 3.3%, due to an adjustment in the amount received from the State Compensation fund for the triple flip and as a result of a decrease in automobile sales.

Franchise Fees increased by \$2.6 million or 233.5%, as a result of a major increase in gas usage by a local utility, resulting in a \$2.2 million increase in franchise fees from the Gas Company.

Other taxes increased by \$312,777 or 25.4%, primarily as a result of an increase in Transient Occupancy Tax received from two new hotels in the City.

Intergovernmental revenues decreased by \$570,864 or 46.6%, with reductions of approximately \$150,000 in motor vehicle license fees and \$215,000 in Public Safety donations, as well as reductions in State-mandated cost reimbursements and other reimbursements.

Investment income increased by \$241,710 or 11.1%, due to increased rates of return.

General Government expenses increased by \$2.1 million or 17.9%, primarily as a result of a \$1.8 million increase in special program expenditures in the Low & Moderate Income Housing Fund. Approximately \$1 million of this amount was spent to reimburse the Housing Authority of the County of San Bernardino for costs they incurred pursuant to an agreement with the City to develop an affordable senior housing complex known as Vista Del Sol. The remaining expenses were for other housing programs, including First Time Homebuyers, Home Painting, and Great Neighborhoods.

Public Safety expenses decreased by \$189,037 or 0.5%. While overall Public Safety operating expenditures increased by \$657,761 due to an increase in Emergency Services of \$666,767, the decrease on the Statement of Activities is primarily the result of GASB 34 adjustments. In the prior year, \$434,000 was charged to Public Safety expenses as a result of a GASB 34 Internal Service Fund consolidation entry. In the current year, only \$262,000 was charged to Public Safety as a result of the GASB 34 Internal Service Fund consolidation.

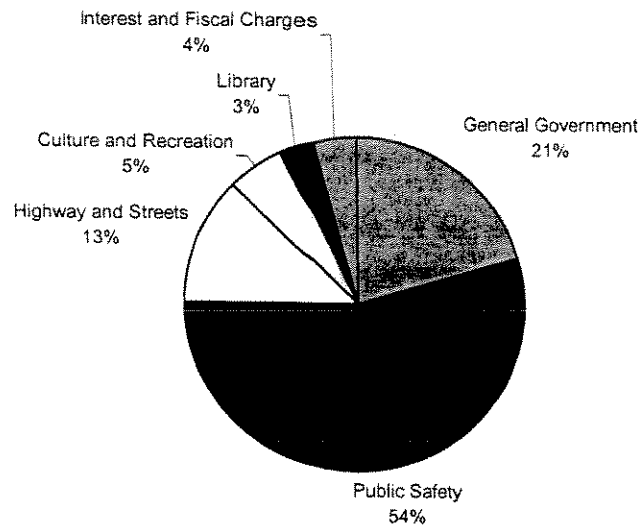
Highways and Streets increased by \$166,655 or 2.0%, due to increases in special contractual and professional services for engineering consulting and inspection services.

Culture and Recreation expenses decreased by \$23,994 or 0.6%. Although Culture and Recreation operating expenses decreased by \$249,000 due to savings in contractual services in Recreation and savings in water expenses in Parks, the smaller decrease shown in the Statement of Activities is primarily due to a GASB 34 adjustment relating to depreciation.

Library expenses decreased by \$25,936 or 1.4% primarily as a result of GASB 34 adjustments of \$39,294 due to the net change in compensated absences and \$12,688 for internal service fund charges.

Interest and fiscal charges decreased by \$829,785 or 22.3% primarily due to the Redevelopment Agency paying off its advance from the General Fund.

Expenses by Functions Governmental Activity



Business-Type Activities

Revenues of the City's Business-Type Activities (See Table 2) increased by 10.6% from \$41,326,446 in 2006 to \$45,702,442 in 2007 and expenses increased by 1.5% from \$32,163,109 in 2006 to \$32,657,771 in 2007.

Charges for Services in the Water Fund increased by \$2.2 million or 15%, primarily as a result of a rate increases of 7% in January, 2006 and again in 2007, increased demand for water due to a year that was one of the driest on record and a 1% growth in the customer base

Charges for Services in the Sewer Fund increased by \$947,528 or 15.5%, primarily due to a rate increase of 4% in 2007 and because the increased demand on water has a corresponding impact on sewer usage. In addition, this category included the reimbursement from the County for its share of the Mentone Boulevard Sewer Project.

Charges for Services in the Aviation Fund increased by \$55,527 or 35.8 per cent as a result of an increase in tie-down rental income.

No notable changes in charges for services occurred in the Cemetery or Groves funds.

Operating Grants and Contributions increased by approximately \$193,500 or 45.7% primarily due to the net between \$365,000 in federal aviation grant monies received in the prior year and current year land sale proceeds of \$584,767 for Texas Reservoir property from San Bernardino Valley Municipal Water District.

Capital Grants and Contributions decreased by approximately \$379,000 or 4.8%. A decrease of \$853,146 in the Water Fund resulted from a decrease in impact fees, primarily for resident capital improvement charges; an increase of \$261,994 in the Disposal Fund resulted from an increase in impact fees, primarily for nonresident capital improvement charges; and an increase of \$212,509 in the Sewer Fund resulted from an overall increase in impact fees, with approximately \$770,000 in increases for nonresident capital improvement charges and approximately \$557,000 in decreases for resident capital improvement charges.

Investment income increased by \$1,271,898 as a result of increased cash and higher rates of return.

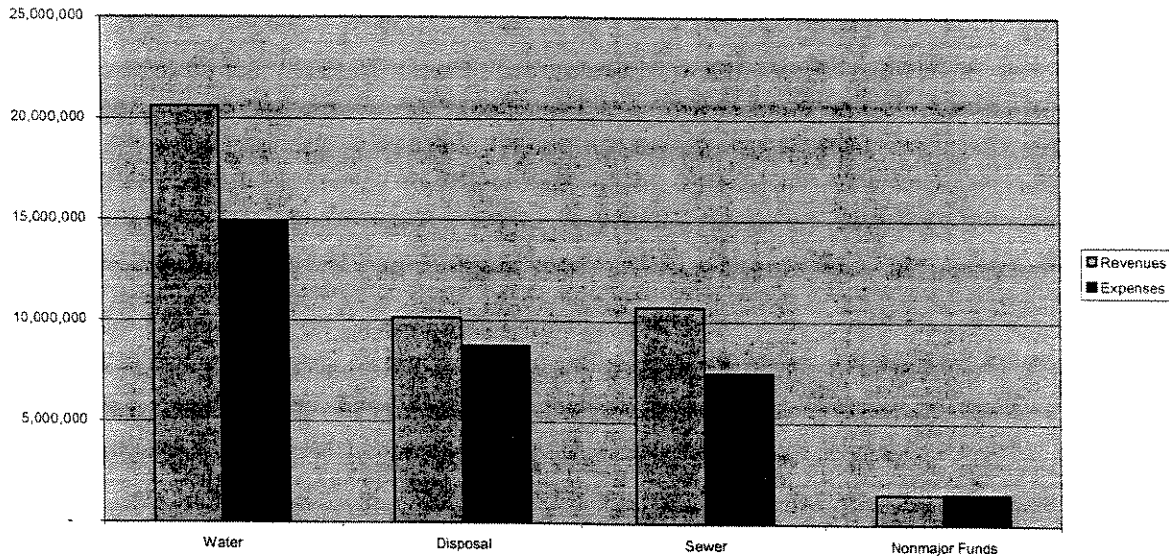
Operating expenses of the City's Business Activities for the three Utilities remained fairly constant with no significant changes except in the Sewer Fund where operating expenses increased by \$536,183 or 7.7% over prior year. Almost \$350,000 of the increase came as a result of salary and benefit increases, including increases in worker's compensation, compensated absences, and approximately \$200,000 in increases for chemical, lab and other materials and maintenance supplies for the sewer system.

In the Aviation Fund, operating expenses increased by \$49,993 or 22.9% due to an increase of approximately \$65,000 in interest expense on the Aviation's outstanding loan which is based on the average annual Local Agency Investment Fund (LAIF) rate. The LAIF rate increased by almost two points over prior year. In addition, salaries and benefits increased by approximately \$9,000, offset by a decrease of nearly \$25,000 in architectural and engineering services.

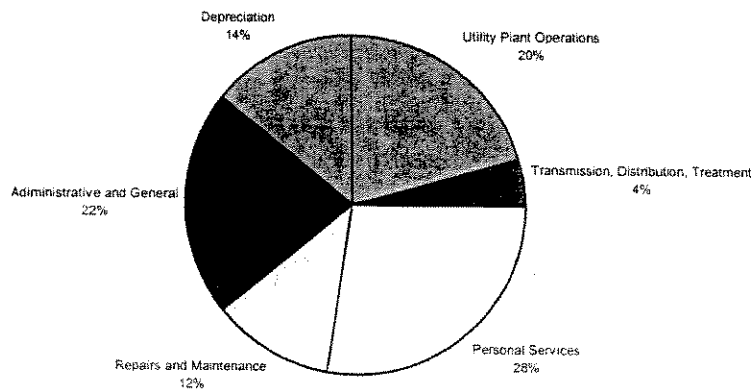
Cemetery operating expenses decreased by \$49,917 or 8.4% as a result of a decrease in excess of \$17,000 in resale materials, over \$27,000 in decreased general government service charges and a decrease of more than \$5,000 in water/sewer disposal costs.

Operating expenses of the Groves Fund decreased by \$40,364 or 5.4% due to a decrease of approximately \$69,000 in special contractual services, offset by an increase in salaries and benefits of almost \$22,000, net decreases in other services and supplies of nearly \$7,000.

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 2007, total fund balance of the general fund was \$13,247,724, an increase of

\$1,438,764 or 12.2% from the prior year fund balance of \$11,808,960. As a measure of the general fund's liquidity, it can be useful to compare the total fund balance to total fund expenditures, which show that fund balance is 25.3% of general fund expenditures, however only \$4.35 million of the \$13.2 million fund balance is unreserved. The unreserved fund balance of \$4.35 million, together with the \$4.15 million fund balance reserved for contingency and capital, the only portion of the reserved fund balance readily available for spending, represents 16.3% of general fund expenditures. Total general fund expenditures this year were \$612,015 more than prior year and total general fund revenue this year was \$5,700,461 more than prior year.

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

- Sales Tax decreased \$505,232 from prior year due to a State adjustment in the compensation amount;
- Property Tax increased by \$3,182,374 (includes amount previously shown in Motor Vehicle In-Lieu Revenue) largely due to additional valuation from the power plant completion;
- Franchise Fees increased \$2,562,199 with the start-up of gas powered electrical generators;
- "Other" Taxes increased \$241,429, mainly due to additional TOT taxes;
- Licenses & Permits increased \$28,911;
- Intergovernmental decreased \$239,021 (included Motor Vehicle In-Lieu Revenue in prior years) due to variations in VLF and State grants;
- Charges for services increased \$412,883, mainly due to an increase in Mutual Aid Reimbursement;
- Charges for Services to other City funds decreased by \$96,794 as a result of an updated cost allocation review;
- Investment Income decreased \$131,902;
- "Other" Revenue increased by \$245,614.

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 \$3,751,378. This is a decrease from last year of \$233,058 due to a payment on the advance. The increase in fund balance/net assets is primarily due to a repayment on the advance in 2006 of \$1.1 million versus the repayment in the current year.

The **General Capital Improvement** fund accounts for the collection and related expenditure of grant revenues received by the City for general construction projects. This fund currently reflects the multi-million dollar construction activity of the City's long awaited Sports Park.

Major Enterprise Funds. The **Water Fund** has total net assets of \$76,794,382 at the end of the fiscal year; \$5,221,178 is unrestricted. The **Disposal Fund** has total net assets of \$17,148,184 at the end of the fiscal year; \$1,953,904 are unrestricted. The **Sewer Fund** has total net assets of \$36,344,741 at the end of the fiscal year; \$1,161,734 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 2006-2007 budget and the final amended 2006-2007 budget of the General Fund can be briefly summarized as follows:

- Total Revenues - \$2,224,068 increase in the budget.
- General Government - \$99,456 increase in the budget
- Public Safety - \$1,142,535 increase in the budget.
- Highways and Streets - \$47,312 increase in the budget.
- Culture and Recreation - \$43,213 increase in the budget.
- Library – \$50,001 decrease in the budget.
- Capital Outlay - \$2,043,364 increase in the budget.
- Debt Service –\$215,608 decrease in budget.

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

	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance
Total Revenues	\$ 53,126,403	\$ 53,842,997	\$ 716,594
General Government	8,432,563	8,410,768	21,795
Public Safety	31,687,016	31,431,608	255,408
Highways and Streets	4,169,812	4,047,053	122,759
Culture and Recreation	3,174,962	3,096,177	78,785
Library	1,876,432	1,851,926	24,506
Capital Outlay	2,540,686	2,967,666	(426,980)
Debt Service	706,257	525,713	180,544
Total Expenditures	\$ 52,587,728	\$ 52,330,911	\$ 256,817

Revenues were over budget estimates due to higher than expected receipts in all categories offsetting a decrease in taxes and intergovernmental revenues. The two major increases were for Pre-annexation Agreements, \$605,902, and Investment Income, \$466,759.

General Government Expenditures were generally maintained in all categories and departments. This, along with the deferral of expenditures into the next fiscal year through encumbrances and carryovers, primarily of contractual services, was enough to cover the slight overages in retiree health insurance, garage charges and electricity. Together these net to a 0.45% difference.

Public Safety expenditures were also under budget due to savings in salaries and benefits, services and supplies. These combined with the deferral of expenditures into the next fiscal year through encumbrances and carryovers, primarily of contractual services, have allowed a 0.8% difference in this function.

Highways and Streets were under budget primarily for the same reasons. Expenditures were maintained in all categories and with encumbrances and carryovers deferring contractual and other professional services, this led to a 2.9% decrease.

Culture and Recreation was under budget primarily as a result of savings in the Recreation division for contractual services and supplies and in the Parks division for water. Together these offset increases in garage charges and building supplies to end the year with a 2.5% decrease.

Library expenditures were under budget due to savings in part-time salaries and various benefits. There were also some savings in the books and audio-visual materials categories resulting in a 1.3% difference.

Capital expenditures ended the year over budget by 16.8%. This is largely due to the lease value of safety vehicles and equipment in the amount of \$1,269,165. This amount, however, was offset by the San Timoteo Canyon Road paving project coming in under budget by \$381,481.

Debt Service expenditures were under budget by 25.5%. This was largely due to the structuring of lease payments for fire vehicles in arrears which defers these expenditures into the next fiscal year along with an encumbrance for lease payments on Motorola police radios.

The favorable variance of \$256,817 of expenditures under budget was the result of careful review of vacant positions and a concerted effort by management and staff to maintain expenditure levels to preserve the unreserved fund balance in the last months of the fiscal year.

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, 2007, amounted to \$575,161,085 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, water stock, rights of way and construction in progress.

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

The City completed work on the Alabama Street Bridge and continued work on the Orange Street Bridge, both destroyed by storms in the early 1990s. The city spent \$3,207,512 this fiscal year on these bridges. Total costs for these bridges is approaching \$9.8 million to date and will cost over \$10 million at completion. The City spent \$2,971,625 on development of the Sports Park project bringing total costs for that project to almost \$8.7 million. Significant street projects by Public Works included \$1,183,019 for San Timoteo Canyon Road, \$314,865 for New York Street traffic signals, and \$289,783 toward a major project at the intersection of Colton Avenue, Alabama and Redlands Boulevard. Another major project this year has been the construction of the Boys and Girls club building. Expenditures this year total \$2,246,309 and costs will be approximately \$4.5 million upon completion. Other expenditures included vehicle and equipment replacement purchases totaling \$1,652,384, \$1,010,200 for acquisition of downtown property, \$433,668 for roofing and building projects, and \$787,151 for Police department computer and equipment improvements.

The Water Utility continued infrastructure improvements to the Mill Creek Reservoir, \$463,102, Hinckley treatment plant, \$223,095, and the North Orange well project in the amount of \$333,982. The Utility also continued construction of improvements through the State Water Connection Project totaling \$363,511 to meet enhanced treatment requirements. The focus, however, was on the Capital Improvement Program where expenditures totaled \$2,898,714.

The Wastewater (Sewer) Utility incurred \$1,465,789 in expenditures for its Capital Improvement Program of lines and mains. During this period the Utility also spent \$707,858 for the Mentone Boulevard line.

The City's Disposal Utility was relatively conservative this year with equipment purchases in the amount of \$237,580. There are many emission standards that will have an impact on vehicle costs in the future and the division was focusing on preparing for implementation of these regulations.

Overall, the City's net capital assets increased by \$43,094,581 for the fiscal year ended June 30, 2007, or 8.1% over prior year. The Infrastructure, Rights of Way and Construction in Progress categories increased by a net of \$42,503,845, representing 98.6% of the increase. This is due largely to the completion of development projects throughout the city and the recognition of these assets by the City.

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
	2007	2006	2007	2006	2007	2006	
Land	\$ 27,550,936	\$ 26,540,739	\$ 27,840,335	\$ 27,840,335	\$ 55,391,274	\$ 54,381,074	1.68%
Buildings & Improvements	15,632,582	15,257,009	77,000,030	76,970,231	92,632,612	92,227,240	0.44%
Machinery/Equip./Vehicles	17,321,363	15,177,465	11,570,873	11,441,073	28,892,236	26,616,538	8.54%
Infrastructure	410,809,113	398,928,393	115,338,089	112,253,153	526,147,202	511,181,546	2.93%
Water Stock	-	-	9,264,712	9,179,433	9,264,712	9,179,433	0.93%
Rights of Way	31,822,967	-	-	-	31,822,967	-	-
Construction in Progress	8,571,341	10,958,346	10,013,101	6,665,470	18,584,442	17,623,816	5.45%
Accum. Depreciation	(76,493,698)	(72,186,338)	(111,080,662)	(106,956,805)	(187,574,360)	(179,145,143)	4.71%
Total	\$ 435,214,607	\$ 394,673,614	\$ 139,946,478	\$ 137,392,890	\$ 575,161,085	\$ 532,066,504	8.10%

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 4 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 five Police vehicles valued at \$135,165.
- Leased a light rescue unit and equipment for the Fire department valued at \$125,000.
- Leased two Seagrave Fire pumpers and equipment valued at \$970,000.

- Entered a lease for \$39,000 to complete an upgrade to computer and video equipment for the community access channel run by City staff.
- Issued \$1,985,000 in notes payable related to the completion of the City's Sport Park development project.
- Amortized bond issue costs totaling \$53,338.
- Paid \$7,060,887 scheduled principal and \$4,317,057 interest on existing debt. This included the final payment on the Solid Waste COPs.

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
	2007	2006	2007	2006	2007	2006	
Capital Lease Obligations	\$ 2,283,200	\$ 1,407,827	\$ -	\$ -	\$ 2,283,200	\$ 1,407,827	62.18%
General Obligation Bonds	3,625,000	4,075,000	-	-	3,625,000	4,075,000	-11.04%
Tax Allocation Bonds	39,375,000	41,105,000	-	-	39,375,000	41,105,000	-4.21%
Certificates of Participation	15,310,000	16,620,000	-	880,000	15,310,000	17,500,000	-12.51%
Add: Issuance Premium	533,380	586,718	-	-	533,380	586,718	-9.09%
Revenue Bonds	-	-	27,550,000	29,730,000	27,550,000	29,730,000	-7.33%
Notes Payable	2,048,891	135,645	12,069,804	12,508,936	14,118,695	12,644,581	11.66%
Claims Payable	2,321,085	2,321,085	-	-	2,321,085	2,321,085	0.00%
Compensated Absences	6,824,717	7,034,564	734,205	804,744	7,558,922	7,839,308	-3.58%
Landfill Closure Liability	-	-	4,486,264	4,117,017	4,486,264	4,117,017	8.97%
Total	<u>\$ 72,321,273</u>	<u>\$ 73,285,839</u>	<u>\$ 44,840,273</u>	<u>\$ 48,040,697</u>	<u>\$ 117,161,546</u>	<u>\$ 121,326,536</u>	<u>-3.43%</u>

Additional information on the City's Long-Term Debt can be found in Note 5 and 6 of the Notes to the Basic Financial Statements.

(This page intentionally left blank)

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank)

CITY OF REDLANDS
Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments (note 2)	\$ 52,519,860	41,793,611	94,313,471
Cash and investments with Fiscal Agent (note 2)	3,589,257	6,233,226	9,822,483
Receivables:			
Accounts	3,393,315	4,960,081	8,353,396
Taxes	3,719,905	56	3,719,961
Interest	353,941	115,416	469,357
Due from other governments	4,989,848	-	4,989,848
Deferred charges	780,785	-	780,785
Internal balances	(1,634,296)	1,634,296	-
Inventory	526,861	-	526,861
Other assets	5,800	-	5,800
Capital assets, not depreciated (note 4)	67,945,247	47,118,148	115,063,395
Capital assets, net of accumulated depreciation (note 4)	367,269,360	92,828,330	460,097,690
Unamortized bond issuance costs	-	898,335	898,335
	<u>503,459,883</u>	<u>195,581,499</u>	<u>699,041,382</u>
Liabilities:			
Accounts payable	3,227,316	1,862,642	5,089,958
Accrued payroll	1,462,047	327,291	1,789,338
Interest payable	1,002,630	531,254	1,533,884
Deposits	45,246	1,250,075	1,295,321
Long-term liabilities (note 5, 6, 7 and 14):			
Due within one year	9,833,676	3,604,873	13,438,549
Due in more than one year	62,487,597	41,235,400	103,722,997
	<u>78,058,512</u>	<u>48,811,535</u>	<u>126,870,047</u>
Net assets:			
Invested in capital assets, net of related debt	376,161,773	118,629,704	494,791,477
Restricted for:			
Endowment - nonexpendable	1,582,723	-	1,582,723
Low and moderate income housing	10,956,833	-	10,956,833
Debt service	6,891,672	-	6,891,672
Unrestricted	29,808,370	28,140,260	57,948,630
	<u>425,401,371</u>	<u>146,769,964</u>	<u>572,171,335</u>

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Statement of Activities
Year ended June 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Functions/Programs			
Primary government:			
Governmental activities:			
General government	\$ 13,987,953	6,393,161	3,703,229
Public safety	36,805,550	1,189,004	3,019,844
Highway and streets	8,492,440	1,623,290	7,501,110
Culture and recreation	3,668,992	230,870	3,936,699
Library	1,845,482	50,716	45,875
Interest and fiscal charges	2,883,874	-	-
Total governmental activities	<u>67,684,291</u>	<u>9,487,041</u>	<u>18,206,757</u>
Business-type activities:			
Water	14,926,296	17,235,534	584,767
Disposal	8,753,717	9,060,415	18,870
Sewer	7,458,724	7,041,203	-
Aviation	268,309	210,434	13,569
Cemetery	541,946	537,454	-
Groves	708,779	720,621	-
Total business-type activities	<u>32,657,771</u>	<u>34,805,661</u>	<u>617,206</u>
Total primary government	<u>\$ 100,342,062</u>	<u>44,292,702</u>	<u>18,823,963</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	
775,502	(3,116,061)	(3,116,061)	-	(3,116,061)
665,022	(31,931,680)	(31,931,680)	-	(31,931,680)
33,662,741	34,294,701	34,294,701	-	34,294,701
1,077,584	1,576,161	1,576,161	-	1,576,161
-	(1,748,891)	(1,748,891)	-	(1,748,891)
-	(2,883,874)	(2,883,874)	-	(2,883,874)
<u>36,180,849</u>	<u>(3,809,644)</u>	<u>(3,809,644)</u>	<u>-</u>	<u>(3,809,644)</u>
2,796,727	5,690,732	-	5,690,732	5,690,732
1,062,598	1,388,166	-	1,388,166	1,388,166
3,653,304	3,235,783	-	3,235,783	3,235,783
-	(44,306)	-	(44,306)	(44,306)
-	(4,492)	-	(4,492)	(4,492)
-	11,842	-	11,842	11,842
<u>7,512,629</u>	<u>10,277,725</u>	<u>-</u>	<u>10,277,725</u>	<u>10,277,725</u>
<u>43,693,478</u>	<u>6,468,081</u>	<u>(3,809,644)</u>	<u>10,277,725</u>	<u>6,468,081</u>
General revenues:				
Taxes:				
Property taxes		27,036,122	52,655	27,088,777
Sales taxes		14,762,456	-	14,762,456
Franchise taxes		3,659,356	-	3,659,356
Other taxes		1,543,302	-	1,543,302
Investment income		2,421,829	2,714,291	5,136,120
Intergovernmental (unrestricted)		654,950	-	654,950
Transfers		119,606	(119,606)	-
Total general revenues		<u>50,197,621</u>	<u>2,647,340</u>	<u>52,844,961</u>
Change in net assets		46,387,977	12,925,065	59,313,042
Net assets at beginning of year		<u>379,013,394</u>	<u>133,844,899</u>	<u>512,858,293</u>
Net assets at end of year		<u>\$ 425,401,371</u>	<u>\$ 146,769,964</u>	<u>\$ 572,171,335</u>

(This page intentionally left blank)

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 FUNDS

The Special Revenue Fund is used to account for specific revenues that are legally restricted to expenditure for a particular purpose. The following funds have been classified as major funds. The budget-actual comparisons for these funds are 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.

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

CITY OF REDLANDS
Governmental Funds
Balance Sheet
June 30, 2007

	Special Revenue Fund				Totals
	General Fund	Public Facilities Development	General Capital Improvement	Nonmajor Governmental Funds	
Assets:					
Cash and investments	\$ 1,917,786	1,379,533	-	42,387,768	45,685,087
Cash and investments with fiscal agent	-	-	-	3,589,257	3,589,257
Receivables:					
Accounts	1,274,129	-	1,985,000	117,131	3,376,260
Taxes	3,287,300	-	-	432,605	3,719,905
Interest	23,163	-	-	330,778	353,941
Inventory	347,342	-	-	-	347,342
Due from other funds (note 3)	4,584,357	-	-	-	4,584,357
Due from other governments	5,475	-	2,403,449	2,580,924	4,989,848
Advances receivable from other funds (note 3)	3,751,378	-	-	-	3,751,378
Other assets	5,800	-	-	-	5,800
Total assets	\$ 15,196,730	1,379,533	4,388,449	49,438,463	70,403,175
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 651,475	-	596,736	717,942	1,966,153
Accrued payroll	1,244,510	-	495	135,074	1,380,079
Advances payable to other funds (note 3)	50,000	3,751,378	-	-	3,801,378
Deferred revenue	-	-	2,259,820	2,178,671	4,438,491
Due to other funds (note 3)	-	-	3,446,328	1,138,029	4,584,357
Deposits	3,021	-	-	42,225	45,246
Total liabilities	1,949,006	3,751,378	6,303,379	4,211,941	16,215,704
Fund balances:					
Reserved for:					
Encumbrances	644,578	-	1,529,497	3,865,144	6,039,219
Inventory	347,342	-	-	-	347,342
Advances receivable	3,751,378	-	-	-	3,751,378
Contingencies	3,837,396	-	-	-	3,837,396
Capital projects	312,604	-	-	-	312,604
Endowment	-	-	-	1,582,723	1,582,723
Unreserved:					
Reported in:					
General fund	4,354,426	-	-	-	4,354,426
Special revenue fund	-	(2,371,845)	(3,444,427)	23,525,047	17,708,775
Debt service fund	-	-	-	6,891,672	6,891,672
Capital projects fund	-	-	-	9,361,936	9,361,936
Total fund balances (deficit)	13,247,724	(2,371,845)	(1,914,930)	45,226,522	54,187,471
Total liabilities and fund balances	\$ 15,196,730	1,379,533	4,388,449	49,438,463	70,403,175

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, 2007

Fund balances of governmental funds	\$ 54,187,471
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation of \$76,437,694 have not been included as financial resources in governmental fund activity. Amount excludes capital assets from internal service funds which are added below.	435,009,594
Long-term liabilities and compensated absences have not been included in the governmental fund activity:	
Capital lease obligation	(2,283,200)
General obligation bonds	(3,625,000)
Tax allocation bonds	(39,375,000)
Certificates of participation payable	(15,843,380)
Notes payable	(2,048,891)
Compensated absences	(6,395,744)
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.	780,785
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(1,002,630)
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.	4,438,491
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.	3,143,171
Internal balances created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.	(1,584,296)
Net assets of governmental activities.	<u>\$ 425,401,371</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, 2007

	Special Revenue				Totals
	General Fund	Public Facilities Development	General Capital Improvement	Nonmajor Governmental Funds	
Revenues:					
Taxes	\$ 39,380,502	-	-	7,762,373	47,142,875
Licenses, permits and fines	10,179,808	1,783,374	-	2,822,681	14,785,863
Intergovernmental	593,317	-	2,372,897	12,684,232	15,650,446
Charges for services	1,685,122	-	1,500	528,150	2,214,772
Investment income	1,543,020	-	48,075	1,995,289	3,586,384
Other	461,228	-	20,000	1,595,936	2,077,164
Total revenues	53,842,997	1,783,374	2,442,472	27,388,661	85,457,504
Expenditures:					
Current:					
General government	8,410,768	318	145,692	5,201,322	13,758,100
Public safety	31,431,608	-	-	4,576,890	36,008,498
Highway and streets	4,047,053	-	-	1,387,122	5,434,175
Culture and recreation	3,096,177	-	-	215,316	3,311,493
Library	1,851,926	-	-	-	1,851,926
Capital outlay	2,967,666	2,934	2,908,962	7,681,495	13,561,057
Debt service:					
Principal	465,548	-	-	3,490,000	3,955,548
Interest	60,165	-	-	2,600,551	2,660,716
Fiscal charges	-	-	-	238,111	238,111
Total expenditures	52,330,911	3,252	3,054,654	25,390,807	80,779,624
Excess (deficiency) of revenues over (under) expenditures	1,512,086	1,780,122	(612,182)	1,997,854	4,677,880
Other financing sources (uses):					
Issuance of debt	1,269,165	-	1,985,000	-	3,254,165
Transfers in (note 3)	2,958,431	-	750	9,026,770	11,985,951
Transfers out (note 3)	(4,300,918)	(963,471)	(30,351)	(7,347,937)	(12,642,677)
Total other financing sources (uses)	(73,322)	(963,471)	1,955,399	1,678,833	2,597,439
Net change in fund balances	1,438,764	816,651	1,343,217	3,676,687	7,275,319
Fund balances (deficit) at beginning of year	11,808,960	(3,188,496)	(3,258,147)	41,549,835	46,912,152
Fund balances (deficit) at end of year	\$ 13,247,724	(2,371,845)	(1,914,930)	45,226,522	54,187,471

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, 2007

Net change in fund balances - total governmental funds \$ 7,275,319

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, net	13,357,848
Contributed Capital	31,822,967
Depreciation expense	(4,718,676)

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. 1,108,452

Accrued interest for debt service. This is the net change in accrued interest for the current period. 14,953

Revenue that is measurable, but not available is recorded as deferred revenue under the modified accrual basis of accounting. Under the full accrual basis of accounting these amounts are recorded as revenue. This is the net change in deferred revenue for the current period. (2,709,455)

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. 357,679

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. (121,110)

Change in net assets of governmental activities \$ 46,387,977

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Proprietary Funds

Statement of Net Assets

June 30, 2007

	<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	\$ 17,501,324	13,134,291	10,178,316	979,680	41,793,611	6,834,773
Accounts receivable	2,757,831	1,222,392	896,471	83,387	4,960,081	17,055
Taxes receivable	-	-	-	56	56	-
Advances receivable from other funds (note 3)	1,414,185	1,758,918	50,000	-	3,223,103	-
Inventory	-	-	-	-	-	179,519
Total current assets	<u>21,673,340</u>	<u>16,115,601</u>	<u>11,124,787</u>	<u>1,063,123</u>	<u>49,976,851</u>	<u>7,031,347</u>
Noncurrent assets:						
Restricted assets:						
Cash and investments with fiscal agent	3,693,957	-	2,539,269	-	6,233,226	-
Interest receivable	56,281	-	38,923	20,212	115,416	-
Total restricted assets	<u>3,750,238</u>	<u>-</u>	<u>2,578,192</u>	<u>20,212</u>	<u>6,348,642</u>	<u>-</u>
Capital assets:						
Land and water rights	15,289,547	1,285,410	5,478,715	15,051,375	37,105,047	-
Buildings and improvements	27,285,890	2,746,969	44,158,057	2,809,114	77,000,030	-
Machinery and equipment	3,081,445	6,804,241	1,213,496	471,691	11,570,873	261,017
Infrastructure	92,529,431	-	22,808,658	-	115,338,089	-
Construction in progress	9,086,665	-	926,436	-	10,013,101	-
Less accumulated depreciation	<u>(71,662,076)</u>	<u>(4,867,666)</u>	<u>(33,916,134)</u>	<u>(634,786)</u>	<u>(111,080,662)</u>	<u>(56,004)</u>
Total capital assets	<u>75,610,902</u>	<u>5,968,954</u>	<u>40,669,228</u>	<u>17,697,394</u>	<u>139,946,478</u>	<u>205,013</u>
Unamortized bond issuance costs	452,269	-	446,066	-	898,335	-
Total noncurrent assets	<u>79,813,409</u>	<u>5,968,954</u>	<u>43,693,486</u>	<u>17,717,606</u>	<u>147,193,455</u>	<u>205,013</u>
Total assets	<u>101,486,749</u>	<u>22,084,555</u>	<u>54,818,273</u>	<u>18,780,729</u>	<u>197,170,306</u>	<u>7,236,360</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Proprietary Funds
Statement of Net Assets
(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>					Governmental
	Water	Disposal	Sewer	Nonmajor Funds	Totals	Activities - Internal Service Funds
Liabilities:						
Current liabilities:						
Accounts payable	1,442,581	118,440	242,777	58,844	1,862,642	1,261,163
Accrued payroll	135,167	102,373	77,094	12,657	327,291	81,968
Compensated absences (notes 5 and 6)	159,733	114,647	88,859	3,864	367,103	428,973
Deposits	620,038	-	-	630,037	1,250,075	-
Notes payable (note 6)	338,765	-	234,050	-	572,815	-
Claims payable (note 5)	-	-	-	-	-	2,321,085
Landfill closure liability - current (note 6 and 14)	-	379,955	-	-	379,955	-
Revenue bonds - current (note 6)	1,390,000	-	895,000	-	2,285,000	-
Certificates of participation - current (note 6)	-	-	-	-	-	-
Interest payable	254,847	-	276,407	-	531,254	-
Total current liabilities	<u>4,341,131</u>	<u>715,415</u>	<u>1,814,187</u>	<u>705,402</u>	<u>7,576,135</u>	<u>4,093,189</u>
Noncurrent liabilities:						
Notes payable (note 6)	6,491,503	-	5,005,486	-	11,496,989	-
Compensated absences (note 6)	159,733	114,647	88,859	3,863	367,102	-
Advances payable to other funds (note 3)	-	-	-	3,173,103	3,173,103	-
Landfill closure liability (note 6 and 14)	-	4,106,309	-	-	4,106,309	-
Revenue bonds (note 6)	13,700,000	-	11,565,000	-	25,265,000	-
Total long-term liabilities	<u>20,351,236</u>	<u>4,220,956</u>	<u>16,659,345</u>	<u>3,176,966</u>	<u>44,408,503</u>	<u>-</u>
Total liabilities	<u>24,692,367</u>	<u>4,936,371</u>	<u>18,473,532</u>	<u>3,882,368</u>	<u>51,984,638</u>	<u>4,093,189</u>
Net assets:						
Invested in capital assets, net of related debts	64,214,859	5,968,954	30,748,497	17,697,394	118,629,704	205,013
Restricted for:						
Debt service	2,384,345	-	1,643,510	-	4,027,855	-
Capital expansion	2,600,000	-	100,000	-	2,700,000	-
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	-	6,535,326	-	-	6,535,326	-
Equipment replacement	-	700,000	300,000	-	1,000,000	-
Borrow site	-	40,000	-	-	40,000	-
Reclaimed water	-	-	500,000	-	500,000	-
Unrestricted	5,221,178	1,953,904	1,161,734	(2,799,033)	5,537,783	2,938,158
Total net assets	<u>\$ 76,794,382</u>	<u>17,148,184</u>	<u>36,344,741</u>	<u>14,898,361</u>	<u>145,185,668</u>	<u>3,143,171</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,584,296	
					<u>\$ 146,769,964</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, 2007

	<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>	
Operating revenues:						
Charges for services	\$ 16,983,233	9,052,554	6,608,638	921,305	33,565,730	7,182,342
Impact fees	2,796,727	1,062,598	3,653,304	-	7,512,629	-
Other	-	-	-	378,581	378,581	404,923
Total operating revenues	<u>19,779,960</u>	<u>10,115,152</u>	<u>10,261,942</u>	<u>1,299,886</u>	<u>41,456,940</u>	<u>7,587,265</u>
Operating expenses:						
Utility plant operations	4,132,556	-	2,067,602	-	6,200,158	-
Transmission, distribution and treatment	1,363,864	-	-	-	1,363,864	-
Personnel services	3,138,188	3,248,673	1,601,945	355,176	8,343,982	2,739,421
Repairs and maintenance	79,974	2,875,236	515,738	52,347	3,523,295	2,154,536
Administrative and general	2,799,480	1,717,608	1,168,238	896,199	6,581,525	2,520,551
Depreciation	2,121,551	872,307	1,261,637	46,562	4,302,057	18,309
Premiums paid out	-	-	-	-	-	577,389
Total operating expenses	<u>13,635,613</u>	<u>8,713,824</u>	<u>6,615,160</u>	<u>1,350,284</u>	<u>30,314,881</u>	<u>8,010,206</u>
Operating income (loss)	<u>6,144,347</u>	<u>1,401,328</u>	<u>3,646,782</u>	<u>(50,398)</u>	<u>11,142,059</u>	<u>(422,941)</u>
Non-operating revenues (expenses):						
Property taxes	-	-	-	52,655	52,655	-
Investment income	1,311,888	691,691	594,406	116,306	2,714,291	4,288
Amortization of bond issuance costs	(62,382)	-	(61,526)	-	(123,908)	-
Interest expense	(1,228,301)	(39,893)	(782,038)	(168,750)	(2,218,982)	-
Miscellaneous income (expense)	715,958	7,861	432,565	171,213	1,327,597	-
Total non-operating revenues (expenses)	<u>737,163</u>	<u>659,659</u>	<u>183,407</u>	<u>171,424</u>	<u>1,751,653</u>	<u>4,288</u>
Income (loss) before grants and transfers	6,881,510	2,060,987	3,830,189	121,026	12,893,712	(418,653)
Grants	-	18,870	-	10,979	29,849	-
Transfers in (note 3)	11,612,286	429,671	6,188,671	26,339	18,256,967	1,246,069
Transfers out (note 3)	(11,630,900)	(457,317)	(6,262,017)	(26,339)	(18,376,573)	(469,737)
Change in net assets	6,862,896	2,052,211	3,756,843	132,005	12,803,955	357,679
Net assets at beginning 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>
Net assets at end of year	<u>\$ 76,794,382</u>	<u>17,148,184</u>	<u>36,344,741</u>	<u>14,898,361</u>		<u>3,143,171</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds - change in net assets of business-type activities					<u>121,110</u>	
					<u>\$ 12,925,065</u>	

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2007

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Totals</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor Funds</u>		<u>Funds</u>
Cash flows from operating activities:						
Cash received from customers/user departments	\$ 19,341,910	10,591,636	10,162,408	1,366,602	41,462,556	7,587,282
Cash payments to suppliers for goods and services	(7,888,615)	(4,775,564)	(3,841,710)	(953,649)	(17,459,538)	(3,727,645)
Cash payments for claims	-	-	-	-	-	(577,389)
Cash payments for employees for services	(3,232,828)	(3,176,352)	(1,620,984)	(350,603)	(8,380,767)	(2,526,389)
Net cash provided by (used for) operating activities	<u>8,220,467</u>	<u>2,639,720</u>	<u>4,699,714</u>	<u>62,350</u>	<u>15,622,251</u>	<u>755,859</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	11,782,286	557,671	6,271,671	26,339	18,637,967	1,246,069
Cash paid to other funds	(11,630,900)	(457,317)	(6,262,017)	(324,339)	(18,674,573)	(469,737)
Cash received for other activities	715,958	7,861	432,565	223,868	1,380,252	-
Net cash provided by noncapital financing activities	<u>867,344</u>	<u>108,215</u>	<u>442,219</u>	<u>(74,132)</u>	<u>1,343,646</u>	<u>776,332</u>
Cash flows from capital and related financing activities:						
Cost paid for acquisition of capital assets	(4,370,587)	(223,961)	(2,261,097)	-	(6,855,645)	(97,163)
Interest paid on long-term debt	(909,356)	(39,893)	(739,483)	-	(1,688,732)	-
Principal payments on long-term debt	(1,535,789)	(880,000)	(1,083,342)	-	(3,499,131)	-
Grants received	-	18,870	-	10,979	29,849	-
Net cash provided by (used for) capital and related financing activities	<u>(6,815,732)</u>	<u>(1,124,984)</u>	<u>(4,083,922)</u>	<u>10,979</u>	<u>(12,013,659)</u>	<u>(97,163)</u>
Cash flows from investing activities:						
Interest received	915,925	599,957	551,851	116,306	2,184,039	4,288
Net cash provided by investing activities	<u>915,925</u>	<u>599,957</u>	<u>551,851</u>	<u>116,306</u>	<u>2,184,039</u>	<u>4,288</u>
Net increase (decrease) in cash and cash equivalents	3,188,004	2,222,908	1,609,862	115,503	7,136,277	1,439,316
Cash and cash equivalents at beginning 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>
Cash and cash equivalents at end of year	<u>\$ 21,195,281</u>	<u>13,134,291</u>	<u>12,717,585</u>	<u>979,680</u>	<u>48,026,837</u>	<u>6,834,773</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2007

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Totals</u>	<u>Activities -</u> <u>Internal</u> <u>Service</u> <u>Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 6,144,347	1,401,328	3,646,782	(50,398)	11,142,059	(422,941)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	2,121,551	872,307	1,261,637	46,562	4,302,057	18,309
(Increase) decrease in accounts receivable	(471,590)	86,634	(97,296)	9,581	(472,671)	17
(Increase) decrease in inventory	-	-	-	-	-	(49,753)
(Increase) decrease in taxes receivable	-	-	-	(56)	(56)	-
(Increase) decrease in interest receivable	(3,554)	20,603	(2,238)	11,413	26,224	-
Increase (decrease) in accounts payable	510,967	(162,773)	(74,547)	(5,103)	268,544	997,195
Increase (decrease) in accrued payroll	(865)	14,349	17,826	2,444	33,754	15,808
Increase (decrease) in deposits	37,094	-	-	45,778	82,872	-
Increase (decrease) in compensated absences	(93,775)	57,972	(36,865)	2,129	(70,539)	197,224
Increase (decrease) in interest payable	(23,708)	(19,947)	(15,585)	-	(59,240)	-
Increase (decrease) in landfill closure liability	-	369,247	-	-	369,247	-
Total adjustments	<u>2,076,120</u>	<u>1,238,392</u>	<u>1,052,932</u>	<u>112,748</u>	<u>4,480,192</u>	<u>1,178,800</u>
Net cash provided by (used for) operating activities	<u>\$ 8,220,467</u>	<u>2,639,720</u>	<u>4,699,714</u>	<u>62,350</u>	<u>15,622,251</u>	<u>755,859</u>

Supplemental information:

During the year ended June 30, 2007, 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, 2007

Assets:

Cash and investments (note 2)	\$ 5,194,201
Cash and investments with fiscal agent (note 2)	2,569,098
Interest receivable	<u>951,740</u>

Total assets \$ 8,715,039

Liabilities:

Accounts payable	\$ 25,736
Deposits	<u>8,689,303</u>

Total liabilities \$ 8,715,039

See accompanying notes to the basic financial statements.

(This page intentionally left blank)

CITY OF REDLANDS

Notes to the Basic Financial Statements

Year ended June 30, 2007

(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 Agency has substantively the same governing body as the primary government. 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)

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

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

(c) Fund Classifications, (Continued)

General Capital Improvement

The General Capital Improvement Fund is used to account for the receipt and expenditure of grant revenue received by the City, other than Community Development Block Grant revenues.

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.

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.

Additionally the government reports the following fund types:

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 \$56,576 for the year ended June 30, 2007 to the cemetery enterprise fund for maintaining the cemetery's operations. No expenditures are incurred until the cemetery is closed.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

(c) Fund Classifications, (Continued)

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.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

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.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

(f) Capital Assets

Capital assets, which include land, rights of way, 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.

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.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

(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.

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.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

(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.

(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.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 94,313,471
Cash and investments held by fiscal agent	9,822,483
Fiduciary funds:	
Cash and investments	5,194,201
Cash and investments held by fiscal agent	<u>2,569,098</u>
Total cash and investments	<u>\$111,899,253</u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 55,542
Deposits with financial institutions	(106,341)
Investments	<u>111,950,052</u>
Total cash and investments	<u>\$111,899,253</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

Investments of debt proceeds held by fiscal agent 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 fiscal agent. 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%	15%
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	\$ 53,676,324	29,836,875	3,966,680	19,872,769	-
Mutual funds	565,055	565,055	-	-	-
Money market funds	25,565	25,565	-	-	-
LAIF	30,000,526	30,000,526	-	-	-
Investment contracts	15,291,000	15,291,000	-	-	-
Held by fiscal agent:					
U.S. Treasury notes	1,831,363	1,831,363	-	-	-
Federal agency securities	1,471,036	726,591	744,445	-	-
Money market funds	1,959,859	1,959,859	-	-	-
Investment contracts	<u>7,129,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,129,324</u>
Total	<u>\$111,950,052</u>	<u>80,236,834</u>	<u>4,711,125</u>	<u>19,872,769</u>	<u>7,129,324</u>

Investment with Fair Values Highly Sensitive to Interest Rate fluctuations

The City's investments (including investments held by fiscal agents) 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 \$55,147,360.

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	\$ 53,676,324	N/A	-	53,676,324	-
Mutual funds	565,055	A	-	565,055	-
Money market funds	25,565	A	-	25,565	-
LAIF	30,000,526	N/A	-	-	30,000,526
Investment contracts	15,291,000	N/A	-	-	15,291,000
Held by bond trustee:					
U.S. Treasury notes	1,831,363	N/A	1,831,363	-	-
Federal agency securities	1,471,036	N/A	-	1,471,036	-
Money market funds	1,959,859	A	-	1,959,859	-
Investment contracts	<u>7,129,324</u>	N/A	-	-	<u>7,129,324</u>
Total	<u>\$111,950,052</u>		<u>1,831,363</u>	<u>57,697,839</u>	<u>52,420,850</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>
Federal Farm Credit Banks	Federal agency securities	5,969,375
Federal Home Loan Banks	Federal agency securities	39,197,130
Federal Home Loan Mortgage Corporation	Federal agency securities	7,981,480

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. 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, 2007 are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	General Capital Improvement	\$3,446,328 (A)
	Nonmajor governmental funds	<u>1,138,029 (A)</u>
		<u>\$4,584,357</u>

Noncurrent interfund receivables and payables as of June 30, 2007 are as follows:

<u>Advances receivable</u>	<u>Advances payable</u>	<u>Amount</u>
General Fund	Public Facilities Development	
	Special Revenue Fund	<u>\$3,751,378 (B)</u>
		<u>3,751,378</u>
Water Enterprise Fund	Nonmajor Enterprise Funds	1,414,185 (C)
Disposal Enterprise Fund	Nonmajor Enterprise Funds	1,758,918 (C)
Sewer Enterprise Fund	General Fund	<u>50,000 (B)</u>
		<u>3,223,103</u>
		<u>\$6,974,481</u>

- (A) Short-term borrowing for temporary cash shortfalls.
 (B) To provide funding for capital expenditures.
 (C) Borrowing for cash shortage after fiscal year activity.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

Transfers in and out for the year ended June 30, 2007 were as follows:

	<u>Transfers In:</u>				<u>Total</u>
	<u>General Fund</u>	<u>General Capital Improvement</u>	<u>Nonmajor Government Funds</u>	<u>Internal Service Funds</u>	
Transfers Out:					
General Fund	\$ -	-	3,054,849	1,246,069	4,300,918
Public Facilities Development	-	-	963,471	-	963,471
General Capital Improvement	30,351	-	-	-	30,351
Nonmajor Governmental	2,338,737	750	5,008,450	-	7,347,937
Internal Service Funds	469,737	-	-	-	469,737
Water Fund	18,614	-	-	-	18,614
Disposal Fund	27,646	-	-	-	27,646
Sewer Fund	<u>73,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,346</u>
Total	<u>\$2,958,431</u>	<u>750</u>	<u>9,026,770</u>	<u>1,246,069</u>	<u>13,232,020</u>

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

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2007</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 26,540,739	1,010,200	-	27,550,939
Rights of way	-	31,822,967	-	31,822,967
Construction in progress	<u>10,958,346</u>	<u>9,619,782</u>	<u>(12,006,787)</u>	<u>8,571,341</u>
Total capital assets not being depreciated	<u>37,499,085</u>	<u>42,452,949</u>	<u>(12,006,787)</u>	<u>67,945,247</u>
Capital assets being depreciated:				
Infrastructure	398,928,393	12,121,448	(240,728)	410,809,113
Buildings and improvements	15,257,009	403,867	(28,294)	15,632,582
Machinery, equipment and vehicles	<u>15,177,465</u>	<u>2,789,721</u>	<u>(645,823)</u>	<u>17,321,363</u>
Total capital assets being depreciated	<u>429,362,867</u>	<u>15,315,036</u>	<u>(914,845)</u>	<u>443,763,058</u>
Less accumulated depreciation for:				
Infrastructure	(55,106,854)	(3,229,959)	70,585	(58,266,228)
Buildings and improvements	(6,442,112)	(353,506)	1,358	(6,794,260)
Machinery, equipment and vehicles	<u>(10,639,372)</u>	<u>(1,135,211)</u>	<u>341,373</u>	<u>(11,433,210)</u>
Total accumulated depreciation	<u>(72,188,338)</u>	<u>(4,718,676)</u>	<u>413,316</u>	<u>(76,493,698)</u>
Total capital assets being depreciated, net	<u>357,174,529</u>	<u>10,596,360</u>	<u>(501,529)</u>	<u>367,269,360</u>
Governmental activities				
Capital assets, net	<u>\$394,673,614</u>	<u>53,049,309</u>	<u>(12,508,316)</u>	<u>435,214,607</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets, (Continued)

	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2007</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 27,840,335	-	-	27,840,335
Water rights	9,179,433	85,279	-	9,264,712
Construction in progress	<u>6,665,470</u>	<u>6,432,569</u>	<u>(3,084,938)</u>	<u>10,013,101</u>
Total capital assets not being depreciated	<u>43,685,238</u>	<u>6,517,848</u>	<u>(3,084,938)</u>	<u>47,118,148</u>
Capital assets being depreciated:				
Infrastructure	112,253,153	3,084,936	-	115,338,089
Buildings and improvements	76,970,231	29,799	-	77,000,030
Machinery, equipment and vehicles	<u>11,441,073</u>	<u>372,800</u>	<u>(243,000)</u>	<u>11,570,873</u>
Total capital assets being depreciated	<u>200,664,457</u>	<u>3,487,535</u>	<u>(243,000)</u>	<u>203,908,992</u>
Less accumulated depreciation for:				
Infrastructure	(48,509,786)	(2,086,031)	-	(50,595,817)
Buildings and improvements	(51,457,467)	(1,051,012)	-	(52,508,479)
Machinery, equipment and Vehicles	<u>(6,989,552)</u>	<u>(1,165,014)</u>	<u>178,200</u>	<u>(7,976,366)</u>
Total accumulated depreciation	<u>(106,956,805)</u>	<u>(4,302,057)</u>	<u>178,200</u>	<u>(111,080,662)</u>
Total capital assets being depreciated, net	<u>93,707,652</u>	<u>(814,522)</u>	<u>(64,800)</u>	<u>92,828,330</u>
Business-type activities Capital assets, net	<u>\$137,392,890</u>	<u>5,703,326</u>	<u>(3,149,738)</u>	<u>139,946,478</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(4) 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	\$ 196,556	-
Public safety	854,787	-
Highway and streets	3,312,016	-
Culture and recreation	337,008	-
Water	-	2,121,551
Disposal	-	872,307
Sewer	-	1,261,637
Others	-	46,562
Internal service	<u>18,309</u>	<u>-</u>
Total	<u>\$4,718,676</u>	<u>4,302,057</u>

(5) Long-Term Liabilities – Governmental Activities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2007:

	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2007</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 7,034,564	4,256,603	(4,466,450)	6,824,717	3,197,872
Capital leases payable	1,407,827	1,269,165	(393,792)	2,283,200	583,067
Claims payable	2,321,085	735,180	(735,180)	2,321,085	2,321,085
General obligation bonds:					
2003 Refunding	4,075,000	-	(450,000)	3,625,000	455,000
Tax allocation bonds:					
1998A Refunding	25,145,000	-	(1,025,000)	24,120,000	1,065,000
2003A Series	15,960,000	-	(705,000)	15,255,000	720,000

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

	<u>Balance at</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2007</u>	<u>Amount</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Certificate of participation:					
2003 lease revenue refunding	\$16,620,000	-	(1,310,000)	15,310,000	1,355,000
Add: issuance premium	586,718	-	(53,338)	533,380	53,338
Note payable:					
California Energy Commission – LED lighting project	29,159	-	(29,159)	-	-
F.M. Thomas Air Conditioning, Inc.	106,486	-	(42,595)	63,891	42,595
I-Bank Sports Park	-	<u>1,985,000</u>	-	<u>1,985,000</u>	<u>40,719</u>
Total governmental activities long-term liabilities	<u>\$73,285,839</u>	<u>8,245,948</u>	<u>(9,210,514)</u>	<u>72,321,273</u>	<u>9,833,676</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, \$428,973 of compensated absences for internal service funds is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Amount
Outstanding at
June 30, 2007

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 \$3,206,131.

\$2,283,200

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

(5) 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>
2008	\$ 583,067
2009	459,985
2010	392,074
2011	330,148
2012	229,985
2013-2014	<u>679,375</u>
Total minimum lease payments	2,674,634
Less: amount representing interest	<u>(391,434)</u>
Present value of minimum lease payments	<u>\$2,283,200</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. The amount outstanding at June 30, 2007 is \$3,625,000.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 455,000	139,025
2009	475,000	128,788
2010	500,000	109,788
2011	515,000	89,788
2012	535,000	73,050
2013-2014	<u>1,145,000</u>	<u>80,900</u>
	<u>\$3,625,000</u>	<u>621,339</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. This debt is secured by the tax increment revenue of the Redevelopment Agency. The amount outstanding at June 30, 2007 is \$24,120,000.

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. This debt is secured by the tax increment revenue of the Redevelopment Agency. At June 30, 2007, the outstanding principal was \$15,255,000.

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

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

The annual requirements to amortize tax allocation bonds outstanding as of June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,785,000	1,701,728
2009	1,845,000	1,639,168
2010	1,915,000	1,569,529
2011	1,985,000	1,493,570
2012	2,060,000	1,410,257
2013-2017	11,760,000	5,580,842
2018-2022	14,670,000	2,584,459
2023	<u>3,355,000</u>	<u>80,831</u>
	<u>\$39,375,000</u>	<u>16,060,384</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, 2007 was \$15,310,000 with premium in the amount of \$533,380.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(5) 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>
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	1,525,000	384,443
2013-2017	7,565,000	894,578
2018	<u>595,000</u>	<u>14,875</u>
	<u>\$15,310,000</u>	<u>3,355,929</u>

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, 2007, the outstanding balance of the F.M. Thomas Air Conditioning, Inc. note payable balance was \$63,891.

The annual retirements to amortize notes payable outstanding as of June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2008	\$ 42,595
2009	<u>21,296</u>
	<u>\$ 63,891</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

I-Bank Sports Park – Note Payable

On December 1, 2006 the City entered into this agreement for the purpose of obtaining additional funds to complete the Sports Park project. The City has agreed to pay the amount over thirty years commencing on the date of the note, which carries an annual interest rate of 3.15% with principal and interest payments due every six months starting August 1, 2007 and payable in full on August 1, 2036. At June 30, 2007, the outstanding balance of the I-Bank Sports Park note payable balance was \$1,985,000.

The annual retirements to amortize notes payable outstanding as of June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 40,719	61,886
2009	42,002	60,583
2010	43,325	59,240
2011	44,690	57,854
2012	46,097	56,424
2013-2017	253,204	259,040
2018-2022	295,677	215,901
2023-2037	1,219,286	310,210
	<u>\$1,985,000</u>	<u>1,081,138</u>

(6) 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, 2007:

	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2007</u>	<u>Amount Due Within One Year</u>
Enterprise Funds:					
Compensated absences	\$ 804,744	409,251	(479,790)	734,205	367,103
Landfill closure liability	<u>4,117,017</u>	<u>369,247</u>	<u>-</u>	<u>4,486,264</u>	<u>379,955</u>
	<u>4,921,761</u>	<u>778,498</u>	<u>(479,790)</u>	<u>5,220,469</u>	<u>747,058</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities – Business-Type. (Continued)

	Balance at <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2007</u>	Amount Due Within <u>One Year</u>
Revenue Bonds:					
1999 Water Refunding	16,415,000	-	(1,325,000)	15,090,000	1,390,000
1999 Wastewater Refunding	<u>13,315,000</u>	<u>-</u>	<u>(855,000)</u>	<u>12,460,000</u>	<u>895,000</u>
	<u>29,730,000</u>	<u>-</u>	<u>(2,180,000)</u>	<u>27,550,000</u>	<u>2,285,000</u>
Certificate of participation:					
1992 Solid Waste Facilities	<u>880,000</u>	<u>-</u>	<u>(880,000)</u>	<u>-</u>	<u>-</u>
Notes payable:					
Agricultural drainage water management loan program	\$ 940,214	-	(90,310)	849,904	93,561
California recycled water project	5,467,878	-	(228,342)	5,239,536	234,050
Safe drinking water project	<u>6,100,844</u>	<u>-</u>	<u>(120,480)</u>	<u>5,980,364</u>	<u>245,204</u>
	<u>12,508,936</u>	<u>-</u>	<u>(439,132)</u>	<u>12,069,804</u>	<u>572,815</u>
Total business-type activities long-term liabilities	<u>\$48,040,697</u>	<u>778,498</u>	<u>(3,978,922)</u>	<u>44,840,273</u>	<u>3,604,873</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 revenues of the Water Fund are pledged as security toward the payment of this debt. The amount outstanding at June 30, 2007 was \$15,090,000.

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 revenues of the Water Fund are pledged as security toward the payment of this debt. The amount outstanding at June 30, 2007 was \$12,460,000.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

The annual requirements to amortize bonds payable subsequent to June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,285,000	1,268,363
2009	2,380,000	1,164,543
2010	2,495,000	1,054,856
2011	2,600,000	938,919
2012	2,725,000	814,400
2013-2017	13,645,000	1,924,341
2018	<u>1,420,000</u>	<u>35,500</u>
	<u>\$27,550,000</u>	<u>7,200,922</u>

Notes Payable

At June 30, 2007, the City has \$849,904 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.

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, 2007 is \$5,239,536.

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 had 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. At June 30, 2007, the City has \$5,980,364 in outstanding principal.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

The annual requirements to amortize notes payable outstanding as of June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 572,815	300,099
2009	587,807	285,108
2010	603,200	269,715
2011	619,010	253,905
2012	635,244	237,671
2013-2017	3,182,727	933,534
2018-2022	3,196,536	547,252
2023-2026	<u>2,672,465</u>	<u>149,385</u>
	<u>\$12,069,804</u>	<u>2,976,669</u>

(7) Claims Payable

On June 30, 2007 and throughout 2006-2007, 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)

(7) Claims Payable, (Continued)

At June 30, 2007, \$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, 2007 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, 2007 is as follows:

<u>2006-2007</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	\$ 574,219	165,100	165,100	574,219
Worker's compensation	<u>1,746,866</u>	<u>570,080</u>	<u>570,080</u>	<u>1,746,866</u>
	<u>\$2,321,085</u>	<u>735,180</u>	<u>735,180</u>	<u>2,321,085</u>
<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>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

At June 30, 2007, the following governmental funds have fund deficits:

	<u>Deficit Amount</u>
Special Revenue Funds:	
Public Facilities Development	\$2,371,845 (a)
Community Development Block Grant	13,160
Disaster Recovery	91,545
General Capital Improvement	1,914,930 (b)
Police Grants	145,308
Street Lighting District #1	149
Neighborhood Initiative Program	759,434
Enterprise Fund:	
Cemetery	664,238
Internal Service Fund:	
Vehicle Pool and Maintenance	91,389

(a) Deficit is due to majority of funding being grant related on a reimbursement basis.

(b) Deficit due to outstanding loans to the general fund to be paid by future impact fees.

Expenditures for the year ended June 30, 2007 exceeded the appropriations of the following funds/departments:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General:			
City council	\$ 166,393	178,136	(11,743)
City manager	359,464	389,233	(29,769)
City attorney	520,011	523,537	(3,526)
Administrative services	3,119,206	3,146,786	(27,580)
Parks	1,627,683	1,630,551	(2,868)
Capital outlay	2,540,686	2,967,666	(426,980)
Special Revenue:			
Parking authority	18,697	19,755	(1,058)
Low and moderate income housing	2,077,869	2,151,831	(73,962)
Designated receipts	-	1,025,170	(1,025,170)
Capital Projects Fund:			
Storm drain	11,097	66,563	(55,466)

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

(9) 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, 2006 to June 30, 2007 has been determined by an actuarial valuation of the plan as of June 30, 2004. The contribution rate for the indicated period is 10.307%, 32.182% and 38.042% 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, 2007, 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, 2006 to June 30, 2007. 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)

(9) 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, 2004
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	22 Years as of the Valuation Date
Asset Valuation Method	15 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%

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.

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

(9) 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>
6/30/04	\$73,067,357	68,950,101	4,117,256	94.4%	14,929,805	27.6%
6/30/05	79,179,634	73,458,081	5,721,553	92.8%	16,462,866	34.8%
6/30/06	85,914,510	79,046,879	6,867,631	92.0%	17,263,107	39.8%

Three Year Trend Information:

<u>Fiscal Year</u>	<u>Annual Pension Cost (Employer Contribution)</u>				<u>Net Pension Obligation</u>
	<u>Miscellaneous</u>	<u>Safety Police</u>	<u>Safety Fire</u>	<u>Percentage of APC Contributed</u>	
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%	-
6/30/07	1,701,726	2,758,854	2,294,963	100%	-

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(10) 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, 228 retirees meet those eligibility requirements. The City of Redlands contributes a flat monthly rate of \$338 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, 2007, the City expended \$1,580,450 for these post-employment benefits.

(11) 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)

(12) 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.

(13) Commitments

The following material construction commitments existed at June 30, 2007:

<u>Project Name</u>	<u>Remaining Commitments</u>
Boys and Girls Club Construction	\$2,232,389
Water Pipeline Master Plan & Replacement	1,314,725
Sports Park	1,152,550
Redlands/Alabama Street Improvements	216,905
Core Block Parking Structure	176,590
Sewer Pipeline Master Plan & Replacement	170,767

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(14) 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 \$4,486,264 reported as landfill closure and postclosure liability at June 30, 2007 represents the cumulative amount reported to date based on the use of 43.29 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 2007 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, 2007, proceeds from the sale of certificates of participation in the amount of \$5,301,535 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.

(15) 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)

(15) 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, 2007 was \$8,275,000

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, 2007 was \$9,525,000.

(16) 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, 2007 are as follows:

<u>June 30 ending</u>	<u>Amount</u>
2008	\$151,524
2009	151,524
2010	<u>50,508</u>
	<u>\$353,556</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(17) Short-term Debt – Tax and Revenue Anticipation Bonds

The City of Redlands issues tax and revenue anticipation bonds in advance of property tax collections, depositing the proceeds in its general fund. The series 2006A-1 bonds were issued to provide monies to meet the City's anticipated cash flow needs prior to the receipt of property taxes collected by the City later in the year. The series 2006C bonds are necessary for the City's prepayment of its contribution to PERS at the beginning of the fiscal year rather than in installments throughout the year.

Short-term debt activity for the year ended June 30, 2007, was as follows

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax and revenue anticipation bonds, series C	\$ 0	\$6,900,000	\$(6,900,000)	\$ 0
Tax and revenue anticipation bonds, series A-1 (Pooled)	\$ 0	\$5,800,000	\$(5,800,000)	\$ 0

(18) Subsequent Events

In July 2007, the City of Redlands has issued its series 2007C Taxable California Communities Tax and Revenue Anticipation Bonds amounting to approximately \$6,620,000 and series 2007A-1(Pooled) Tax and Revenue Anticipation Note amounting to approximately \$7,545,000 for the prepayment of the City's annual PERS obligation and traditional cash flow purposes, respectively.

In August 2007, the City of Redlands has issued its 2007 Taxable Pension Funding Bonds amounting to approximately \$25.9 million. The proceeds of the bonds will be primarily used to refund the City's obligations under the PERS contract evidencing the City's current unfunded accrued actuarial liability. Interest is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2008.

In August 2007, the Redevelopment Agency of the City of Redlands has issued its Redlands Redevelopment Project Tax Allocation Bonds, Taxable series 2007A amounting to approximately \$4.6 million. Proceeds of the Series 2007A Bonds will be primarily used to provide funds for certain low and moderate income housing purposes within the project and fund a deposit to a debt service reserve account. Interest is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2008.

(This page intentionally left blank)

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank)

CITY OF REDLANDS

Notes to Required Supplementary Information

Year ended June 30, 2007

(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, 2007, supplemental appropriations in the amount of \$10,588,713 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, 2007

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 37,753,555	39,824,138	39,380,502	(443,636)
Licenses, permits and fines	5,694,457	9,523,569	10,179,808	656,239
Intergovernmental	-	752,805	593,317	(159,488)
Charges for services	6,377,623	1,570,826	1,685,122	114,296
Investment income	1,076,700	1,019,668	1,543,020	523,352
Other	-	435,397	461,228	25,831
Total revenues	<u>50,902,335</u>	<u>53,126,403</u>	<u>53,842,997</u>	<u>716,594</u>
Expenditures:				
General government:				
City council	174,090	166,393	178,136	(11,743)
City clerk	285,939	281,423	268,283	13,140
City manager	308,037	359,464	389,233	(29,769)
Finance	1,159,167	1,176,877	1,141,941	34,936
City treasurer	605,155	624,947	613,838	11,109
City attorney	519,322	520,011	523,537	(3,526)
Community development	1,998,442	1,675,007	1,667,798	7,209
Administrative services	2,682,464	3,119,206	3,146,786	(27,580)
Management information systems	600,491	509,235	481,216	28,019
Total general government	<u>8,333,107</u>	<u>8,432,563</u>	<u>8,410,768</u>	<u>21,795</u>
Public safety:				
Police	21,364,248	21,929,480	21,908,917	20,563
Fire	9,180,233	9,757,536	9,522,691	234,845
Total public safety	<u>30,544,481</u>	<u>31,687,016</u>	<u>31,431,608</u>	<u>255,408</u>
Highway and streets	4,122,500	4,169,812	4,047,053	122,759
Culture and recreation:				
Community services	1,530,553	1,547,279	1,465,626	81,653
Parks	1,601,196	1,627,683	1,630,551	(2,868)
Total culture and recreation	<u>3,131,749</u>	<u>3,174,962</u>	<u>3,096,177</u>	<u>78,785</u>
Library	1,926,433	1,876,432	1,851,926	24,506
Capital outlay	497,322	2,540,686	2,967,666	(426,980)

(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		(Negative)
Debt service:				
Principal	427,484	605,379	465,548	139,831
Interest	63,165	100,878	60,165	40,713
Total debt service	<u>490,649</u>	<u>706,257</u>	<u>525,713</u>	<u>180,544</u>
Total expenditures	<u>49,046,241</u>	<u>52,587,728</u>	<u>52,330,911</u>	<u>256,817</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,856,094</u>	<u>538,675</u>	<u>1,512,086</u>	<u>973,411</u>
Other financing sources (uses):				
Issuance of debt	-	-	1,269,165	1,269,165
Transfers in	1,532,816	2,836,600	2,958,431	121,831
Transfers out	<u>(4,730,863)</u>	<u>(4,694,664)</u>	<u>(4,300,918)</u>	<u>393,745</u>
Total other financing sources (uses)	<u>(3,198,047)</u>	<u>(1,858,064)</u>	<u>(73,322)</u>	<u>1,784,742</u>
Net change in fund balance	(1,341,953)	(1,319,389)	1,438,764	2,758,153
Fund balance at beginning of year	<u>11,808,960</u>	<u>11,808,960</u>	<u>11,808,960</u>	<u>-</u>
Fund balance at end of year	<u>\$ 10,467,007</u>	<u>10,489,571</u>	<u>13,247,724</u>	<u>2,758,153</u>

CITY OF REDLANDS
Special Revenue Fund

Public Facilities Development

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

Year ended June 30, 2007

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fines	\$ 2,493,100	1,884,000	1,783,374	(100,626)
Total revenues	<u>2,493,100</u>	<u>1,884,000</u>	<u>1,783,374</u>	<u>(100,626)</u>
Expenditures:				
Current:				
General Government	-	418	318	100
Capital outlay	-	2,934	2,934	-
Total expenditures	<u>-</u>	<u>3,352</u>	<u>3,252</u>	<u>100</u>
Excess (deficiency) of revenues over (under) expenditures	2,493,100	1,880,648	1,780,122	(100,526)
Other financing sources:				
Transfers out	<u>(969,796)</u>	<u>(969,796)</u>	<u>(963,471)</u>	<u>6,325</u>
Total other financing sources (uses)	<u>(969,796)</u>	<u>(969,796)</u>	<u>(963,471)</u>	<u>6,325</u>
Net change in fund balance	1,523,304	910,852	816,651	(94,201)
Fund balance at beginning of year	<u>(3,188,496)</u>	<u>(3,188,496)</u>	<u>(3,188,496)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (1,665,192)</u>	<u>(2,277,644)</u>	<u>(2,371,845)</u>	<u>(94,201)</u>

CITY OF REDLANDS
Special Revenue Fund

General Capital Improvement

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

Year ended June 30, 2007

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	-	2,372,897	2,372,897
Charges for services	-	-	1,500	1,500
Investment income	-	87,659	48,075	(39,584)
Other	-	20,000	20,000	-
Total revenues	-	107,659	2,442,472	2,334,813
Expenditures:				
Current:				
General Government	-	297,987	145,692	152,295
Capital outlay	-	4,634,397	2,908,962	1,725,435
Total expenditures	-	4,932,384	3,054,654	1,877,730
Excess (deficiency) of revenues over (under) expenditures	-	(4,824,725)	(612,182)	4,212,543
Other financing sources:				
Issuance of debt	-	-	1,985,000	1,985,000
Transfers in	382,667	382,667	750	(381,917)
Transfers out	-	-	(30,351)	(30,351)
Total other financing sources (uses)	382,667	382,667	1,955,399	1,572,732
Net change in fund balance	382,667	(4,442,058)	1,343,217	5,785,275
Fund balance at beginning of year	(3,258,147)	(3,258,147)	(3,258,147)	-
Fund balance (deficit) at end of year	\$ (2,875,480)	(7,700,205)	(1,914,930)	5,785,275

(This page intentionally left blank)

SUPPLEMENTARY SCHEDULES

CITY OF REDLANDS
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2007

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Fund Cemetery Endowment</u>	<u>Totals</u>
Assets:					
Cash and investments	\$ 27,595,382	3,026,110	10,184,888	1,581,388	42,387,768
Cash and investments with fiscal agent	52	3,589,205	-	-	3,589,257
Receivables:					
Accounts	114,966	-	-	2,165	117,131
Taxes	221,026	211,579	-	-	432,605
Interest	137,462	64,778	128,538	-	330,778
Due from other governments	2,580,924	-	-	-	2,580,924
Total assets	<u>\$ 30,649,812</u>	<u>6,891,672</u>	<u>10,313,426</u>	<u>1,583,553</u>	<u>49,438,463</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 642,639	-	74,473	830	717,942
Accrued payroll	127,630	-	7,444	-	135,074
Deferred revenue	2,178,671	-	-	-	2,178,671
Due to other funds	1,138,029	-	-	-	1,138,029
Deposits	42,225	-	-	-	42,225
Total liabilities	<u>4,129,194</u>	<u>-</u>	<u>81,917</u>	<u>830</u>	<u>4,211,941</u>
Fund balances:					
Reserved for:					
Encumbrances	2,995,571	-	869,573	-	3,865,144
Endowment	-	-	-	1,582,723	1,582,723
Unreserved	23,525,047	6,891,672	9,361,936	-	39,778,655
Total fund balances	<u>26,520,618</u>	<u>6,891,672</u>	<u>10,231,509</u>	<u>1,582,723</u>	<u>45,226,522</u>
Total liabilities and fund balances	<u>\$ 30,649,812</u>	<u>6,891,672</u>	<u>10,313,426</u>	<u>1,583,553</u>	<u>49,438,463</u>

CITY OF REDLANDS
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year ended June 30, 2007

	Special Revenue	Debt Service	Capital Projects	Permanent Fund Cemetery Endowment	Totals
Revenues:					
Taxes	\$ 1,181,682	6,580,691	-	-	7,762,373
Licenses, permits and fines	2,379,381	-	443,300	-	2,822,681
Intergovernmental	12,684,232	-	-	-	12,684,232
Charges for services	528,150	-	-	-	528,150
Investment income	1,363,463	184,789	447,037	-	1,995,289
Other	1,533,786	-	-	62,150	1,595,936
Total revenues	<u>19,670,694</u>	<u>6,765,480</u>	<u>890,337</u>	<u>62,150</u>	<u>27,388,661</u>
Expenditures:					
Current:					
General government	3,909,179	-	1,292,143	-	5,201,322
Public safety	4,576,890	-	-	-	4,576,890
Highway and streets	1,320,559	-	66,563	-	1,387,122
Culture and recreation	215,316	-	-	-	215,316
Capital outlay	6,671,295	-	1,010,200	-	7,681,495
Debt service:					
Principal	-	3,490,000	-	-	3,490,000
Interest	10,421	2,590,130	-	-	2,600,551
Fiscal charges	-	238,111	-	-	238,111
Total expenditures	<u>16,703,660</u>	<u>6,318,241</u>	<u>2,368,906</u>	<u>-</u>	<u>25,390,807</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,967,034</u>	<u>447,239</u>	<u>(1,478,569)</u>	<u>62,150</u>	<u>1,997,854</u>
Other financing sources (uses):					
Transfers in	4,673,201	2,594,759	1,758,810	-	9,026,770
Transfers out	(4,396,379)	(2,944,158)	(7,400)	-	(7,347,937)
Total other financing sources (uses)	<u>276,822</u>	<u>(349,399)</u>	<u>1,751,410</u>	<u>-</u>	<u>1,678,833</u>
Net change in fund balances	3,243,856	97,840	272,841	62,150	3,676,687
Fund balances at beginning of year	<u>23,276,762</u>	<u>6,793,832</u>	<u>9,958,668</u>	<u>1,520,573</u>	<u>41,549,835</u>
Fund balances at end of year	<u>\$ 26,520,618</u>	<u>6,891,672</u>	<u>10,231,509</u>	<u>1,582,723</u>	<u>45,226,522</u>

(This page intentionally left blank)

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.

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.

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.

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

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.

(This page intentionally left blank)

CITY OF REDLANDS
Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2007

	State Gas Tax	Community Development Block Grant	Downtown Redlands Business Association	Parking Authority	Low and Moderate Income Housing
Assets:					
Cash and investments	\$ -	-	326,725	124,704	10,886,974
Cash and investments with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	-
Taxes	120,836	-	-	-	-
Interest	-	-	-	-	137,462
Due from other governments	-	32,596	-	-	-
	<u>\$ 120,836</u>	<u>32,596</u>	<u>326,725</u>	<u>124,704</u>	<u>11,024,436</u>
Total assets					
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ -	2,858	5,950	1,615	59,306
Accrued payroll	-	782	5,654	-	8,297
Deferred revenue	-	12,921	-	-	-
Due to other funds	-	29,195	-	-	-
Deposits	-	-	-	4,225	-
Advances payable	-	-	-	-	-
	<u>-</u>	<u>45,756</u>	<u>11,604</u>	<u>5,840</u>	<u>67,603</u>
Total liabilities					
Fund balances (deficits):					
Reserved	-	80,492	6,756	-	98,636
Unreserved	120,836	(93,652)	308,365	118,864	10,858,197
	<u>120,836</u>	<u>(93,652)</u>	<u>308,365</u>	<u>118,864</u>	<u>10,858,197</u>
Total fund balances (deficit)					
	<u>120,836</u>	<u>(13,160)</u>	<u>315,121</u>	<u>118,864</u>	<u>10,956,833</u>
Total liabilities and fund balances					
	<u>\$ 120,836</u>	<u>32,596</u>	<u>326,725</u>	<u>124,704</u>	<u>11,024,436</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>Street Lighting District #1</u>
64,894	-	-	1,797,740	-	2,642,008	4,279,653	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	102,857	-
19,781	-	-	-	-	-	-	339
-	-	-	-	-	-	-	-
-	-	-	-	91,378	-	834,230	-
<u>84,675</u>	<u>-</u>	<u>-</u>	<u>1,797,740</u>	<u>91,378</u>	<u>2,642,008</u>	<u>5,216,740</u>	<u>339</u>
3	-	-	-	135	-	54,831	-
84,672	-	-	-	3,224	-	9,524	488
-	-	-	-	91,378	-	834,230	-
-	-	-	-	88,186	-	-	-
-	-	-	-	-	-	28,000	-
-	-	-	-	-	-	-	-
<u>84,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,923</u>	<u>-</u>	<u>926,585</u>	<u>488</u>
565	-	-	-	-	-	352,128	10,901
(565)	-	-	1,797,740	(91,545)	2,642,008	3,938,027	(11,050)
-	-	-	1,797,740	(91,545)	2,642,008	4,290,155	(149)
<u>84,675</u>	<u>-</u>	<u>-</u>	<u>1,797,740</u>	<u>91,378</u>	<u>2,642,008</u>	<u>5,216,740</u>	<u>339</u>

(Continued)

CITY OF REDLANDS
Nonmajor Special Revenue Funds

Combining Balance Sheet

(Continued)

	<u>Air Quality Improvement</u>	<u>Measure I</u>	<u>Designated Receipts</u>	<u>Traffic Signals</u>	<u>Landscape Maintenance District</u>
Assets:					
Cash and investments	242,470	4,332,906	1,901,297	-	2,593
Cash and investments with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	-
Taxes	-	78,480	-	-	230
Interest	-	-	-	-	-
Due from other governments	<u>22,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>264,662</u>	<u>4,411,386</u>	<u>1,901,297</u>	<u>-</u>	<u>2,823</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	-	46,085	142,184	-	2,335
Accrued payroll	-	1,085	-	-	488
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deposits	-	-	-	-	-
Advances payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>47,170</u>	<u>142,184</u>	<u>-</u>	<u>2,823</u>
Fund balances (deficits):					
Reserved	-	12,536	-	-	12,485
Unreserved	<u>264,662</u>	<u>4,351,680</u>	<u>1,759,113</u>	<u>-</u>	<u>(12,485)</u>
Total fund balances (deficit)	<u>264,662</u>	<u>4,364,216</u>	<u>1,759,113</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>264,662</u>	<u>4,411,386</u>	<u>1,901,297</u>	<u>-</u>	<u>2,823</u>

<u>Household Hazardous Waste</u>	<u>Supplemental Law Enforcement</u>	<u>Neighborhood Initiative Program</u>	<u>Drug Confiscation</u>	<u>Community Facilities District</u>	<u>Police Grants</u>	<u>CFD 2004-1 Assessment</u>	<u>Totals</u>
410,703	130,894	-	200,952	-	-	250,869	27,595,382
-	-	-	-	52	-	-	52
8,385	-	-	-	-	3,724	-	114,966
-	-	-	-	-	-	1,360	221,026
-	-	-	-	-	-	-	137,462
<u>2,486</u>	<u>-</u>	<u>846,309</u>	<u>2,640</u>	<u>-</u>	<u>749,093</u>	<u>-</u>	<u>2,580,924</u>
<u>421,574</u>	<u>130,894</u>	<u>846,309</u>	<u>203,592</u>	<u>52</u>	<u>752,817</u>	<u>252,229</u>	<u>30,649,812</u>
7,060	-	290,492	1,940	-	23,299	4,546	642,639
-	-	-	-	-	13,416	-	127,630
-	84,129	846,309	-	-	309,704	-	2,178,671
-	-	468,942	-	-	551,706	-	1,138,029
-	-	-	-	-	-	10,000	42,225
-	-	-	-	-	-	-	-
<u>7,060</u>	<u>84,129</u>	<u>1,605,743</u>	<u>1,940</u>	<u>-</u>	<u>898,125</u>	<u>14,546</u>	<u>4,129,194</u>
-	-	2,232,389	1,675	-	173,400	13,608	2,995,571
<u>414,514</u>	<u>46,765</u>	<u>(2,991,823)</u>	<u>199,977</u>	<u>52</u>	<u>(318,708)</u>	<u>224,075</u>	<u>23,525,047</u>
<u>414,514</u>	<u>46,765</u>	<u>(759,434)</u>	<u>201,652</u>	<u>52</u>	<u>(145,308)</u>	<u>237,683</u>	<u>26,520,618</u>
<u>421,574</u>	<u>130,894</u>	<u>846,309</u>	<u>203,592</u>	<u>52</u>	<u>752,817</u>	<u>252,229</u>	<u>30,649,812</u>

CITY OF REDLANDS
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Year ended June 30, 2007

	<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	-	-	77,820	-	-
Intergovernmental	1,296,022	453,746	-	-	1,078,000
Charges for services	-	-	273,162	-	-
Investment income	-	-	19,252	4,608	482,219
Other	-	-	1,975	-	42,630
	<u>-</u>	<u>-</u>	<u>1,975</u>	<u>-</u>	<u>42,630</u>
 Total revenues	 <u>1,296,022</u>	 <u>453,746</u>	 <u>372,209</u>	 <u>4,608</u>	 <u>1,602,849</u>
Expenditures:					
Current:					
General government	-	42,450	418,020	19,755	2,151,831
Public safety	-	-	-	-	-
Highway and streets	-	360,988	-	-	-
Culture and recreation	-	16,238	-	-	-
Capital outlay	-	-	15,324	-	-
Debt service:					
Interest	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>-</u>	 <u>419,676</u>	 <u>433,344</u>	 <u>19,755</u>	 <u>2,151,831</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>1,296,022</u>	 <u>34,070</u>	 <u>(61,135)</u>	 <u>(15,147)</u>	 <u>(548,982)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	1,185,348
Transfers out	(1,296,296)	(1,233)	-	-	(667,818)
	<u>(1,296,296)</u>	<u>(1,233)</u>	<u>-</u>	<u>-</u>	<u>(667,818)</u>
 Total other financing sources (uses)	 <u>(1,296,296)</u>	 <u>(1,233)</u>	 <u>-</u>	 <u>-</u>	 <u>517,530</u>
 Net change in fund balances	 (274)	 32,837	 (61,135)	 (15,147)	 (31,452)
 Fund balances (deficit) at beginning of year	 <u>121,110</u>	 <u>(45,997)</u>	 <u>376,256</u>	 <u>134,011</u>	 <u>10,988,285</u>
 Fund balances (deficit) at end of year	 <u>\$ 120,836</u>	 <u>(13,160)</u>	 <u>315,121</u>	 <u>118,864</u>	 <u>10,956,833</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>Street Lighting District #1</u>
1,040,041	-	-	-	-	-	-	24,758
-	1,269,761	170,353	180,651	-	554,083	-	-
-	-	-	-	21,377	-	4,768,284	-
12,394	-	-	-	-	-	242,594	-
-	-	-	84,414	-	129,248	158,191	-
-	-	-	-	-	-	-	-
<u>1,052,435</u>	<u>1,269,761</u>	<u>170,353</u>	<u>265,065</u>	<u>21,377</u>	<u>683,331</u>	<u>5,169,069</u>	<u>24,758</u>
-	-	-	9,900	36,430	-	-	-
3,076,615	-	-	-	-	-	-	-
-	-	-	-	-	-	790,600	15,152
-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,067,215	-
-	-	-	-	-	10,421	-	-
<u>3,076,615</u>	<u>-</u>	<u>-</u>	<u>9,900</u>	<u>36,430</u>	<u>10,421</u>	<u>3,857,815</u>	<u>15,152</u>
<u>(2,024,180)</u>	<u>1,269,761</u>	<u>170,353</u>	<u>255,165</u>	<u>(15,053)</u>	<u>672,910</u>	<u>1,311,254</u>	<u>9,606</u>
2,024,180	-	-	-	-	-	1,396,474	-
-	(1,269,761)	(173,544)	-	-	(750)	(850,509)	(9,755)
<u>2,024,180</u>	<u>(1,269,761)</u>	<u>(173,544)</u>	<u>-</u>	<u>-</u>	<u>(750)</u>	<u>545,965</u>	<u>(9,755)</u>
-	-	(3,191)	255,165	(15,053)	672,160	1,857,219	(149)
-	-	3,191	1,542,575	(76,492)	1,969,848	2,432,936	-
-	-	-	1,797,740	(91,545)	2,642,008	4,290,155	(149)

(Continued)

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

	<u>Air Quality Improvement</u>	<u>Measure I</u>	<u>Designated Receipts</u>	<u>Traffic Signals</u>	<u>Landscape Maintenance District</u>
Revenues:					
Taxes	-	-	-	-	27,516
Licenses, permits and fines	-	-	-	126,713	-
Intergovernmental	85,590	1,021,946	-	-	-
Charges for services	-	-	-	-	-
Investment income	9,107	212,038	-	-	-
Other	-	27	1,415,043	-	-
	<u>94,697</u>	<u>1,234,011</u>	<u>1,415,043</u>	<u>126,713</u>	<u>27,516</u>
Total revenues					
Expenditures:					
Current:					
General government	-	-	1,025,170	-	94,715
Public safety	-	-	-	-	-
Highway and streets	-	153,819	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	440,352	-	-	-
Debt service:					
Interest	-	-	-	-	-
	<u>-</u>	<u>594,171</u>	<u>1,025,170</u>	<u>-</u>	<u>94,715</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>94,697</u>	<u>639,840</u>	<u>389,873</u>	<u>126,713</u>	<u>(67,199)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	67,199
Transfers out	-	-	-	(126,713)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126,713)</u>	<u>67,199</u>
Total other financing sources (uses)					
Net change in fund balances	94,697	639,840	389,873	-	-
Fund balances (deficit) at beginning of year	<u>169,965</u>	<u>3,724,376</u>	<u>1,369,240</u>	<u>-</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>264,662</u>	<u>4,364,216</u>	<u>1,759,113</u>	<u>-</u>	<u>-</u>

<u>Household Hazardous Waste</u>	<u>Supplemental Law Enforcement</u>	<u>Neighborhood Initiative Program</u>	<u>Drug Confiscation</u>	<u>Community Facilities District</u>	<u>Police Grants</u>	<u>CFD 2004-1 Assessment</u>	<u>Totals</u>
-	-	-	-	-	-	89,367	1,181,682
-	-	-	-	-	-	-	2,379,381
12,354	75,638	1,400,000	-	-	2,471,275	-	12,684,232
-	-	-	-	-	-	-	528,150
106,775	3,753	52,245	-	2	92,571	9,040	1,363,463
-	-	-	73,741	-	370	-	1,533,786
<u>119,129</u>	<u>79,391</u>	<u>1,452,245</u>	<u>73,741</u>	<u>2</u>	<u>2,564,216</u>	<u>98,407</u>	<u>19,670,694</u>
96,843	-	-	-	-	-	14,065	3,909,179
-	52,697	-	79,579	-	1,367,999	-	4,576,890
-	-	-	-	-	-	-	1,320,559
-	-	199,078	-	-	-	-	215,316
-	22,941	2,047,231	-	-	1,078,232	-	6,671,295
-	-	-	-	-	-	-	10,421
<u>96,843</u>	<u>75,638</u>	<u>2,246,309</u>	<u>79,579</u>	<u>-</u>	<u>2,446,231</u>	<u>14,065</u>	<u>16,703,660</u>
<u>22,286</u>	<u>3,753</u>	<u>(794,064)</u>	<u>(5,838)</u>	<u>2</u>	<u>117,985</u>	<u>84,342</u>	<u>2,967,034</u>
-	-	-	-	-	-	-	4,673,201
-	-	-	-	-	-	-	(4,396,379)
-	-	-	-	-	-	-	276,822
22,286	3,753	(794,064)	(5,838)	2	117,985	84,342	3,243,856
<u>392,228</u>	<u>43,012</u>	<u>34,630</u>	<u>207,490</u>	<u>50</u>	<u>(263,293)</u>	<u>153,341</u>	<u>23,276,762</u>
<u>414,514</u>	<u>46,765</u>	<u>(759,434)</u>	<u>201,652</u>	<u>52</u>	<u>(145,308)</u>	<u>237,683</u>	<u>26,520,618</u>

CITY OF REDLANDS
State Gas Tax Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,190,900	1,296,022	105,122
Excess of revenues over expenditures	1,190,900	1,296,022	105,122
Other financing uses:			
Transfers out	<u>(1,232,500)</u>	<u>(1,296,296)</u>	<u>(63,796)</u>
Net change in fund balance	(41,600)	(274)	41,326
Fund balance at beginning of year	<u>121,110</u>	<u>121,110</u>	<u>-</u>
Fund balance at end of year	<u>\$ 79,510</u>	<u>120,836</u>	<u>41,326</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, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,169,665	453,746	(715,919)
Charges for Services	<u>85</u>	<u>-</u>	<u>(85)</u>
Total revenues	<u>1,169,750</u>	<u>453,746</u>	<u>(716,004)</u>
Expenditures:			
Current:			
General government	45,350	42,450	2,900
Highways and streets	699,683	360,988	338,695
Culture and recreation	15,032	16,238	(1,206)
Capital outlay	<u>409,685</u>	<u>-</u>	<u>409,685</u>
Total expenditures	<u>1,169,750</u>	<u>419,676</u>	<u>750,074</u>
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(1,233)</u>	<u>(1,233)</u>
Net change in fund balance	-	32,837	32,837
Fund balance (deficit) at beginning of year	<u>(45,997)</u>	<u>(45,997)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (45,997)</u>	<u>(13,160)</u>	<u>32,837</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, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 75,000	77,820	2,820
Charges for services	275,644	273,162	(2,482)
Investment income	10,000	19,252	9,252
Other	<u>2,040</u>	<u>1,975</u>	<u>(65)</u>
Total revenues	<u>362,684</u>	<u>372,209</u>	<u>9,525</u>
Expenditures:			
Current:			
General government	442,933	418,020	24,913
Capital outlay	<u>15,324</u>	<u>15,324</u>	<u>-</u>
Total expenditures	<u>458,257</u>	<u>433,344</u>	<u>24,913</u>
Net change in fund balance	(95,573)	(61,135)	34,438
Fund balance at beginning of year	<u>376,256</u>	<u>376,256</u>	<u>-</u>
Fund balance at end of year	<u>\$ 280,683</u>	<u>315,121</u>	<u>34,438</u>

CITY OF REDLANDS
Parking Authority Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 5,300	4,608	(692)
Expenditures:			
Current:			
General government	18,697	19,755	(1,058)
Total expenditures	<u>18,697</u>	<u>19,755</u>	<u>(1,058)</u>
Net change in fund balance	(13,397)	(15,147)	(1,750)
Fund balance at beginning of year	<u>134,011</u>	<u>134,011</u>	-
Fund balance at end of year	<u>\$ 120,614</u>	<u>118,864</u>	<u>(1,750)</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, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,078,000	1,078,000	-
Investment income	400,000	482,219	82,219
Other	<u>42,230</u>	<u>42,630</u>	<u>400</u>
Total revenues	<u>1,520,230</u>	<u>1,602,849</u>	<u>82,619</u>
Expenditures:			
Current:			
General government	<u>2,077,869</u>	<u>2,151,831</u>	<u>(73,962)</u>
Total expenditures	<u>2,077,869</u>	<u>2,151,831</u>	<u>(73,962)</u>
Excess of revenues over expenditures	<u>(557,639)</u>	<u>(548,982)</u>	<u>8,657</u>
Other financing sources (uses):			
Transfers in	946,360	1,185,348	238,988
Transfers out	<u>(768,068)</u>	<u>(667,818)</u>	<u>100,250</u>
Total other financing sources (uses)	<u>178,292</u>	<u>517,530</u>	<u>339,238</u>
Net change in fund balance	(379,347)	(31,452)	347,895
Fund balance at beginning of year	<u>10,988,285</u>	<u>10,988,285</u>	<u>-</u>
Fund balance at end of year	<u>\$ 10,608,938</u>	<u>10,956,833</u>	<u>347,895</u>

CITY OF REDLANDS
Emergency Services Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 1,050,000	1,040,041	(9,959)
Charges for services	<u>11,032</u>	<u>12,394</u>	<u>1,362</u>
Total revenues	<u>1,061,032</u>	<u>1,052,435</u>	<u>(8,597)</u>
Expenditures:			
Current:			
Public safety	<u>3,095,222</u>	<u>3,076,615</u>	<u>18,607</u>
Total expenditures	<u>3,095,222</u>	<u>3,076,615</u>	<u>18,607</u>
Excess (deficiency) of revenues over (under) expenditures	(2,034,190)	(2,024,180)	10,010
Other financing sources:			
Transfers in	<u>1,779,002</u>	<u>2,024,180</u>	<u>245,178</u>
Net change in fund balance	(255,188)	-	255,188
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ (255,188)</u></u>	<u><u>-</u></u>	<u><u>255,188</u></u>

CITY OF REDLANDS
Street Construction Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 1,137,230	1,269,761	132,531
Excess of revenues over expenditures	1,137,230	1,269,761	132,531
Other financing uses:			
Transfers out	<u>(853,700)</u>	<u>(1,269,761)</u>	<u>(416,061)</u>
Net change in fund balance	283,530	-	(283,530)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ 283,530</u>	<u>-</u>	<u>(283,530)</u>

CITY OF REDLANDS
Traffic Safety Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 170,000	170,353	353
Excess of revenues over expenditures	170,000	170,353	353
Other financing uses:			
Transfers out	<u>(170,000)</u>	<u>(173,544)</u>	<u>(3,544)</u>
Net change in fund balance	-	(3,191)	(3,191)
Fund balance at beginning of year	<u>3,191</u>	<u>3,191</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ 3,191</u>	<u>-</u>	<u>(3,191)</u>

CITY OF REDLANDS
Open Space Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fees	\$ 200,000	180,651	(19,349)
Investment income	<u>24,000</u>	<u>84,414</u>	<u>60,414</u>
Total revenues	<u>224,000</u>	<u>265,065</u>	<u>41,065</u>
Expenditures:			
Current:			
General government	<u>9,900</u>	<u>9,900</u>	<u>-</u>
Total expenditures	<u>9,900</u>	<u>9,900</u>	<u>-</u>
Net change in fund balance	214,100	255,165	41,065
Fund balance at beginning of year	<u>1,542,575</u>	<u>1,542,575</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 1,756,675</u></u>	<u><u>1,797,740</u></u>	<u><u>41,065</u></u>

CITY OF REDLANDS
Disaster Recovery Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 75,471	21,377	(54,094)
Total revenues	<u>75,471</u>	<u>21,377</u>	<u>(54,094)</u>
Expenditures:			
Current:			
General government	63,976	36,430	27,546
Capital outlay	<u>55,881</u>	<u>-</u>	<u>55,881</u>
Total expenditures	<u>119,857</u>	<u>36,430</u>	<u>83,427</u>
Excess (deficiency) of revenues over (under) expenditures	(44,386)	(15,053)	29,333
Fund balance (deficit) at beginning of year	<u>(76,492)</u>	<u>(76,492)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u><u>\$ (120,878)</u></u>	<u><u>(91,545)</u></u>	<u><u>29,333</u></u>

CITY OF REDLANDS
Park Development Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 565,505	554,083	(11,422)
Investment income	<u>52,830</u>	<u>129,248</u>	<u>76,418</u>
Total revenues	<u>618,335</u>	<u>683,331</u>	<u>64,996</u>
Expenditures:			
Debt Service:			
Interest	<u>10,500</u>	<u>10,421</u>	<u>79</u>
Total expenditures	<u>10,500</u>	<u>10,421</u>	<u>79</u>
Excess of revenues over expenditures	607,835	672,910	65,075
Other financing uses:			
Transfers out	<u>(382,667)</u>	<u>(750)</u>	<u>381,917</u>
Net change in fund balance	225,168	672,160	446,992
Fund balance at beginning of year	<u>1,969,848</u>	<u>1,969,848</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 2,195,016</u></u>	<u><u>2,642,008</u></u>	<u><u>446,992</u></u>

CITY OF REDLANDS
Local Transportation Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 4,768,284	4,768,284	-
Charges for services	242,594	242,594	-
Investment income	100,000	158,191	58,191
Proceeds from sale of land	28,000	-	(28,000)
	<u>5,138,878</u>	<u>5,169,069</u>	<u>30,191</u>
Total revenues			
Expenditures:			
Current:			
Highway and streets	857,161	790,600	66,561
Capital outlay	7,949,300	3,067,215	4,882,085
	<u>8,806,461</u>	<u>3,857,815</u>	<u>4,948,646</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	(3,667,583)	1,311,254	4,978,837
Other financing sources:			
Transfers in	958,100	1,396,474	438,374
Transfers out	-	(850,509)	(850,509)
	<u>958,100</u>	<u>545,965</u>	<u>(412,135)</u>
Total other financing sources (uses)			
Net change in fund balance	(2,709,483)	1,857,219	4,566,702
Fund balance at beginning of year	<u>2,432,936</u>	<u>2,432,936</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (276,547)</u>	<u>4,290,155</u>	<u>4,566,702</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, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 22,000	24,758	2,758
Expenditures:			
Current:			
Highway and streets	28,762	15,152	13,610
Excess (deficiency) of revenue over (under) expenditures	(6,762)	9,606	16,368
Other financing uses:			
Transfers in	5,515	-	(5,515)
Transfers out	-	(9,755)	(9,755)
Total other financing sources (uses)	5,515	(9,755)	(15,270)
Net change in fund balance	(1,247)	(149)	1,098
Fund balance at beginning of year	-	-	-
Fund balance (deficit) at end of year	<u>\$ (1,247)</u>	<u>(149)</u>	<u>1,098</u>

CITY OF REDLANDS
Air Quality Improvement Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 83,000	85,590	2,590
Investment income	<u>2,500</u>	<u>9,107</u>	<u>6,607</u>
Excess (deficiency) of revenues over (under) expenditures	85,500	94,697	9,197
Fund balance at beginning of year	<u>169,965</u>	<u>169,965</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 255,465</u></u>	<u><u>264,662</u></u>	<u><u>9,197</u></u>

CITY OF REDLANDS
Measure I Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,200,000	1,021,946	(178,054)
Investment income	\$ 130,000	212,038	82,038
Other	<u>-</u>	<u>27</u>	<u>27</u>
Total revenues	<u>1,330,000</u>	<u>1,234,011</u>	<u>(95,989)</u>
Expenditures:			
Current:			
Highway and streets	182,378	153,819	28,559
Capital outlay	<u>1,905,629</u>	<u>440,352</u>	<u>1,465,277</u>
Total expenditures	<u>2,088,007</u>	<u>594,171</u>	<u>1,493,836</u>
Net change in fund balance	(758,007)	639,840	1,397,847
Fund balance at beginning of year	<u>3,724,376</u>	<u>3,724,376</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,966,369</u>	<u>4,364,216</u>	<u>1,397,847</u>

CITY OF REDLANDS
Designated Receipts Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other	\$ -	1,415,043	1,415,043
Expenditures:			
Current:			
General government	-	1,025,170	(1,025,170)
Net change in fund balance	-	389,873	389,873
Fund balance at beginning of year	<u>1,369,240</u>	<u>1,369,240</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,369,240</u>	<u>1,759,113</u>	<u>389,873</u>

CITY OF REDLANDS
Traffic Signals Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fees	\$ 115,000	126,713	11,713
Excess of revenues over expenditures	<u>115,000</u>	<u>126,713</u>	<u>11,713</u>
Other financing uses:			
Transfers out	<u>(104,400)</u>	<u>(126,713)</u>	<u>(22,313)</u>
Net change in fund balance	10,600	-	(10,600)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ 10,600</u>	<u>-</u>	<u>(10,600)</u>

CITY OF REDLANDS
Landscape Maintenance District Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 26,000	27,516	1,516
Expenditures:			
Current:			
General government	99,834	94,715	5,119
Excess (deficiency) of revenues over (under) expenditures	(73,834)	(67,199)	6,635
Other financing sources:			
Transfers in	60,073	67,199	7,126
Net change in fund balance	(13,761)	-	13,761
Fund balance at beginning of year	-	-	-
Fund balance (deficit) at end of year	<u>\$ (13,761)</u>	<u>-</u>	<u>13,761</u>

CITY OF REDLANDS
Household Hazardous Waste Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 9,868	12,354	2,486
Investment income	<u>105,000</u>	<u>106,775</u>	<u>1,775</u>
Total Revenue	<u>\$ 114,868</u>	<u>119,129</u>	<u>4,261</u>
Expenditures:			
Current:			
General government	<u>104,590</u>	<u>96,843</u>	<u>7,747</u>
Total expenditures	<u>104,590</u>	<u>96,843</u>	<u>7,747</u>
Net change in fund balance	10,278	22,286	12,008
Fund balance at beginning of year	<u>392,228</u>	<u>392,228</u>	<u>-</u>
Fund balance at end of year	<u>\$ 402,506</u>	<u>414,514</u>	<u>12,008</u>

CITY OF REDLANDS
Supplemental Law Enforcement Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 159,767	75,638	(84,129)
Investment income	<u>1,584</u>	<u>3,753</u>	<u>2,169</u>
Total revenues	<u>161,351</u>	<u>79,391</u>	<u>(81,960)</u>
Expenditures:			
Current:			
Public safety	130,542	52,697	77,845
Capital outlay	<u>27,636</u>	<u>22,941</u>	<u>4,695</u>
Total expenditures	<u>158,178</u>	<u>75,638</u>	<u>82,540</u>
Net change in fund balance	3,173	3,753	580
Fund balance at beginning of year	<u>43,012</u>	<u>43,012</u>	<u>-</u>
Fund balance at end of year	<u>\$ 46,185</u>	<u>46,765</u>	<u>580</u>

CITY OF REDLANDS
Neighborhood Initiative Program Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 100,000	1,400,000	1,300,000
Investment Income	<u>40,000</u>	<u>52,245</u>	<u>12,245</u>
Total revenues	<u>140,000</u>	<u>1,452,245</u>	<u>1,312,245</u>
Expenditures:			
Current:			
Culture and recreation	250,000	199,078	50,922
Capital outlay	<u>3,972,000</u>	<u>2,047,231</u>	<u>1,924,769</u>
Total expenditures	<u>4,222,000</u>	<u>2,246,309</u>	<u>1,975,691</u>
Net change in fund balance	(4,082,000)	(794,064)	3,287,936
Fund balance (deficit) at beginning of year	<u>34,630</u>	<u>34,630</u>	<u>-</u>
Fund balance at end of year	<u>\$ (4,047,370)</u>	<u>(759,434)</u>	<u>3,287,936</u>

CITY OF REDLANDS
Drug Confiscation Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other	\$ 75,119	73,741	(1,378)
Expenditures:			
Current:			
Public safety	<u>81,799</u>	<u>79,579</u>	<u>2,220</u>
Total expenditures	<u>81,799</u>	<u>79,579</u>	<u>2,220</u>
Net change in fund balance	(6,680)	(5,838)	842
Fund balance at beginning of year	<u>207,490</u>	<u>207,490</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 200,810</u></u>	<u><u>201,652</u></u>	<u><u>842</u></u>

CITY OF REDLANDS
Community Facilities District Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 5,000	2	(4,998)
Net change in fund balance	5,000	2	(4,998)
Fund balance at beginning of year	<u>50</u>	<u>50</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,050</u>	<u>52</u>	<u>(4,998)</u>

CITY OF REDLANDS
Police Grants Fund

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

Year ended June 30, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,330,799	2,471,275	1,140,476
Investment income	183,000	92,571	(90,429)
Other	<u>-</u>	<u>370</u>	<u>370</u>
Total revenues	<u>1,513,799</u>	<u>2,564,216</u>	<u>1,050,417</u>
Expenditures:			
Current:			
Public safety	2,255,844	1,367,999	887,845
Capital outlay	<u>2,575,315</u>	<u>1,078,232</u>	<u>1,497,083</u>
Total expenditures	<u>4,831,159</u>	<u>2,446,231</u>	<u>2,384,928</u>
Net change in fund balance	(3,317,360)	117,985	3,435,345
Fund balance (deficit) at beginning of year	<u>(263,293)</u>	<u>(263,293)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u><u>\$ (3,580,653)</u></u>	<u><u>(145,308)</u></u>	<u><u>3,435,345</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, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 77,000	89,367	12,367
Investment income	<u>3,656</u>	<u>9,040</u>	<u>5,384</u>
Total revenues	<u>80,656</u>	<u>98,407</u>	<u>17,751</u>
Expenditures:			
Current:			
General government	<u>101,053</u>	<u>14,065</u>	<u>86,988</u>
Net change in fund balance	(20,397)	84,342	104,739
Fund balance at beginning of year	<u>153,341</u>	<u>153,341</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 132,944</u></u>	<u><u>237,683</u></u>	<u><u>104,739</u></u>

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, 2007

	City of Redlands	Redlands Public Improvement Corporation	Redevelopment Agency	Totals
Assets:				
Cash and investments	\$ 1,264,741	-	1,761,369	3,026,110
Cash and investments with fiscal agent	-	-	3,589,205	3,589,205
Receivables:				
Taxes	28,926	-	182,653	211,579
Interest	-	-	64,778	64,778
Total assets	<u>\$ 1,293,667</u>	<u>-</u>	<u>5,598,005</u>	<u>6,891,672</u>
 Liabilities and Fund Balances:				
Liabilities:				
Advances payable	\$ -	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances:				
Unreserved	<u>1,293,667</u>	<u>-</u>	<u>5,598,005</u>	<u>6,891,672</u>
Total fund balances	<u>1,293,667</u>	<u>-</u>	<u>5,598,005</u>	<u>6,891,672</u>
Total liabilities and fund balances	<u>\$ 1,293,667</u>	<u>-</u>	<u>5,598,005</u>	<u>6,891,672</u>

CITY OF REDLANDS
Nonmajor Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2007

	City of Redlands	Redlands Public Improvement Corporation	Redevelopment Agency	Totals
Revenues:				
Taxes	\$ 716,394	-	5,864,297	6,580,691
Investment income	-	-	184,789	184,789
Total revenues	716,394	-	6,049,086	6,765,480
Expenditures:				
Debt service:				
Principal	450,000	1,310,000	1,730,000	3,490,000
Interest	148,025	610,991	1,831,114	2,590,130
Fiscal charges	4,744	5,950	227,417	238,111
Total expenditures	602,769	1,926,941	3,788,531	6,318,241
Excess (deficiency) of revenues over (under) expenditures	113,625	(1,926,941)	2,260,555	447,239
Other financing sources (uses):				
Transfers in	-	1,926,941	667,818	2,594,759
Transfers out	-	-	(2,944,158)	(2,944,158)
Total other financing sources (uses)	-	1,926,941	(2,276,340)	(349,399)
Net change in fund balances	113,625	-	(15,785)	97,840
Fund balances at beginning of year	1,180,042	-	5,613,790	6,793,832
Fund balances at end of year	\$ 1,293,667	-	5,598,005	6,891,672

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, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 604,937	716,394	111,457
Total revenues	<u>604,937</u>	<u>716,394</u>	<u>111,457</u>
Expenditures:			
Debt service:			
Principal	450,000	450,000	-
Interest	148,025	148,025	-
Fiscal charges	3,364	4,744	(1,380)
Total expenditures	<u>601,389</u>	<u>602,769</u>	<u>(1,380)</u>
Excess of revenues over expenditures	3,548	113,625	110,077
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,548	113,625	110,077
Fund balance at beginning of year	<u>1,180,042</u>	<u>1,180,042</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,183,590</u>	<u>1,293,667</u>	<u>110,077</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, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	-	-
Expenditures:			
Debt service:			
Principal	1,310,000	1,310,000	-
Interest	610,991	610,991	-
Fiscal charges	<u>5,950</u>	<u>5,950</u>	-
Total expenditures	<u>1,926,941</u>	<u>1,926,941</u>	-
Excess (deficiency) of revenues (over) under expenditures	<u>(1,926,941)</u>	<u>(1,926,941)</u>	-
Other financing sources:			
Transfers in	<u>1,939,592</u>	<u>1,926,941</u>	<u>(12,651)</u>
Net change in fund balance	12,651	-	(12,651)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ 12,651</u>	<u>-</u>	<u>(12,651)</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, 2007

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 5,636,800	5,864,297	227,497
Investment income	<u>200,000</u>	<u>184,789</u>	<u>(15,211)</u>
Total revenues	<u>5,836,800</u>	<u>6,049,086</u>	<u>212,286</u>
Expenditures:			
Debt service:			
Principal	1,730,000	1,730,000	-
Interest	1,827,942	1,831,114	(3,172)
Fiscal charges	<u>232,567</u>	<u>227,417</u>	<u>5,150</u>
Total expenditures	<u>3,790,509</u>	<u>3,788,531</u>	<u>1,978</u>
Excess of revenues over expenditures	<u>2,046,291</u>	<u>2,260,555</u>	<u>214,264</u>
Other financing sources (uses):			
Transfers in	768,068	667,818	(100,250)
Transfers out	<u>(3,066,295)</u>	<u>(2,944,158)</u>	<u>122,137</u>
Total other financing sources (uses)	<u>(2,298,227)</u>	<u>(2,276,340)</u>	<u>21,887</u>
Net change in fund balance	(251,936)	(15,785)	236,151
Fund balance at beginning of year	<u>5,613,790</u>	<u>5,613,790</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,361,854</u>	<u>5,598,005</u>	<u>236,151</u>

NONMAJOR CAPITAL PROJECT 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, 2007

	Storm Drain	General Obligation Bond, Series 1988A	Redevelopment Projects	Totals
Assets:				
Cash and investments	\$ 2,563,474	173,169	7,448,245	10,184,888
Receivables:				
Interest	-	-	128,538	128,538
Notes	-	-	-	-
Total assets	<u>\$ 2,563,474</u>	<u>173,169</u>	<u>7,576,783</u>	<u>10,313,426</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 10,671	-	63,802	74,473
Accrued payroll	257	-	7,187	7,444
Total liabilities	<u>10,928</u>	<u>-</u>	<u>70,989</u>	<u>81,917</u>
Fund balances:				
Reserved for encumbrances	-	-	869,573	869,573
Unreserved	2,552,546	173,169	6,636,221	9,361,936
Total fund balances	<u>2,552,546</u>	<u>173,169</u>	<u>7,505,794</u>	<u>10,231,509</u>
Total liabilities and fund balances	<u>\$ 2,563,474</u>	<u>173,169</u>	<u>7,576,783</u>	<u>10,313,426</u>

CITY OF REDLANDS
Nonmajor Capital Projects Funds

Combining Statement Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2007

	<u>Storm Drain</u>	<u>General Obligation Bond, Series 1998A</u>	<u>Redevelopment Projects</u>	<u>Totals</u>
Revenues:				
Licenses, permits and fines	\$ 443,300	-	-	443,300
Investment income	<u>110,522</u>	<u>8,713</u>	<u>327,802</u>	<u>447,037</u>
Total revenues	<u>553,822</u>	<u>8,713</u>	<u>327,802</u>	<u>890,337</u>
Expenditures:				
Current:				
General government	-	5,000	1,287,143	1,292,143
Highway and streets	66,563	-	-	66,563
Capital outlay	<u>-</u>	<u>-</u>	<u>1,010,200</u>	<u>1,010,200</u>
Total expenditures	<u>66,563</u>	<u>5,000</u>	<u>2,297,343</u>	<u>2,368,906</u>
Excess (deficiency) of revenues over (under) expenditures	<u>487,259</u>	<u>3,713</u>	<u>(1,969,541)</u>	<u>(1,478,569)</u>
Other financing sources (uses):				
Transfers in	-	-	1,758,810	1,758,810
Transfer out	<u>-</u>	<u>-</u>	<u>(7,400)</u>	<u>(7,400)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,751,410</u>	<u>1,751,410</u>
Net change in fund balances	487,259	3,713	(218,131)	272,841
Fund balances at beginning of year	<u>2,065,287</u>	<u>169,456</u>	<u>7,723,925</u>	<u>9,958,668</u>
Fund balances at end of year	<u>\$ 2,552,546</u>	<u>173,169</u>	<u>7,505,794</u>	<u>10,231,509</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, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 427,400	443,300	15,900
Investment income	<u>55,000</u>	<u>110,522</u>	<u>55,522</u>
Total revenues	<u>482,400</u>	<u>553,822</u>	<u>71,422</u>
Expenditures:			
Current:			
Highway and streets	<u>11,097</u>	<u>66,563</u>	<u>(55,466)</u>
Net change in fund balances	471,303	487,259	15,956
Fund balance at beginning of year	<u>2,065,287</u>	<u>2,065,287</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 2,536,590</u></u>	<u><u>2,552,546</u></u>	<u><u>15,956</u></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, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 4,000	8,713	4,713
Expenditures:			
Current:			
General government	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net change in fund balances	(1,000)	3,713	4,713
Fund balance at beginning of year	<u>169,456</u>	<u>169,456</u>	<u>-</u>
Fund balance at end of year	<u>\$ 168,456</u>	<u>173,169</u>	<u>4,713</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, 2007

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 232,100	327,802	95,702
Expenditures:			
Current:			
General government	2,391,095	1,287,143	1,103,952
Capital outlay	1,057,600	1,010,200	47,400
Total expenditures	<u>3,448,695</u>	<u>2,297,343</u>	<u>1,151,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,216,595)</u>	<u>(1,969,541)</u>	<u>1,247,054</u>
Other financing sources (uses):			
Transfers in	2,119,935	1,758,810	(361,125)
Transfers out	<u>-</u>	<u>(7,400)</u>	<u>(7,400)</u>
Total other financing sources (uses)	<u>2,119,935</u>	<u>1,751,410</u>	<u>(368,525)</u>
Net change in fund balance	(1,096,660)	(218,131)	878,529
Fund balance at beginning of year	<u>7,723,925</u>	<u>7,723,925</u>	<u>-</u>
Fund balance at end of year	<u>\$ 6,627,265</u>	<u>7,505,794</u>	<u>878,529</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, 2007

	<u>Business-type Enterprise Funds</u>			<u>Totals</u>
	<u>Aviation</u>	<u>Cemetery</u>	<u>Groves</u>	
Assets:				
Current assets:				
Cash and investments	\$ 24,045	605,360	350,275	979,680
Accounts receivable	-	83,387	-	83,387
Taxes receivable	56	-	-	56
Total current assets	<u>24,101</u>	<u>688,747</u>	<u>350,275</u>	<u>1,063,123</u>
Noncurrent assets:				
Interest receivable	-	20,212	-	20,212
Capital assets:				
Land and water rights	1,165,281	630,631	13,255,463	15,051,375
Buildings	2,726,995	82,119	-	2,809,114
Machinery and equipment	70,650	401,041	-	471,691
Less accumulated depreciation	(176,429)	(458,357)	-	(634,786)
Total capital assets	<u>3,786,497</u>	<u>655,434</u>	<u>13,255,463</u>	<u>17,697,394</u>
Total assets	<u>3,810,598</u>	<u>1,364,393</u>	<u>13,605,738</u>	<u>18,780,729</u>
Liabilities:				
Current liabilities:				
Accounts payable	5,280	8,736	44,828	58,844
Accrued payroll	1,355	10,294	1,008	12,657
Deposits	1,431	587,689	40,917	630,037
Compensated absences - current	-	3,864	-	3,864
Total current liabilities	<u>8,066</u>	<u>610,583</u>	<u>86,753</u>	<u>705,402</u>
Long-term liabilities:				
Compensated absences - noncurrent	-	3,863	-	3,863
Advances payable	1,758,918	1,414,185	-	3,173,103
Total long-term liabilities	<u>1,758,918</u>	<u>1,418,048</u>	<u>-</u>	<u>3,176,966</u>
Total liabilities	<u>1,766,984</u>	<u>2,028,631</u>	<u>86,753</u>	<u>3,882,368</u>
Net assets:				
Invested in capital assets, net of related debts	3,786,497	655,434	13,255,463	17,697,394
Unrestricted	(1,742,883)	(1,319,672)	263,522	(2,799,033)
Total net assets (deficit)	<u>\$ 2,043,614</u>	<u>(664,238)</u>	<u>13,518,985</u>	<u>14,898,361</u>

CITY OF REDLANDS
Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2007

	<u>Business-type Enterprise Funds</u>			<u>Totals</u>
	<u>Aviation</u>	<u>Cemetery</u>	<u>Groves</u>	
Operating revenues:				
Charges for services	\$ -	368,831	552,474	921,305
Other	<u>210,434</u>	<u>-</u>	<u>168,147</u>	<u>378,581</u>
Total operating revenues	<u>210,434</u>	<u>368,831</u>	<u>720,621</u>	<u>1,299,886</u>
Operating expenses:				
Personal services	37,278	285,118	32,780	355,176
Repairs and maintenance	3,629	48,718	-	52,347
Administrative and general	74,147	146,053	675,999	896,199
Depreciation	<u>61,521</u>	<u>(14,959)</u>	<u>-</u>	<u>46,562</u>
Total operating expenses	<u>176,575</u>	<u>464,930</u>	<u>708,779</u>	<u>1,350,284</u>
Operating income (loss)	<u>33,859</u>	<u>(96,099)</u>	<u>11,842</u>	<u>(50,398)</u>
Nonoperating revenues (expenses):				
Property taxes	52,655	-	-	52,655
Investment income	-	101,833	14,473	116,306
Interest expense	(91,734)	(77,016)	-	(168,750)
Miscellaneous income	<u>2,590</u>	<u>168,623</u>	<u>-</u>	<u>171,213</u>
Total non-operating revenues (expenses)	<u>(36,489)</u>	<u>193,440</u>	<u>14,473</u>	<u>171,424</u>
Grants	10,979	-	-	10,979
Transfers in (note 3)	-	26,339	-	26,339
Transfers out (note 3)	<u>-</u>	<u>(26,339)</u>	<u>-</u>	<u>(26,339)</u>
Change in net assets	8,349	97,341	26,315	132,005
Net assets (deficit) at beginning of year	<u>2,035,265</u>	<u>(761,579)</u>	<u>13,492,670</u>	<u>14,766,356</u>
Net assets (deficit) at end of year	<u>\$ 2,043,614</u>	<u>(664,238)</u>	<u>13,518,985</u>	<u>14,898,361</u>

CITY OF REDLANDS
Nonmajor Enterprise Funds

Combining Statement of Cash Flows

Year ended June 30, 2007

	<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	\$ 210,378	419,686	736,538	1,366,602
Cash payments to suppliers for goods and services	(87,712)	(202,779)	(663,158)	(953,649)
Cash payments for employees for services	<u>(36,845)</u>	<u>(281,218)</u>	<u>(32,540)</u>	<u>(350,603)</u>
Net cash provided by (used for) operating activities	<u>85,821</u>	<u>(64,311)</u>	<u>40,840</u>	<u>62,350</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	26,339	-	26,339
Cash paid to other funds	(128,000)	(196,339)	-	(324,339)
Cash received for other activities	<u>55,245</u>	<u>168,623</u>	<u>-</u>	<u>223,868</u>
Net cash provided by noncapital financing activities	<u>(72,755)</u>	<u>(1,377)</u>	<u>-</u>	<u>(74,132)</u>
Cash flows from capital and related financing activities:				
Cash paid for acquisition of capital assets	-	-	-	-
Grants received	<u>10,979</u>	<u>-</u>	<u>-</u>	<u>10,979</u>
Net cash provided by (used for) capital and related financing activities	<u>10,979</u>	<u>-</u>	<u>-</u>	<u>10,979</u>
Cash flows from investing activities:				
Interest received	<u>-</u>	<u>101,833</u>	<u>14,473</u>	<u>116,306</u>
Net cash provided by investing activities	<u>-</u>	<u>101,833</u>	<u>14,473</u>	<u>116,306</u>
Net increase (decrease) in cash and cash equivalents	24,045	36,145	55,313	115,503
Cash and cash equivalents at beginning of year	<u>-</u>	<u>569,215</u>	<u>294,962</u>	<u>864,177</u>
Cash and cash equivalents at end of year	<u>\$ 24,045</u>	<u>605,360</u>	<u>350,275</u>	<u>979,680</u>

CITY OF REDLANDS
Nonmajor Enterprise Funds

Combining Statement of Cash Flows

(Continued)

	Business-type Enterprise Funds			Totals
	Aviation	Cemetery	Groves	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 33,859	(96,099)	11,842	(50,398)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	61,521	(14,959)	-	46,562
(Increase) decrease in accounts receivable	-	9,581	-	9,581
(Increase) decrease in taxes receivable	(56)	-	-	(56)
(Increase) decrease in interest receivable	-	11,413	-	11,413
Increase (decrease) in accounts payable	(9,936)	(8,008)	12,841	(5,103)
Increase (decrease) in accrued payroll	433	1,771	240	2,444
Increase (decrease) in deposits	-	29,861	15,917	45,778
Increase (decrease) in compensated absences	-	2,129	-	2,129
Total adjustments	51,962	31,788	28,998	112,748
Net cash provided by (used for) operating activities	\$ 85,821	(64,311)	40,840	62,350

(This page intentionally left blank)

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, 2007

	<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	\$ 3,905,973	1,667,518	956,285	304,997	-	6,834,773
Accounts receivable	-	-	-	3,423	13,632	17,055
Inventory	-	-	-	-	179,519	179,519
	<u>3,905,973</u>	<u>1,667,518</u>	<u>956,285</u>	<u>308,420</u>	<u>193,151</u>	<u>7,031,347</u>
Total current assets						
Capital assets:						
Machinery and equipment	-	-	-	-	261,017	261,017
Less accumulated depreciation	-	-	-	-	(56,004)	(56,004)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,013</u>	<u>205,013</u>
Total capital assets						
Total assets	<u>3,905,973</u>	<u>1,667,518</u>	<u>956,285</u>	<u>308,420</u>	<u>398,164</u>	<u>7,236,360</u>
Liabilities:						
Current liabilities:						
Accounts payable	14,245	13,935	956,285	2,650	274,048	1,261,163
Accrued payroll	6,529	5,145	-	30,944	39,350	81,968
Claims payable	1,746,866	574,219	-	-	-	2,321,085
Compensated absences	2,865	-	-	249,953	176,155	428,973
	<u>1,770,505</u>	<u>593,299</u>	<u>956,285</u>	<u>283,547</u>	<u>489,553</u>	<u>4,093,189</u>
Total liabilities						
Net assets:						
Invested in capital assets, net of related debt	-	-	-	-	205,013	205,013
Unrestricted	2,135,468	1,074,219	-	24,873	(296,402)	2,938,158
	<u>2,135,468</u>	<u>1,074,219</u>	<u>-</u>	<u>24,873</u>	<u>(91,389)</u>	<u>3,143,171</u>
Total net assets (deficit)	<u>\$ 2,135,468</u>	<u>1,074,219</u>	<u>-</u>	<u>24,873</u>	<u>(91,389)</u>	<u>3,143,171</u>

CITY OF REDLANDS
Internal Service Funds

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

Year ended June 30, 2007

	Workers' Compensation Self-Insurance	Liability Self-Insurance	Payroll Clearing	Utility Billing	Vehicle Pool and Maintenance	Totals
Operating revenues:						
Charges for services	\$ 2,000,000	-	469,737	1,173,661	3,538,944	7,182,342
Other	-	(4,497)	-	409,420	-	404,923
	<u>2,000,000</u>	<u>(4,497)</u>	<u>469,737</u>	<u>1,583,081</u>	<u>3,538,944</u>	<u>7,587,265</u>
Total operating revenues						
Operating expenses:						
Personal services	300,846	142,432	-	1,093,629	1,202,514	2,739,421
Repairs and maintenance	-	-	-	43,228	2,111,308	2,154,536
Administration and general	791,286	798,431	-	339,270	591,564	2,520,551
Depreciation	-	-	-	-	18,309	18,309
Premiums paid out	276,680	300,709	-	-	-	577,389
	<u>1,368,812</u>	<u>1,241,572</u>	<u>-</u>	<u>1,476,127</u>	<u>3,923,695</u>	<u>8,010,206</u>
Total operating expenses						
Operating income (loss)	<u>631,188</u>	<u>(1,246,069)</u>	<u>469,737</u>	<u>106,954</u>	<u>(384,751)</u>	<u>(422,941)</u>
Nonoperating revenues:						
Investment income	-	-	-	4,288	-	4,288
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,288</u>	<u>-</u>	<u>4,288</u>
Total nonoperating revenues						
Income (loss) before transfers	<u>631,188</u>	<u>(1,246,069)</u>	<u>469,737</u>	<u>111,242</u>	<u>(384,751)</u>	<u>(418,653)</u>
Transfers:						
Transfers in	-	1,246,069	-	-	-	1,246,069
Transfers out	-	-	(469,737)	-	-	(469,737)
	<u>-</u>	<u>1,246,069</u>	<u>(469,737)</u>	<u>-</u>	<u>-</u>	<u>776,332</u>
Total transfers						
Change in net assets	631,188	-	-	111,242	(384,751)	357,679
Net assets (deficit) at beginning 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>
Net assets (deficit) at end of year	<u>\$ 2,135,468</u>	<u>1,074,219</u>	<u>-</u>	<u>24,873</u>	<u>(91,389)</u>	<u>3,143,171</u>

CITY OF REDLANDS
Internal Service Funds

Combining Statement of Cash Flows

Year ended June 30, 2007

	<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	\$ 2,000,000	457	469,737	1,582,678	3,534,410	7,587,282
Cash payments to suppliers for goods and services	(809,739)	(808,268)	956,285	(387,292)	(2,678,631)	(3,727,645)
Cash payments for claims	(276,680)	(300,709)	-	-	-	(577,389)
Cash payments to employees for services	(301,293)	(139,863)	-	(899,767)	(1,185,466)	(2,526,389)
Net cash provided by (used for) operating activities	<u>612,288</u>	<u>(1,248,383)</u>	<u>1,426,022</u>	<u>295,619</u>	<u>(329,687)</u>	<u>755,859</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	-	1,246,069	-	-	-	1,246,069
Cash paid to other funds	-	-	(469,737)	-	-	(469,737)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>1,246,069</u>	<u>(469,737)</u>	<u>-</u>	<u>-</u>	<u>776,332</u>
Cash flows from capital and related financing activities:						
Cash paid for acquisition of capital assets	-	-	-	-	(97,163)	(97,163)
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(97,163)</u>	<u>(97,163)</u>
Cash flows from investing activities:						
Interest received	-	-	-	4,288	-	4,288
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,288</u>	<u>-</u>	<u>4,288</u>
Net increase (decrease) in cash and cash equivalents	612,288	(2,314)	956,285	299,907	(426,850)	1,439,316
Cash and cash equivalents at beginning 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>
Cash and cash equivalents at end of year	<u>\$ 3,905,973</u>	<u>1,667,518</u>	<u>956,285</u>	<u>304,997</u>	<u>-</u>	<u>6,834,773</u>

CITY OF REDLANDS
Internal Service Funds

Combining Statement of Cash Flows
(Continued)

	<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>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 631,188	(1,246,069)	469,737	106,954	(384,751)	(422,941)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	-	-	-	-	18,309	18,309
(Increase) decrease in accounts receivable	-	4,954	-	(403)	(4,534)	17
(Increase) decrease in inventory	-	-	-	-	(49,753)	(49,753)
Increase (decrease) in accounts payable	(18,453)	(9,837)	956,285	(4,794)	73,994	997,195
Increase (decrease) in accrued payroll	(719)	2,569	-	5,973	7,985	15,808
Increase (decrease) in compensated absences	272	-	-	187,889	9,063	197,224
Total adjustments	<u>(18,900)</u>	<u>(2,314)</u>	<u>956,285</u>	<u>188,665</u>	<u>55,064</u>	<u>1,178,800</u>
Net cash provided by (used for) operating activities	<u>\$ 612,288</u>	<u>(1,248,383)</u>	<u>1,426,022</u>	<u>295,619</u>	<u>(329,687)</u>	<u>755,859</u>

(This page intentionally left blank)

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, 2007

	<u>Balance at</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2007</u>
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 4,066,392	4,533,773	3,408,474	5,191,691
Interest receivable	<u>584,811</u>	<u>945,001</u>	<u>584,811</u>	<u>945,001</u>
Total assets	<u>\$ 4,651,203</u>	<u>5,478,774</u>	<u>3,993,285</u>	<u>6,136,692</u>
Liabilities:				
Accounts payable	\$ 13,381	688,029	675,674	25,736
Deposits	<u>4,637,822</u>	<u>5,478,772</u>	<u>4,005,638</u>	<u>6,110,956</u>
Total liabilities	<u>\$ 4,651,203</u>	<u>6,166,801</u>	<u>4,681,312</u>	<u>6,136,692</u>
<u>Community Facilities District</u>				
Assets:				
Cash and investments	\$ 2,548,336	936,282	913,010	2,571,608
Interest receivable	<u>6,739</u>	<u>6,739</u>	<u>6,739</u>	<u>6,739</u>
Total assets	<u>\$ 2,555,075</u>	<u>943,021</u>	<u>919,749</u>	<u>2,578,347</u>
Liabilities:				
Accounts payable	\$ -	-	-	-
Deposits	<u>2,555,075</u>	<u>1,395,584</u>	<u>1,372,312</u>	<u>2,578,347</u>
Total liabilities	<u>\$ 2,555,075</u>	<u>1,395,584</u>	<u>1,372,312</u>	<u>2,578,347</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 6,614,728	5,470,055	4,321,484	7,763,299
Interest receivable	<u>591,550</u>	<u>951,740</u>	<u>591,550</u>	<u>951,740</u>
Total assets	<u>\$ 7,206,278</u>	<u>6,421,795</u>	<u>4,913,034</u>	<u>8,715,039</u>
Liabilities:				
Accounts payable	\$ 13,381	688,029	675,674	25,736
Deposits	<u>7,192,897</u>	<u>6,874,356</u>	<u>5,377,950</u>	<u>8,689,303</u>
Total liabilities	<u>\$ 7,206,278</u>	<u>7,562,385</u>	<u>6,053,624</u>	<u>8,715,039</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
Invested in capital assets, net of related debt	\$ 76,832,088	286,402,338	333,560,602	338,283,471	376,161,773
Restricted	7,680,350	20,217,874	20,169,777	19,302,690	19,431,228
Unrestricted	<u>17,731,491</u>	<u>22,731,051</u>	<u>15,269,017</u>	<u>21,427,233</u>	<u>29,808,370</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>	<u>425,401,371</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 73,291,319	97,298,064	106,786,695	101,228,505	118,629,704
Restricted	-	-	-	-	-
Unrestricted	<u>27,462,231</u>	<u>19,503,335</u>	<u>17,894,867</u>	<u>32,616,394</u>	<u>28,140,260</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>	<u>146,769,964</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 150,123,407	383,700,402	440,347,297	439,511,976	494,791,477
Restricted	7,680,350	20,217,874	20,169,777	19,302,690	19,431,228
Unrestricted	<u>45,193,722</u>	<u>42,234,386</u>	<u>33,163,884</u>	<u>54,043,627</u>	<u>57,948,630</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>	<u>572,171,335</u>

NOTE:

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 Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses:					
Governmental activities:					
General government	\$ 11,406,883	9,937,107	10,634,567	11,868,103	13,987,953
Public safety	21,521,649	27,458,958	32,397,475	36,994,587	36,805,550
Highway and streets	6,130,261	5,752,512	6,284,884	8,325,785	8,492,440
Culture and recreation	2,694,475	3,667,475	2,858,152	3,692,986	3,668,992
Library	1,569,843	1,707,371	1,806,206	1,871,418	1,845,482
Interest and fiscal charges	4,366,521	3,352,377	3,169,104	3,713,659	2,883,874
Total governmental activities expenses	<u>47,689,632</u>	<u>51,875,800</u>	<u>57,150,388</u>	<u>66,466,538</u>	<u>67,684,291</u>
Business-type activities:					
Water	14,743,147	15,018,863	15,165,061	14,882,261	14,926,296
Disposal	6,535,367	8,154,201	8,339,209	8,799,485	8,753,717
Sewer	4,384,793	7,465,712	6,945,863	6,922,541	7,458,724
Aviation	143,518	117,417	456,441	218,316	268,309
Cemetery	519,639	569,764	630,307	591,363	541,946
Groves	472,247	463,753	872,263	749,143	708,779
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>	<u>32,657,771</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>	<u>100,342,062</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	7,739,885	5,920,646	5,644,238	6,559,998	6,393,161
Public safety	978,690	1,137,806	1,160,479	935,186	1,189,004
Highway and streets	417,834	1,189,059	1,201,865	1,491,579	1,623,290
Culture and recreation	303,366	251,492	219,018	263,771	230,870
Library	44,126	43,648	67,977	55,976	50,716
Operating grants and contributions	7,526,482	9,695,136	9,849,623	18,542,273	18,206,757
Capital grants and contributions	4,443,648	10,258,428	38,659,823	3,715,690	36,180,849
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>	<u>63,874,647</u>
Business-type activities:					
Charges for services:					
Water	15,061,628	14,797,671	13,651,258	14,988,327	17,235,534
Disposal	8,396,057	8,815,119	11,619,754	9,056,597	9,060,415
Sewer	6,691,929	6,131,723	5,364,393	6,093,675	7,041,203
Aviation	331,945	90,768	86,507	154,907	210,434
Cemetery	422,644	475,047	455,865	561,620	537,454
Groves	374,712	464,116	950,970	713,935	720,621
Operating grants and contributions	29,128	26,628	1,488,852	423,720	617,206
Capital grants and contributions	-	14,266,620	4,794,810	7,891,272	7,512,629
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>	<u>42,935,496</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>	<u>106,810,143</u>
Net revenues (expenses):					
Governmental activities	(26,235,601)	(23,379,585)	(347,365)	(34,902,065)	(3,809,644)
Business-type activities	<u>4,509,332</u>	<u>13,277,982</u>	<u>6,003,265</u>	<u>7,720,944</u>	<u>10,277,725</u>

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Total net revenues (expenses)	(21,726,269)	(10,101,603)	5,655,900	(27,181,121)	6,468,081
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	27,036,122
Sales taxes	10,546,723	10,870,623	13,646,820	15,267,688	14,762,456
Franchise taxes	816,204	939,519	996,858	1,097,157	3,659,356
Other taxes	892,445	1,080,199	1,115,401	1,230,525	1,543,302
Investment income	725,284	905,943	1,356,544	2,180,119	2,421,829
Intergovernmental (unrestricted)	7,467,008	3,394,937	8,261,949	1,225,814	654,950
Land sale proceeds	-	216,174	-	-	-
Transfers	136,947	48,139	(729,010)	-	119,606
Total governmental activities	<u>34,478,863</u>	<u>32,703,733</u>	<u>39,995,498</u>	<u>44,916,063</u>	<u>50,197,621</u>
Business-type activities:					
Property taxes	-	-	-	-	52,655
Investment income	1,378,230	611,614	1,147,888	1,442,393	2,714,291
Transfers	(136,947)	(48,139)	729,010	-	(119,606)
Total business-type activities	<u>1,241,283</u>	<u>563,475</u>	<u>1,876,898</u>	<u>1,442,393</u>	<u>2,647,340</u>
Total primary government	<u>35,720,146</u>	<u>33,267,208</u>	<u>41,872,396</u>	<u>46,358,456</u>	<u>52,844,961</u>
Changes in net assets					
Governmental activities	8,243,262	9,324,148	39,648,133	10,013,998	46,387,977
Business-type activities	5,750,615	13,841,457	7,880,163	9,163,337	12,925,065
Total primary government	<u>\$ 13,993,877</u>	<u>23,165,605</u>	<u>47,528,296</u>	<u>19,177,335</u>	<u>59,313,042</u>

NOTE:

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 Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
General fund:					
Reserved	\$ 9,099,467	7,693,349	8,559,857	8,886,457	8,893,298
Unreserved	10,548,153	10,672,433	7,058,101	2,922,503	4,354,426
Total general fund	<u>\$ 19,647,620</u>	<u>18,365,782</u>	<u>15,617,958</u>	<u>11,808,960</u>	<u>13,247,724</u>
All other governmental funds:					
Reserved	\$ 1,428,001	2,601,356	11,500,492	2,033,335	6,977,364
Unreserved, reported in:					
Special revenue fund	5,301,464	17,717,671	9,791,298	16,410,790	17,708,775
Debt service fund	4,716,871	8,617,660	8,392,355	6,793,832	6,891,672
Capital projects fund	1,039,229	6,470,702	6,862,140	9,865,235	9,361,936
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>	<u>40,939,747</u>

NOTE:

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

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues:					
Taxes	\$ 25,874,219	28,211,269	31,241,724	41,642,820	47,142,875
Licenses, permits and fines	7,926,637	9,813,539	9,412,476	14,071,545	14,785,863
Intergovernmental	12,267,871	9,230,680	11,082,073	11,497,035	15,650,446
Charges for services	4,117,522	1,746,893	1,552,689	1,578,029	2,214,772
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	3,586,384
Contributions from property owners	-	6,608,423	-	-	-
Other	4,453,462	1,667,652	2,320,474	2,138,612	2,077,164
Total revenues	<u>55,898,892</u>	<u>61,830,713</u>	<u>60,549,609</u>	<u>74,072,816</u>	<u>85,457,504</u>
Expenditures					
Current:					
General government	12,144,871	9,548,691	10,308,122	11,478,185	13,758,100
Public safety	22,672,706	26,073,331	30,772,182	35,350,737	36,008,498
Highway and streets	4,415,591	3,542,929	6,600,623	5,076,512	5,434,175
Culture and recreation	2,567,771	2,443,711	2,594,046	3,344,777	3,311,493
Library	1,583,168	1,642,304	1,761,765	1,856,592	1,851,926
Capital outlay	5,172,975	8,911,917	3,196,389	16,004,189	13,561,057
Debt service:					
Principal	4,356,901	1,727,146	2,449,329	2,403,739	3,955,548
Interest	2,754,952	1,989,154	2,709,433	3,275,252	2,660,716
Fiscal charges	184,346	276,104	468,879	447,327	238,111
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>	<u>80,779,624</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>	<u>4,677,880</u>
Other financing sources (uses):					
Transfers in	6,265,001	18,897,881	8,407,181	9,655,411	11,985,951
Transfers out	(6,025,606)	(20,134,841)	(9,704,950)	(10,993,456)	(12,642,677)
Land sale proceeds	-	216,174	-	-	-
Capital assets acquired with capital lease	-	654,891	-	-	-
Proceeds of capital lease	-	-	-	1,250,448	1,269,165
Issuance of long term debt	-	17,300,000	-	-	1,985,000
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>	<u>2,597,439</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>	<u>7,275,319</u>
Debt service as a percentage of noncapital expenditures¹	14.4%	10.3%	9.8%	9.7%	10.2%

NOTE:

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

¹ Calculated by dividing debt service expenditures by the difference between total expenditures and capital outlay.

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		
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
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)	3,128,829	0.31211
2002	2,954,145	120,501	(75,664)	2,998,982	247,116	42,240	(801)	3,287,537	0.31489
2003	3,332,102	145,151	(79,354)	3,397,899	271,199	49,078	(823)	3,717,353	0.31197
2004	3,672,991	152,007	(79,354)	3,745,644	287,821	46,720	(854)	4,079,331	0.30679
2005	4,072,008	137,651	(79,611)	4,130,048	316,589	44,019	(843)	4,489,813	0.30228
2006	4,854,140	160,644	(79,240)	4,935,544	348,224	47,055	(841)	5,329,982	0.28835
2007	5,745,855	164,409	(79,612)	5,830,652	390,031	49,336	(774)	6,269,245	0.27624

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 1998 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)
San Bernardino County Auditor-Controller - Property Tax Division

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Residential	\$ 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	4,232,501
Commercial	266,410	275,300	286,957	358,716	385,745	426,292	446,564	492,024	560,210	658,585
Industrial	69,180	63,614	64,443	77,254	85,389	120,855	182,833	232,590	257,161	325,169
Dry Farm	224	229	233	1,722	1,755	2,062	1,113	1,097	337	344
Government	-	-	-	3,976	4,312	4,050	3,444	8,320	4,284	4,370
Institutional	22,387	19,972	22,575	9,777	11,874	27,394	10,896	15,557	25,209	13,607
Irrigated	2,619	2,617	2,569	22,481	29,626	26,701	24,053	29,247	39,464	41,481
Miscellaneous	12,182	11,554	11,109	5,685	8,113	70,751	15,709	11,049	12,328	12,968
Recreational	82,104	77,884	80,350	25,797	26,103	26,336	26,728	27,379	27,870	27,527
Vacant Land	137,589	134,038	141,673	145,896	139,106	149,807	151,675	175,163	248,366	264,268
SBE Nonunitary	5,847	6,144	6,180	16,645	17,407	17,213	61,061	96,019	306,375	555,066
Unsecured	145,915	154,174	154,083	145,341	162,741	194,229	198,727	181,670	207,699	213,745
Unknown	13,967	821	1,861	8	-	-	1,597	1,627	3,264	-
Total Assessed Value	\$ 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	6,349,631
Less: Exemptions	(77,871)	(77,080)	(76,084)	(74,737)	(76,465)	(80,177)	(80,208)	(80,454)	(80,081)	(80,386)
Taxable Assessed Value	\$ 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	6,269,245
Total Direct Rate	0.32087	0.31727	0.31582	0.31211	0.31489	0.31197	0.30679	0.30228	0.28835	0.27624

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.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City Basic Rate	0.21455	0.21455	0.21455	0.21455	0.21455
Overlapping Rates:					
County General Fund	0.14707	0.14707	0.14707	0.14707	0.14707
County Superintendent	0.00755	0.00755	0.00755	0.00755	0.00755
East Valley Resource Conservation District	0.00049	0.00049	0.00049	0.00049	0.00049
Educational Revenue Augmentation Fund	0.22257	0.22257	0.22257	0.22257	0.22257
Flood Control Zone 3	0.02584	0.02584	0.02584	0.02584	0.02584
Flood Control Zone 8	0.00089	0.00089	0.00089	0.00089	0.00089
Redlands Unified	0.30207	0.30207	0.30207	0.30207	0.30207
San Bernardino Community College	0.05185	0.05185	0.05185	0.05185	0.05185
San Bernardino Valley Municipal Water	0.02668	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>	<u>0.00044</u>
Total Proposition 13 Rate	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
Redlands Debt Service	0.01960	0.01770	0.01550	0.01350	0.01200
Redlands Unified	0.03510	0.06280	0.04690	0.04490	0.03760
San Bernardino Community College	-	0.01690	0.01890	0.01660	0.01950
San Bernardino Valley Municipal Water	<u>0.14000</u>	<u>0.14000</u>	<u>0.14000</u>	<u>0.16000</u>	<u>0.15500</u>
Total Voter Approved Rate	<u>0.19470</u>	<u>0.23740</u>	<u>0.22130</u>	<u>0.23500</u>	<u>0.22410</u>
Total Tax Rate	<u>1.19470</u>	<u>1.23740</u>	<u>1.22130</u>	<u>1.23500</u>	<u>1.22410</u>
RDA Incremental Rate	1.15960	1.15770	1.15550	1.17350	1.16700
Total Direct Rate	0.31197	0.30679	0.30228	0.28835	0.27624

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 Nine Years Ago

Taxpayer	2007		1998	
	Property Tax Revenue	Percent of Total City Property Tax Levies	Property Tax Revenue	Percent of Total City Property Tax Levies
NYS New LLC	\$ 313,506	1.23%	\$ -	N/A
A & A Royal Plaza Limited Partnership	225,724	0.88%	-	N/A
GGP Redlands Mall Limited Partnership	163,502	0.64%	-	N/A
Home Depot Development of Maryland, Inc.	159,405	0.62%	-	N/A
Evans Withycombe Residential	156,069	0.61%	139,907	1.27%
NYS, LLC	144,347	0.56%	-	N/A
Showprop Redlands, LLC	133,425	0.52%	-	N/A
Prologis	122,380	0.48%	-	N/A
Orange Street Plaza, LLC	122,259	0.48%	-	N/A
2301 W. San Bernardino Avenue Investment Group	115,307	0.45%	-	N/A
Mitsui SBD America Fund 88 II	-	N/A	156,276	1.42%
Redlands Federal Bank	-	N/A	133,127	1.21%
ESRI	-	N/A	107,515	0.98%
Coast Federal Bank	-	N/A	85,146	0.77%
Jack Dangermond	-	N/A	83,211	0.75%
Paul J. Dangermond	-	N/A	77,693	0.70%
Sun Life Assurance Company of Canada	-	N/A	76,222	0.69%
125 Pacifica Limited Partnership	-	N/A	70,057	0.64%
Redlands Partners	-	N/A	60,351	0.55%
	<u>\$ 1,655,924</u>	<u>6.48%</u>	<u>\$ 989,505</u>	<u>8.98%</u>

NOTE:

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
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%
2007	25,564,080	25,513,769	99.80%	1,292,499	26,806,268	104.86%

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	Loans	Total Governmental Activities	Water Revenue Bonds	Wastewater Revenue Bonds	Certificates of Participation	Loans	Business-type Activities			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$			
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	17,770,000	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	17,770,000	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	17,095,000	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	253,272	53,593,272	16,395,000	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	195,287	50,687,019	15,670,000	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	333,237	66,961,631	14,915,000	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	235,277	64,685,333	14,130,000	14,130,000	1,705,000	11,199,198	44,719,198	109,404,531	5.98%	1,556
2006	4,075,000	41,105,000	16,620,000	135,647	61,935,647	13,315,000	13,315,000	880,000	12,508,935	43,118,935	105,054,582	5.49%	1,478
2007	3,625,000	39,375,000	15,310,000	2,048,891	60,358,891	12,460,000	12,460,000	-	12,069,804	39,619,804	99,978,695	5.02%	1,401

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

Source: City of Redlands

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		
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
2007	3,625	39,375	15,310	2,049	60,359	0.95%	846

NOTE:

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, 2007

Total 2006-2007 Assessed Valuation	\$ 6,349,631,333	
Redevelopment Agency Incremental Valuation	(439,366,579)	
Adjusted City Assessed Valuation	<u>\$ 5,910,264,754</u>	
	Percentage Applicable ¹	Outstanding Debt 06/30/07
		Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:		
San Bernardino Community College District	14.691%	\$ 162,592,550
Redlands Unified School District	64.983%	69,933,512
San Bernardino City Unified School District	0.079%	165,299,383
City of Redlands Community Facilities District No. 2001-1	100.000%	8,275,000
City of Redlands Community Facilities District No. 2003-1	100.000%	<u>9,525,000</u>
Total Overlapping Tax and Assessment Debt		<u>415,625,445</u>
Overlapping General Fund Debt:		
San Bernardino County General Fund Obligations	4.937%	\$ 833,965,000
San Bernardino County Pension Obligations	4.937%	738,425,591
San Bernardino County Flood Control District General Fund Obligations	4.937%	127,625,000
San Bernardino Valley Municipal Water District Certificates of Participation	20.620%	4,200,000
Redlands Unified School District Certificates of Participation	64.983%	10,988,847
Yucaipa-Calimesa Joint Unified School District Authority	0.779%	<u>17,560,000</u>
Total Gross Overlapping General Fund Debt		<u>1,732,764,438</u>
Less: San Bernardino Valley Municipal Water District Certificates of Participation		<u>(866,040)</u>
Total Net Overlapping General Fund Debt		<u>91,207,443</u>
Total Gross Overlapping Debt		\$ 179,335,436
Total Net Overlapping Debt		\$ 178,469,396
Direct Tax and Assessment Debt:		
City of Redlands	100.000%	<u>\$ 3,625,000</u>
Direct General Fund Debt:		
City of Redlands General Fund Obligations	100.000%	<u>\$ 15,310,000</u>
Total Direct Debt		<u>\$ 18,935,000</u>
Total Gross Direct and Overlapping Debt ²		\$ 198,270,436
Total Net Direct and Overlapping Debt ²		\$ 197,404,396

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.

Sources: California Municipal Statistics, Inc.
San Bernardino County Assessor (via HdL, Coren & Cone)
San Bernardino County Auditor-Controller - Property Tax Division

CITY OF REDLANDS
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Assessed valuation	\$ 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	6,349,631,333
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 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	1,587,407,833
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	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	238,111,175
Total net debt applicable to limit:										
General obligation bonds	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	3,625,000
Legal debt margin	\$ 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	234,486,175
Total debt applicable to the limit as a percentage of debt limit	6.0%	5.7%	5.3%	4.8%	4.3%	3.6%	3.2%	2.6%	2.0%	1.5%

NOTE:

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 & Cone)
City of Redlands

CITY OF REDLANDS
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue Bonds					Wastewater Revenue Bonds					Tax Allocation Bonds								
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Wastewater Revenue	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Tax Increment	Debt Service Principal	Debt Service Interest	Coverage
1998	\$ -	-	-	-	-	\$ -	-	-	-	-	-	-	-	-	-	\$ 3,298,755	715,000	1,327,728	1.61
1999	9,594,952	7,446,092	2,148,860	-	-	4,103,375	2,652,248	1,451,127	-	-	-	-	-	-	-	3,217,900	560,000	911,112	2.19
2000	15,018,702	7,593,679	7,425,023	-	731,100	4,154,359	2,861,516	1,292,843	-	562,262	-	-	-	-	-	3,382,741	1,270,000	1,392,728	1.27
2001	10,458,450	8,498,058	1,960,392	1,050,000	1,041,849	4,315,888	3,542,829	773,059	675,000	803,699	675,000	675,000	675,000	675,000	675,000	3,339,196	820,000	1,354,063	1.54
2002	11,335,908	9,230,587	2,105,321	1,085,000	1,002,351	4,318,650	3,689,006	629,644	700,000	778,261	700,000	700,000	700,000	700,000	700,000	3,750,394	850,000	1,323,168	1.73
2003	15,073,046	11,108,299	3,964,837	1,125,000	957,669	6,691,929	3,941,439	2,750,490	725,000	750,812	725,000	725,000	725,000	725,000	725,000	4,194,603	880,000	1,291,163	1.93
2004	17,392,023	11,107,771	6,284,252	1,175,000	910,148	17,829,276	4,630,817	13,198,459	755,000	721,588	755,000	755,000	755,000	755,000	755,000	4,263,387	910,000	1,377,309	1.86
2005	16,131,641	11,292,982	4,838,659	1,225,000	862,735	7,995,331	4,891,105	3,104,226	785,000	691,166	785,000	785,000	785,000	785,000	785,000	4,269,038	1,695,000	1,866,995	1.20
2006	19,199,475	11,976,185	7,223,290	1,270,000	811,565	9,919,748	4,584,864	5,334,884	815,000	656,110	815,000	815,000	815,000	815,000	815,000	5,905,194	1,575,000	1,815,247	1.74
2007	21,807,806	11,514,062	10,293,744	1,325,000	751,770	11,288,913	5,353,523	5,935,390	855,000	618,371	855,000	855,000	855,000	855,000	855,000	5,864,297	1,730,000	1,762,942	1.68

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.

Source: City of Redlands

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)
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	3.4%
2001	65,313	1,498,868,037	22,949	3.6%
2002	65,984	1,537,031,296	23,294	4.3%
2003	67,604	1,607,082,288	23,772	4.5%
2004	68,832	1,728,233,856	25,108	4.1%
2005	70,324	1,828,634,972	26,003	3.7%
2006	71,086	1,914,274,894	26,929	3.4%
2007	71,375	1,990,577,375	27,889	3.9%

- 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; 2005-2007 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 1998-1999, annual rate for Redlands from 2000-2006, and for 2007, the Redlands preliminary June 2007 rate is shown)

CITY OF REDLANDS
Principal Employers
Current Year and Nine Years Ago

Employer	2007		1998	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
ESRI	2,000	5.21%	1,039	3.55%
Redlands Unified School District	1,730	4.51%	1,500	5.12%
Redlands Community Hospital	1,100	2.86%	700	2.39%
University of Redlands	900	2.34%	500	1.71%
City of Redlands	606	1.58%	433	1.48%
La-Z-Boy, Inc.	450	1.17%	400	1.37%
Redlands Employment Services, Inc.	400	1.04%	-	N/A
Wal-Mart Stores, Inc.	400	1.04%	-	N/A
Southern California Gas Company	383	1.00%	-	N/A
Loma Linda University Behavioral Medicine Center, Inc.	310	0.81%	-	N/A
United States Postal Service	-	N/A	1,536	5.24%
Beaver Medical Clinic	-	N/A	500	1.71%
Klaussner Furniture	-	N/A	438	1.50%
Southern California Gas Company	-	N/A	343	1.17%

NOTE:

"Total Employment" as used above represents the total employment of all employers located within City limits. For 2007, the June 2007 Redlands preliminary employment figure (38,400) was used. For 1998, an estimated figure (29,295) was used, based on the average percentage change in prior years.

Sources:

www.selectory.com (2007 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									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Full-time employees:										
City clerk's office	2	2	2	2	2	2	2	2	2	2
City manager's office	6	6	6	7	7	6	6	6	6	6
City treasurer's office	7	7	7	8	8	8	8	7	7	7
Administrative services	24	19	19	19	19	20	23	23	23	23
Community development	14	14	15	18	18	16	18	18	18	19
Finance	12	12	13	12	12	12	12	12	11	12
Fire	60	59	59	60	60	60	60	60	67	67
Library	19	19	19	21	21	21	21	21	21	21
Management information systems	3	3	4	4	4	4	4	4	4	4
Municipal utilities:										
Administration	16	17	18	19	19	18	23	23	29	31
Water	37	38	38	39	39	41	38	38	39	40
Solid waste	37	37	37	38	38	42	44	42	40	40
Wastewater	20	21	21	21	21	24	24	24	24	24
Cemetery	7	7	7	7	7	7	7	7	5	3
Police	111	125	126	130	138	151	157	154	161	161
Public works	51	51	53	53	53	56	54	53	49	50
Redevelopment	-	-	-	-	-	-	-	-	5	5
	<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>	<u>515</u>
Part-time employees ¹	-	-	-	-	-	-	-	-	72	67
At-will employees ²	-	-	-	-	-	-	-	-	10	10
Grant-funded employees	<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>	<u>14</u>
Total	<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>	<u>606</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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police:										
Calls for service ¹	43,959	40,926	42,935	45,614	48,124	55,512	63,727	63,560	59,182	
Emergency calls for service ¹	9,048	9,377	9,419	8,899	8,900	9,699	10,521	11,178	11,970	
Citations issued ¹	11,103	9,515	10,671	10,514	8,180	9,338	8,291	5,410	5,242	
Fire:										
Number of incidents	5,763	5,725	5,836	6,319	6,340	6,675	7,116	7,040	7,625	8,038
Inspections performed ¹	2,253	2,293	2,271	2,262	2,355	2,456	2,498	2,576	2,737	
Building and safety:										
Permits issued ²			2,055	2,409	2,385	2,876	3,070	2,997	2,838	2,967
Inspections performed ²			9,530	11,048	10,970	12,228	15,961	15,679	17,273	14,611
Parks and recreation:										
Community center attendance ²		40,619	54,076	39,686	46,968	36,211	45,228	35,160	62,048	69,861
Senior center attendance ²		38,786	40,920	43,452	48,788	47,941	43,644	42,496	43,374	43,633
Joslyn center attendance ²		38,092	41,407	39,989	40,175	47,292	43,201	49,808	39,328	40,830
Youth sports attendance ²		19,246	18,488	25,266	20,963	12,980	15,781	17,781	14,859	4,665
Adult sports attendance ²		11,026	12,077	12,943	14,780	10,255	11,989	20,418	19,797	17,427
Water:										
Number of services	17,957	18,401	18,617	18,857	19,357	19,670	20,140	20,590	21,047	21,450
Average daily consumption (thousands of gallons)	22,000	22,000	24,500	23,600	28,200	25,700	25,400	27,000	23,553	29,458
Solid waste:										
Recycled materials (tons) ²				19,495	21,058	24,502	29,794	37,123	38,083	40,851
Refuse disposed (tons) ²				50,250	52,034	54,599	56,865	59,745	61,607	58,402
Library:										
Number of volumes	82,500	93,181	95,307	129,472	134,032	138,513	136,671	138,446	141,310	140,644

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	3	4	4	4	4	4	4	4	4	4
Fire:										
Fire stations	3	3	3	3	3	3	3	4	4	4
Public works:										
Streets (miles)	270	270	272	285	290	305	307	310	312	315
Traffic signals (city-owned)	48	48	49	51	54	58	61	61	64	68
Parks and recreation:										
Parks (acreage)	250	250	250	250	250	250	250	250	250	230
Groves (acreage)	251	268	268	268	268	200	175	175	196	192
Community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	362	346	346	361	361	368	381	387	407	416
Maximum daily production capacity (thousands of gallons)	52,000	52,000	52,000	42,600	45,400	45,400	55,400	59,000	50,000	50,000
Wastewater:										
Sewers (miles)	214	214	214	215	215	222	222	226	232	239
Daily capacity of wastewater plant (thousands of gallons)	9,000	9,000	9,500	9,500	9,500	9,500	9,500	9,500	9,500	5,500
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

Source: City of Redlands