



Comprehensive Annual Financial Report
For The Year Ended June 30, 2010

Redlands' City Council Members

Patricia L. Gilbreath, Mayor
Jerry Bean, Mayor Pro Tempore
Pete Aguilar, Council Member
Mick Gallagher, Council Member
Jon Harrison, Council Member

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

Cover Photograph Courtesy of Redlands Police Department

CITY OF REDLANDS
CALIFORNIA

Comprehensive Annual Financial Report

Year ended June 30, 2010

Prepared by:
FINANCE DEPARTMENT

Tina T. Kundig
Finance Director/City Treasurer

CITY OF REDLANDS
Comprehensive Annual Financial Report
Year ended June 30, 2010

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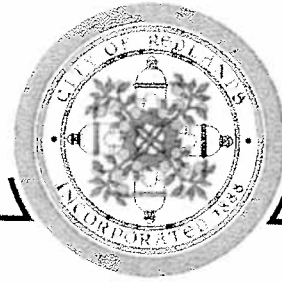
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INTRODUCTORY SECTION

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City of Redlands



December 23, 2010

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, 2010.

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, 2010, 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, 2010, 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"

P.O. BOX 3005

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REDLANDS, CA 92373



(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 71,926 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, landscaping, 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 has added to the relative stability of the unemployment rate over the years, although in the current economy, the unemployment rate has risen to 10.5%. Since 1999, the annual unemployment rate for the City has ranged from a low of 3.4% to its current high.

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, the United States Postal Service, ESRI (Environmental Systems Research Institute), Redlands Community Hospital, Verizon/GTE, the University of Redlands, the City of Redlands, and Loma Linda University Medical Center, the Jerry L. Pettis Veterans Hospital, and the VA Loma Linda Healthcare System. Several large warehouse distribution centers have been developed over the past few years in the City or within its vicinity, including Bechton-Dickenson, Stater Bros. and Salton, with each having provided additional job opportunities to the community.

The City's property tax base had showed steady growth since Fiscal Year 2000-2001, increasing from \$3.2 billion in Fiscal Year 2000-2001 to \$7.7 billion in Fiscal Year 2008-2009. However, for the 2009-2010 tax roll, the City of Redlands experienced a net taxable value decrease of 1.9% while a decrease of 6.1% was experienced countywide. The assessed value for the City of Redlands decreased from the prior year by \$145 million (from \$7,683,408,773 to \$7,538,540,177). The growth attributed to the Assessor granted 2% CPI adjustment was \$136 million, which was more than offset by reductions caused by properties with declining values.

The largest assessed value increase on the secured tax roll was reported on an industrial parcel owned by Kensington Redlands No. 2 LLC at 1730 Marigold Avenue. New improvement values were appraised at \$16 million at this formerly vacant site. A commercial site owned by Alta Vista Credit Union also enrolled new improvement values for an increase of \$7.5 million. The largest decline in value of \$9.3 million was posted by AMB Institutional alliance Fund III at 1651 California Street. This industrial property reported a transfer of ownership in 2008 and the value enrolled reflects the lower sales price paid in the transaction. Four properties purchased from Los Angeles Paper Box and Board Mill in 2008 by 27105 Beaumont Redlands LLC have also been revalued for a collective reduction of \$6.8 million. These parcels which have a use of citrus orchards are on Beaumont Avenue between Nevada Street and San Timoteo Road.

The taxable value of residential property in the City decreased by \$356 million, or 7.31%, commercial property increased by \$77 million, or 9.27%, and industrial property increased by \$51 million, or 7.45%. Since Fiscal Year 2000-2001 assessed valuation for the City of Redlands, net of exemptions and excluding RDA, rose by 148% and reached \$7.1 billion as of Fiscal Year 2008-2009 with the combined assessed valuation for the City and the RDA growing by 143% over that time, reaching \$7.6 billion. As of Fiscal Year 2009-2010, the City's assessed value grew 133% from Fiscal Year 2000-2001, a reduction resulting from the Fiscal Year 2009-2010

decline in City assessed valuation. When combined with RDA, assessed value grew 138% from Fiscal Year 2000-2001 due to an increase in value for the RDA of approximately \$268 million.

The median sale price of a single family home in Redlands from January through September 2009 was \$225,000 and represented a \$70,000 or 23.7% decrease in median sale price from 2008.

Development activity occurring in Fiscal Year 2009-2010 has continued to decline due to the downturn in the economy. Residential growth continued to experience a slow down, with approximately 15 dwelling units permitted, 97 units fewer than in prior year, representing a reduction of 87%. There were no developments relative to industrial parks and warehouses during the year.

While no additional office development was permitted during Fiscal Year 2008-2009, in Fiscal Year 2009-2010, approximately 110,243 square feet of office buildings was permitted for administrative, professional, and medical uses.

Retail development activity was reduced with less than 5,000 square feet of new retail buildings permitted in Fiscal Year 2009-2010, down from 11,560 square feet in the prior year.

Overall, the approved projects which have not been built as yet, or projects nearing approval, consist of approximately 1,005 residential dwelling units, approximately 552,062 square feet of commercial buildings, approximately 137,736 square feet of office buildings, and approximately 953,453 square feet of industrial buildings. Development of these is dependent on how quickly the economy recovers.

During Fiscal Year 2009-2010, the Municipal Utilities and Engineering Department (MUED) constructed numerous projects which improved the City's ability to provide the highest levels of service to the citizens of Redlands. Projects were completed that enhanced existing infrastructure and replaced outdated infrastructure. Once completed, the enhanced infrastructure enabled MUED to supply water to its customers and deliver wastewater to the City's Treatment Plant in a more efficient manner. Examples of projects which were undertaken during the year included four different well rehabilitation projects, three pump replacement projects, and a reservoir replacement project. In addition to these water supply related improvements, MUED also completed some higher profile projects such as the 2010 Water Capital Improvement Program (CIP), the 2010 Sewer Capital Improvement Program (CIP) and the Highline Water Main Replacement Phase III. These pipeline projects resulted in the replacement of 25,000 lineal feet of distribution water mains, 12,000 lineal feet of sewer mains and 7,500 lineal feet of large diameter Highline water transmission pipeline that were old and in need of replacement to maintain reliable service to customers. The Highline Water Transmission Main is essential to delivering Mill Creek water from the Tate Treatment Plant in the northeast part of the City to customers in the southern part of the City.

MUED also embarked on a project which served as the first phase of a reinvesting and rehabilitation of its historic downtown area. In order to provide a more dynamic and aesthetically pleasing downtown environment, MUED completed construction of the first phase of the Downtown Reinvestment Program. This project entailed the resurfacing of major

thoroughfares, Redlands Boulevard and Orange Street, as well as removal and replacement of brick pavers at designated intersections along Orange Street. Additionally, this project included the rehabilitation of existing medians and the building of new medians on Redlands Boulevard east of Orange Street.

MUED also was heavily involved during Fiscal Year 2009-2010 in securing outside sources of funding to augment the City's funding for needed improvements. Safe Routes to School Cycle 8 funding was granted to the City in the amount of \$810,000 which will be used to fund ADA ramps and sidewalk improvements. A Transportation Community Preservation Federal Grant in the amount of \$295,000 was given to the City to assist in funding the Downtown Parking structure. The city also received \$1,015,637 through San Bernardino Associated Governments (SANBAG) associated with the 2009 Presidential American Reinvestment Recovery Act (ARRA) Program, which was used to fund the Redlands Boulevard and Orange Street roadway improvements for the Downtown Reinvestment Program. MUED also worked on securing a \$10,746,100 loan through the State of California's State Revolving Fund for upgrades to the Hinckley Water Treatment Plant. Funding is expected in Fiscal Year 2010-2011 as the project is undertaken. The upgrades are mandated by the EPA in order to meet new disinfection and disinfection by-product regulations by 2012. Finally, the City continues to employ smart energy demand management practices and participate in Southern California Edison's EnerNOC Demand Response Program. During Fiscal Year 2009-2010, the City secured \$86,562 in rebate checks from Southern California Edison for its progressive energy management efforts.

In addition to City projects, the Redevelopment Agency's activities included the approval of landscaping improvements for State Street, and Orange Street median improvements at Pearl Avenue. Sidewalk improvements have been completed within the North Redlands Redevelopment Project Area

The RDA continued the Downtown Storefront Improvement Program to include all commercial buildings located in the Downtown Redlands Redevelopment Project Area and developed incentives to encourage restaurant recruitment and expansion in the downtown. The seasonal Saturday Morning farmers' Market was expanded to year-round. A formal contract was extended with the Redlands Chamber of Commerce to assist with Economic Development activities.

In the area of Low and Moderate Income Housing, the RDA continues to provide grants for exterior improvements for eligible homeowners and helped create local jobs by using only Redlands-based contractors to perform housing renovation improvements

Long-term financial outlook/planning. In recent 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, and is continuing to face impacts associated with the greatest downturn in our economy that has been seen in many years. For many years during this decade, despite growth in property taxes, sales taxes, and development, the City's General Fund expenditures and uses exceeded its revenues and sources, thereby causing a decline in the General Fund's Unreserved Fund Balance. As a result, the City began to focus on financial policy decisions to balance the budget, establish minimum reserve levels, as well as to review

service levels, enhance revenue opportunities, evaluate reorganizations and develop capital improvement plans. These actions helped the City's General Fund achieve net increases in its fund balance in Fiscal Year 2006-2007, with its fund balance increasing by \$1.4 million, and again in Fiscal Year 2007-2008, with its fund balance increasing by \$1.9 million. These actions over the two years proved invaluable to the City as the downturn in the economy hit in Fiscal Year 2008-2009. In the fall of Fiscal Year 2008-2009, the City Council, the City Manager and the executive staff examined the potential impacts to the City of the downturn in the economy, particularly as a result of the significant decline in sales tax revenue and a slowdown in development activity. Departmental budgets were reduced wherever possible and an early retirement incentive program was established, along with a furlough program for all employees that began during the second half of Fiscal Year 2008-2009. As a result of the team effort on the part of all City staff to reduce expenditures, and as a result of improvement in certain revenue categories, resulting in an additional \$870,000 in revenues over adjusted budget, the fund balance of the City's General Fund increased by \$3.7 million in Fiscal Year 2008-2009.

Despite this positive outcome to Fiscal Year 2008-2009, the City continued to face challenges in Fiscal Year 2009-2010 as a result of the poor economic climate and continued declines in sales taxes and development revenues. Adding to the decline during Fiscal Year 2009-2010 in these revenue categories, the City realized declines in property taxes, franchise fees, and in other taxes which includes transient occupancy taxes, property transfer taxes, and mining taxes. Although revenues declined, the City ended Fiscal Year 2009-2010 with a General Fund Unreserved Fund Balance of \$5,802,815, which exceeded projections by \$1.25 million, and came as a result of the City tightening its belt and reducing expenditures, as well as realizing higher revenues in a number of categories. Additionally, City employees continued the furlough program during Fiscal Year 2009-2010 and will again in Fiscal Year 2010-2011. Although a higher ending unreserved fund balance was achieved, the General Fund total requirements exceeded total sources by \$1.1 million, an indication of a structural imbalance in the General Fund. A further review of the General Fund is included within the Management Discussion and Analysis which follows.

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

The City also 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. In accordance with GASB Statement 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions", the City of Redlands hired an actuary to determine its annual other postemployment benefit (OPEB) cost based on the annual required contribution (ARC). At June 30, 2010, the City's OPEB obligation was \$6,891,421 and is more fully discussed in Note 11 of the Notes to the Basic Financial Statements.

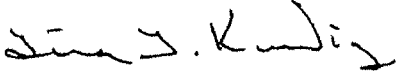
Awards and Acknowledgements

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, 2006, 2007, 2008 and 2009. 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, Senior Accountant, Jacquelyn Guest, and Financial/Budget Analyst, Leslie Nacionales-Tafoya for their extraordinary effort in overseeing the compilation of the accounting data and interfacing with our auditors, to the accounting firm of MAYER HOFFMAN MCCANN, P.C. and to Tricia Swope, Senior Administrative Assistant, and Janice McConnell, Executive Assistant.

Respectfully submitted,



Tina T. Kundig
Finance Director/City Treasurer

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, 2009

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.



President

Executive Director

CITY OF REDLANDS
PRINCIPAL OFFICERS

CITY COUNCIL (Elected)

Patricia L. Gilbreath, Mayor
Jerry Bean, Mayor Pro Tempore
Peter R. Aguilar, Councilmember
Michael T. Gallagher, Councilmember
Jon P. Harrison, Councilmember

CITY MANAGER

N. Enrique Martinez

CITY CLERK (Elected)

A. Samuel Irwin

CITY ATTORNEY

Daniel J. McHugh

CHIEF INFORMATION OFFICER

David Hexem

DEVELOPMENT SERVICES DIRECTOR

Oscar W. Orci

FINANCE DIRECTOR/CITY TREASURER

Tina T. Kundig

FIRE CHIEF

Jeff L. Frazier

HUMAN RESOURCES DIRECTOR

Deborah K. Scott-Leistra

LIBRARY DIRECTOR

Larry E. Burgess

MUNICIPAL UTILITIES & ENGINEERING DIRECTOR

Rosemary Hoerning

POLICE CHIEF

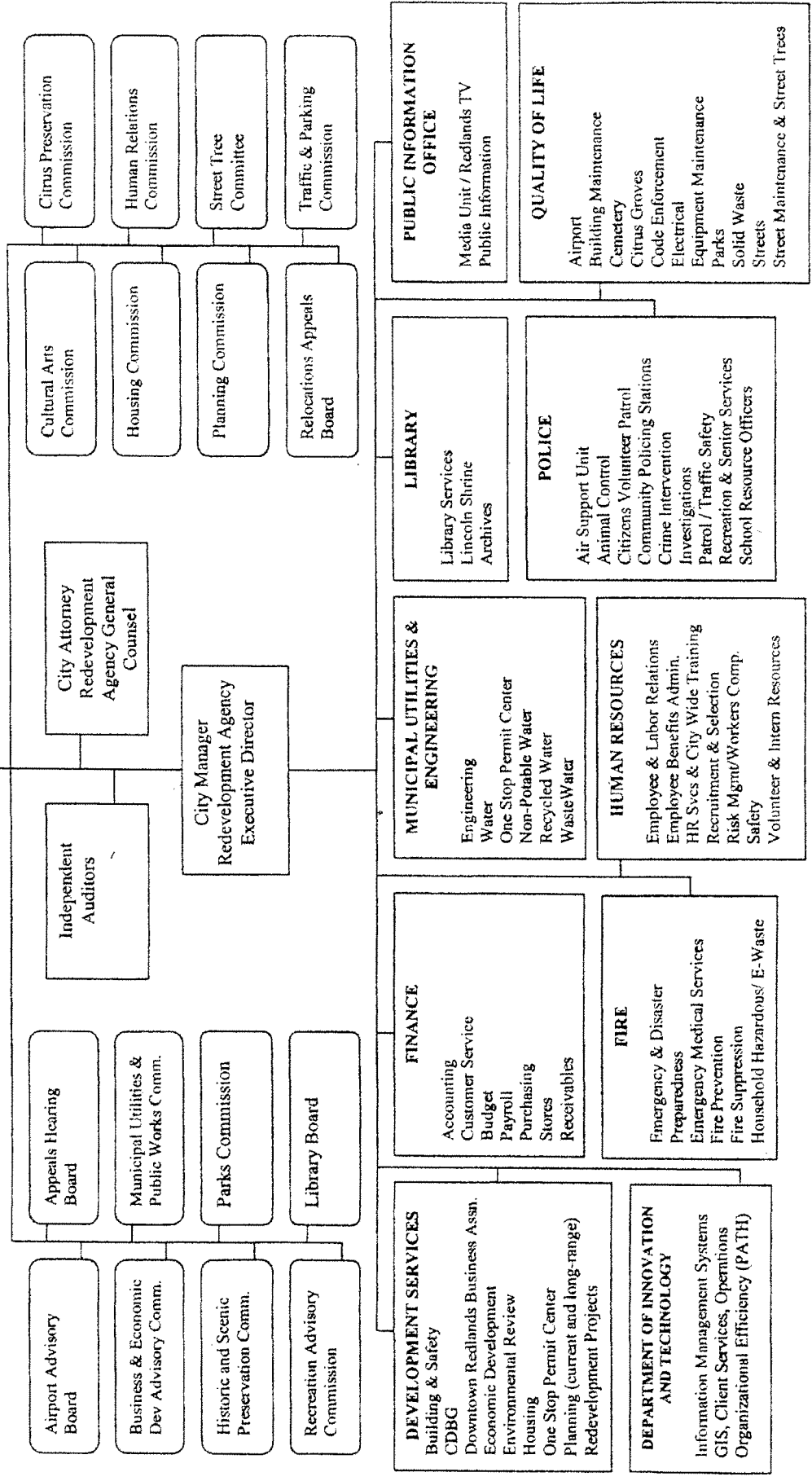
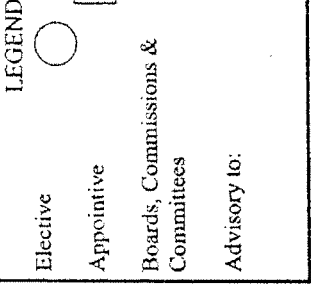
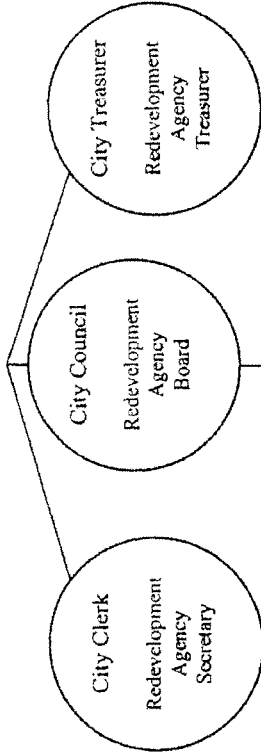
James R. Bueermann

QUALITY OF LIFE DIRECTOR

Gary van Dorst

CITY OF REDLANDS, CA
 ORGANIZATIONAL CHART
 Approved By: *[Signature]*
 N. Enrique Martínez, City Manager
 Effective December, 2010

VOTERS



FINANCIAL SECTION

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Mayer Hoffman McCann P.C.

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Honorable Mayor and City Council
City of Redlands
Redlands, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Redlands, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Redlands. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Redlands, California, as of June 30, 2010, 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 23, 2010 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 23, 2010

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, 2010. 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 water system.
 - *Fiduciary fund* statements provide information about fiduciary relationships – like the agency funds of the City – in which the City acts solely as *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

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

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

Figure A-1

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

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

Reporting the City as a Whole

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

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

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

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

Reporting the City's Most Significant Funds

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

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

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

Reporting the City's Fiduciary Responsibilities

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

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

CITY OF REDLANDS Statement of Net Assets June 30, 2010

Table 1

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other Assets	80,821,599	92,055,896	70,248,449	69,343,810	151,070,048	161,399,706
Capital Assets	593,338,222	585,344,490	156,375,855	154,176,658	749,714,077	739,521,148
Total Assets	674,159,821	677,400,386	226,624,304	223,520,468	900,784,125	900,920,854
Long-term Debt Outstanding	90,639,984	92,783,408	39,661,180	41,333,800	130,301,164	134,117,208
Other Liabilities	5,473,678	6,290,741	5,274,932	4,562,356	10,748,610	10,853,097
Total Liabilities	96,113,662	99,074,149	44,936,112	45,896,156	141,049,774	144,970,305
Net Assets:	578,046,159	578,326,237	181,688,192	177,624,312	759,734,351	755,950,549
Invested in Capital Assets, Net of Debt	552,406,654	538,505,009	131,748,406	126,384,905	684,155,060	664,889,914
Restricted	28,304,090	30,310,832	4,166,635	4,120,375	32,470,725	34,431,207
Unrestricted	(2,664,585)	9,510,396	45,773,151	47,119,032	43,108,566	56,629,428
Total Net Assets	578,046,159	578,326,237	181,688,192	177,624,312	759,734,351	755,950,549

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 \$3,783,802 as indicated in the Changes in Net Assets Table 2 below. However, Table 1 shows that net assets of the government-wide activities increased only slightly, by .5%, from \$755,950,549 in 2009 to \$759,734,351 in 2010. Governmental Activities net assets decreased .05%, from \$578,326,237 at June 30, 2009 to \$578,046,159 at June 2010. The City's net assets of business-type activities increased by 2.3% from \$177,624,312 in 2009 to \$181,688,192 in 2010.

The decrease in the net assets of the Governmental Activities during 2010 was primarily the result of a significant decrease, \$11,234,297, in Current and Other Assets. The decrease was driven by the major downturn in the economy that resulted in a decline in most of the City's major revenue sources. Property taxes decreased by more than \$718,000 due to reduced assessed values and sales taxes and other taxes each decreased by close to \$190,000. Investment income declined by approximately \$1.6 million, in part due to market conditions and as a result of a decline in cash available to invest, but also as a result of reclassification of investment income to program income in the current year, and as a result of the difference in conversion entries for Internal Service Funds from year to year. The most significant decline in revenues came as a

result of a decrease of more than \$2.5 million in franchise fees for calendar year 2009. The most significant source of franchise fees come from the Gas Company, primarily as a result of major gas usage by the Edison (formerly Mtn. View) Power Plant, located within the City. As a result of the plant's heavy gas usage, the City saw franchise fees from the Gas Company increase in Fiscal Year 2006-2007 from less than \$360,000 to \$2.6 million, and continue to increase to a high, in excess of \$4.4 million, in Fiscal Year 2008-2009. However, during Fiscal Year 2009-2010, low gas prices that remained depressed for most of the calendar year, combined with a decrease in operating capacity by the power plant, resulted in fees of only \$1.8 million from the Gas Company. Overall, net assets reflected a smaller decrease because the decrease in Current and Other Assets was partially offset by a net increase in Capital Assets of \$7,993,732. The latter increase was primarily the result of more than \$9 million in additional Rights of Way.

The increase in net assets of \$4,063,880 for the Business Activities resulted, in part, from a net increase in capital assets of approximately \$2.2 million. A net increase in Construction in Progress of approximately \$6.4 million included almost \$4.4 million for projects in the Water Enterprise, including \$1.6 million for Phase 3 of the Pipeline Replacement Project, almost \$640,000 for Phases 2 and 3 of the Highline Relocation Project, and more than \$2.2 million for recoating and rehabilitation of reservoirs, as well as other improvements to the Enterprise's infrastructure. In addition, over \$2 million of Construction in Progress resulted from projects in the Wastewater Enterprise. These included close to \$1 million for the Wastewater Pipeline Replacement Project, almost \$600,000 for the Solids Handling Project and another \$400,000 for various trench or main improvements. Construction in Progress was offset by a net decrease in depreciated assets of approximately \$4.2 million.

An increase in Current and Other Assets of the Business Activities of approximately \$905,000 also contributed to the increase in net assets of the Business Activities. In the Disposal Fund, current assets increased by approximately \$1.5 million, primarily as a result of reduced operating expenses, and increases of approximately \$100,000 for both the Water Fund and the Nonmajor Funds were noted. These were offset by an \$868,000 reduction in cash and investments in the Wastewater Fund, largely due to a major decline in impact fees.

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

CITY OF REDLANDS
Change in Net Assets – Year Ended June 30, 2010

Table 2

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges for Services	7,870,041	8,291,672	36,256,230	35,844,947	44,126,271	44,136,619
Operating Grants & Contributions	10,048,934	10,058,173	186,999	702,524	10,235,933	10,760,697
Capital Grants & Contributions	11,513,845	29,395,240	960,605	5,729,189	12,474,450	35,124,429
General Revenues:						
Property Taxes	29,907,393	30,626,167	38,082	45,221	29,945,475	30,671,388
Sales Taxes	11,669,250	11,862,852	-	-	11,669,250	11,862,852
Franchises	2,886,836	5,476,066	-	-	2,886,836	5,476,066
Other Taxes	1,167,543	1,354,067	-	-	1,167,543	1,354,067
Investment Income	746,194	2,384,773	1,488,031	2,029,765	2,234,225	4,414,538
Intergovernmental	370,373	436,414	-	-	370,373	436,414
Total Revenues	76,180,409	99,885,424	38,929,947	44,351,646	115,110,356	144,237,070
Program Expenses:						
General Government	15,277,666	19,973,152	-	-	15,277,666	19,973,152
Public Safety	40,002,463	38,005,815	-	-	40,002,463	38,005,815
Highways and Streets	8,391,171	8,648,714	-	-	8,391,171	8,648,714
Culture and Recreation	3,610,031	4,021,267	-	-	3,610,031	4,021,267
Library	2,167,109	2,082,948	-	-	2,167,109	2,082,948
Interest and Fiscal Charges	6,957,598	4,335,844	-	-	6,957,598	4,335,844
Water	-	-	15,813,173	15,666,955	15,813,173	15,666,955
Disposal	-	-	9,344,247	10,446,326	9,344,247	10,446,326
Sewer	-	-	7,888,041	8,021,053	7,888,041	8,021,053
Aviation	-	-	250,732	370,715	250,732	370,715
Cemetery	-	-	494,949	522,045	494,949	522,045
Groves	-	-	717,394	725,163	717,394	725,163
NP Water	-	-	411,980	-	411,980	-
Total Expenses	76,406,038	77,067,740	34,920,516	35,752,257	111,326,554	112,819,997
Increase in Net Assets before Transfers	(225,629)	22,817,684	4,009,431	8,599,389	3,783,802	31,417,073
Transfers	(54,449)	(50,568)	54,449	50,568	-	-
Increase (decrease) Net Assets	(280,078)	22,767,116	4,063,880	8,649,957	3,783,802	31,417,073
Beginning Net Assets	578,326,237	555,559,121	177,624,312	168,974,355	755,950,549	724,533,476
Ending Net Assets	578,046,159	578,326,237	181,688,192	177,624,312	759,734,351	755,950,549

Governmental Activities

Revenues for the City's governmental activities decreased 23.7% from \$99,885,424 in 2009 to \$76,180,409 in 2010. Total governmental activity expenses decreased by .9% from \$77,067,740 in 2009 to \$76,406,038 in 2010. The cost of all *government-wide* activities decreased by 1.3% from \$112,819,997 in 2009 to \$111,326,554. As shown in the Statement of Activities on pages 21 and 22 of the CAFR, the amount that taxpayers financed for these activities through City taxes was \$46,973,218, while other costs were paid by those who directly benefited from the programs, in the amount of \$7,870,041, by other governments and organizations that subsidized certain programs with operating grants and contributions, in the amount of \$10,048,934, or capital grants and contributions in the amount of \$11,513,845. Overall, the City's governmental

program revenues were \$29,432,820, 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 decreased by \$421,631 or 5.1% in 2010 with the most notable decreases in General Government, \$178,032 and Highways and Streets, \$126,112. In General Government, decreases in charges for services resulted primarily from decreases in development activity, with a decline of more than \$900,000 in development fees, offset by increases of approximately \$678,000 and \$129,000 in waste import fees and City Attorney Services, respectively, a decrease in City Ordinance Violations of \$61,000, and other smaller increases and decreases. Under Highways and Streets, Engineering revenues declined, with the most notable decline in street permits, at \$217,000, and a decline in map review revenue of \$13,000. Landfill mitigation revenue also declined by approximately \$62,000. These decreases were offset by an increase in street trench cut fees of \$124,000 and increased assessments of \$42,000 for Community Facilities District 2004-2. Decreases in charges for services were also noted for Public Safety at approximately \$60,000, with decreases in red light and traffic fines and parking fines accounting for the majority of the decrease. Although tow fees increased by almost \$93,000, this increase was almost entirely offset by the decrease in revenue from contract services. Culture and Recreation decreased by almost \$55,000, with the greatest decrease found in revenue from contract services revenue in Parks. Library fines decreased by just under \$3,000.

Operating Grants and Contributions decreased by a total of only \$9,239 from prior year, however various fluctuations occurred by type of government activity. General Government decreased by approximately \$153,000 primarily due to a reduction in miscellaneous receipts of \$86,000 and a decrease of \$24,000, each, for general government services charges and for community assistance repayment in redevelopment housing. Public Safety increased by \$376,000 with notable increases in Fire department mutual aid of \$146,000, increases in donations of \$27,000, increases in cost recovery of \$17,000, increases in Household Hazardous Waste of \$16,000 for recycled materials, increase in drug confiscation of \$84,000 and increases in police federal grants of \$300,000, offset by a decrease in state grants of \$209,000. Highways and Streets decreased by \$346,000 and included a notable decrease in AB 2928 Traffic Congestion Relief funds of more than \$1 million, from \$1.7 million in prior year to \$649,000 in the current year. Measure I Sales Tax also decreased, by almost \$39,000. These decreases were offset with increases that included \$565,000 in Community Development Block Grant funds, a state grant of \$43,000 in the Local Transportation Fund, \$21,000 in Gas Tax receipts, and \$25,000, each, in cost recovery and miscellaneous receipts. Culture and Recreation increased by \$113,000, primarily as a result of increases in Community Development Block Grant funds and other Federal Grants of approximately \$145,000 and decreases of almost \$26,000 in miscellaneous receipts and donations and \$11,000 in Lincoln Shrine Support. State grants and rental income for the Library increased only slightly, by \$1,200, over prior year.

Capital Grants and Contributions decreased by \$17,881,395 or 60.8%. The majority of the decrease was due to the value of right-of-way contributions received from developers in the prior year exceeding contributions in the current year.

Property Taxes decreased by \$718,774, or 2.3%, over prior year due to a decline in the assessed value of residential, commercial, and industrial properties. The City had a net taxable value decrease of 1.9%, or \$145 million, compared to a net taxable increase of 6.3%, or \$455 million, in the prior year. The decrease in value more than offset the Assessor granted 2% CPI adjustment of \$136 million.

Sales Taxes decreased by \$193,602, or 1.6%, due to the declining economy and decreases in most categories, but particularly in two of the categories that historically have made up the City's greatest tax base: building and construction and new automobile sales. The latter declined each quarter except the one in which the Cash for Clunkers program was offered. Although sales taxes from General Consumer Goods were higher in the first quarter than in prior year, they declined each quarter thereafter and were lower than in the previous year. Low fuel prices in the first two quarters resulted in a reduction from prior year in the category of Fuel and Service Stations, however this category increased in the last two quarters as fuel prices rose.

Franchise Fees decreased by \$2,589,230 or 47.3%, primarily due to decreased fees paid by the Gas Company as a result of a reduction in the price of gas that remained low throughout the calendar year, as well as decreased gas usage by a local utility.

Other taxes, which include Possessory Interest, Transient Occupancy Tax and Mining Tax, decreased by \$186,524 or 13.8%. Only Possessory Interest increased, with the largest decline in Mining Tax.

Investment income decreased by \$1,638,579 or 68.7%, due, in part, to decreased earnings on investments held in the City's portfolio resulting from the prevailing economic conditions, as well as less cash available for investing, particularly for the Redevelopment Agency. This resulted in a decline in income of approximately \$578,000. The rest of the decrease is due to a reclassification of some investment income in the current year to program revenues, in particular for Public Safety, Highways and Streets, and Culture and Recreation, and as a result of the conversion entry for Internal Service Funds, in which the amount of investment income in the current year is lower than in the prior year.

Intergovernmental revenues decreased by \$66,041 or 15.1%, primarily due to the reduction of approximately \$72,000 in motor vehicle license fees, offset by increased state mandated cost reimbursements of approximately \$16,000. In addition, cost recovery reimbursement and POST training reimbursement was included in intergovernmental revenues in the prior year, but has been reclassified to Public Safety Operating Grants and Contributions on the Statement of Activities.

General Government expenses decreased by \$4,695,486 or 23.5%. Contributing to the decrease was a decrease of approximately \$288,000 in General Fund expenditures as a result of the City reducing salaries and benefits and services and supplies in its effort to address the City's budget concerns. The largest decrease in expenditures, a \$3.2 million decrease, was in the Low and Moderate Income Housing Fund. The reduction occurred because in the prior year a payment of \$4 million was made to Housing Partners I, Inc. for cancellation of their promissory note with the Redevelopment Agency per an affordable Housing Development Incentive and Restrictive Covenant Agreement in support of completion of the Vista del Sol Senior Housing Project. In the current year special program expenditures of \$2.6 million were spent in support of the Neighborhood Revitalization Program. The Redevelopment Agency Project Fund expenditures were reduced by almost \$486,000, primarily in the area of legal services and other professional services, as projects slowed in anticipation of the State taking \$2,389,188 from the Redlands Redevelopment Agency for deposit into the Supplemental Educational Revenue Augmentation Fund (SERAF) in May, 2010. Expenditures in the Designated Receipts Fund declined by \$949,000, as less receipts were collected in the current year and available for expenditure. In addition, GASB 34 conversion adjustments were made to increase expenditures for depreciation on capital assets, the net OPEB obligation, amortization on the prepaid pension contribution, compensated absences, and to reclass interfund charges and eliminate the operating loss of the internal service funds, and to reduce expenditures for internal balances.

Public Safety expenses increased by \$1,996,648 or 5.3%. Before GASB 34 conversion entries were made to increase expenditures for depreciation on capital assets, the net OPEB obligation, amortization on the prepaid pension contribution, compensated absences, and to reclass interfund charges and eliminate the operating loss of the internal service funds, and to reduce expenditures for internal balances, the difference in Public Safety expenses was an increase of only \$57,277 from prior year. The conversion entries resulted in a significant increase in expenses over prior year because in the current year there was an Internal Service Fund operating loss, instead of an operating income to eliminate and compensated absences increased expenses in the current year, but had decreased expenses in the prior year. Notwithstanding the conversion entries, Public Safety expenditures in the General Fund decreased by \$368,839 as a result of an overall effort to reduce spending, including reductions in salaries and benefits as a result of vacancies in the Police department, offset by raises for Police and Fire per contractual agreements. These decreases were almost entirely offset by an overall increase in expenses in the Special Revenue Funds, including an increase in the Police Grants Fund of \$158,099, an increase of more than \$8,600 in the Supplemental Law Enforcement Fund, and an increase in the Emergency Services Fund of approximately \$232,000, primarily in salaries and benefits as a result of raises paid in accordance with contractual agreements. Costs in the Drug Confiscation Fund were reduced by almost \$48,000. The Public Facilities Development Fund, a major fund, increased by almost \$75,000, primarily in other professional services associated with the New Safety Hall Project.

Highways and Streets decreased by \$257,543 or 3%. General Fund Highway and Streets expenditures were reduced by \$312,142 due in part to a reduction in the tree trimming contract and as a result of savings in salaries and benefits due to employee vacancies and a reallocation of engineering salaries and benefits. Overall, Highway and Streets expenditures in the Nonmajor Funds decreased by \$401,047 with a net decrease of \$304,640 in Special Revenue Funds and \$96,407 in the Storm Drain Capital Project Fund. Decreases in Special Revenue Funds included approximately \$177,000 in the Local Transportation Fund, \$48,000 in each of the Traffic Signals and Street Lighting Funds and almost \$32,000 in the Community Development Block Grant Fund, \$32,401 in the Measure I Fund and \$30,554 in the Street Lighting Assessment District Fund, offset by moderate decreases in other Special Revenue Funds. GASB 34 conversion adjustments were made to increase expenditures for depreciation on capital assets, the net OPEB obligation, compensated absences, and to reclass interfund charges and eliminate the operating loss of the internal service funds, and to reduce expenditures for internal balances. These entries increased expenses by \$455,646 more than in the prior year.

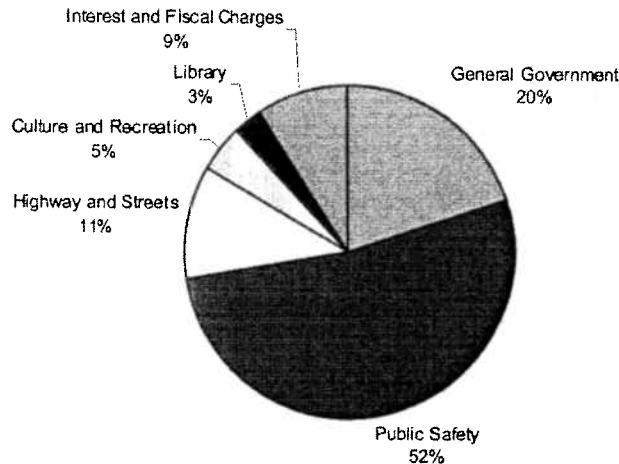
Culture and Recreation expenses decreased by \$411,236 or 10.2%. The primary decrease in Culture and Recreation occurred in the General Fund with expenditures decreasing by \$609,453 as a result of the City reducing salaries and benefits and services and supplies in its effort to address the City's budget concerns. An increase of \$15,682 in the Nonmajor Funds was the result of an increase in the Community Development Block Grant Fund of approximately \$37,000, offset by a decrease of more than \$21,000 in the Park and Open Space Fund. The remaining increase of \$182,535 was as a result of the GASB 34 conversion adjustments were made to increase expenditures for depreciation on capital assets, the net OPEB obligation, compensated absences, and to reclass interfund charges and eliminate the operating loss of the internal service funds, and to reduce expenditures for internal balances.

Library expenses increased by \$84,161 or 4% with increases of approximately \$64,000 in salaries and benefits, a decrease of \$37,000 in services, primarily in information and technology charges and a \$69,000 reduction in supplies, almost entirely as a result of eliminating books and periodicals from the budget. The greater increase in expenditures reflected on the Statement of Activities is the result of GASB 34 conversion adjustments made to increase expenditures for depreciation on capital assets, the net OPEB obligation, compensated absences, and to reclass interfund charges and eliminate the operating loss of the internal service funds, and to reduce

expenditures for internal balances. These entries increased expenditures by almost \$127,000 more than in the prior year.

Interest and fiscal charges increased by \$2,621,754 or 60.5%. Interest and fiscal charges, before conversion entries, increased by approximately \$3 million primarily as a result of an increase in the principal payment on the Pension Bonds of \$575,000 and the Redevelopment Agency's payment of \$2,389,188 into the County's Supplemental Educational Revenue Augmentation Fund (SERAF) as required by the State. The remaining difference between the increase reflected in the Statement of Activities and the actual net increase in interest and fiscal charges, as discussed, is as a result of GASB 34 adjustments that in the current year reduced expenditures by approximately \$341,000 more than in prior year.

Expenses by Functions Governmental Activity



Business-Type Activities

Revenues of the City's Business-Type Activities (See Table 2) decreased by 12.2% from \$44,351,646 in 2009 to \$38,929,947 in 2010 and expenses decreased by 2.3% from \$35,752,257 in 2009 to \$34,920,516 in 2010.

Charges for Services in the Water Fund decreased by \$213,381 or 1.2% despite rate increases of 8.5% in March, 2009 and, again, in January, 2010, primarily as a result of reduced demand for water driven by wetter weather conditions and to some degree as a result of the downturn in the economy.

Charges for Services in the Disposal Fund decreased by \$738,128 or 7.7%, primarily due to the downturn in the economy and reduced requests for roll-offs and other added services.

Charges for Services in the Sewer Fund increased by \$573,042 or 8.1%, primarily due to a rate increase of 12% in March, 2009 and again in January, 2010.

Charges for services in the Aviation Fund increased by \$37,902 or 15%.

Charges for services in the Cemetery Fund increased by \$110,361 or 35.7%

Charges for services in the Groves Fund increased by \$111,596 or 25.4%

Charges for services in the new Nonpotable Water Fund were \$529,891.

Operating Grants and Contributions decreased by \$515,525 or 73.4%. Primary reasons for the decrease included a reduction of approximately \$82,000 in miscellaneous receipts in the Water Fund from prior year and an arbitrage rebate of \$82,000 in the current year, netted against miscellaneous receipts, which resulted in a total decline of \$164,000 from prior year. In the Disposal Fund reductions of \$227,000 resulted from having received a South Coast Air Quality Grant of \$160,000 in the prior year and a reduction in miscellaneous receipts of \$67,000 of which approximately \$40,000 was as a result of a prior year sale of surplus property.

Capital Grants and Contributions decreased by \$4,768,584 or 83.2%. Capital contributions of infrastructure in the Water and Sewer Funds decreased by \$2.6 million and \$1.8 million, respectively and made up a majority of the decrease. In Water, impact fees from developers declined by more almost \$1 million and current year contributions of infrastructure declined by more than \$1.6 million from prior year. In the Sewer Fund, impact fees from developers declined by approximately \$1.7 million and contributions of infrastructure decreased by nearly \$89,000. Declines in impact fees resulted in decreases in the Disposal Fund and the Nonpotable Water Fund of \$272,000 and \$204,000, respectively. Aviation Capital Grants and Contributions increased as a result of additional FAA grants of approximately \$38,000 more than in prior year.

Investment income decreased by \$541,734 or 26.7%. The difference is due to decreased earnings on investments held in the City's portfolio resulting from the prevailing economic conditions as well as a reduction in cash available to invest.

Operating expenses of the City's Business Activities, taken from the Statement of Revenues, Expenses, and Changes in Fund Net Assets, increased for Water by \$146,218 or .9%, with Disposal decreasing by \$1,102,079 or 10.5% and Sewer decreasing by \$133,012 or 1.7%. The significant decrease in the Disposal Fund was due, in part, to reductions in Landfill Closure Expense of \$540,000, Special Contractual Services of \$369,000 and City Garage Charges of \$301,000.

In the Aviation Fund, operating expenses decreased by \$119,983 or 32.4%, with reduced costs for services of \$93,000, including significant decreases noted in architecture and engineering at

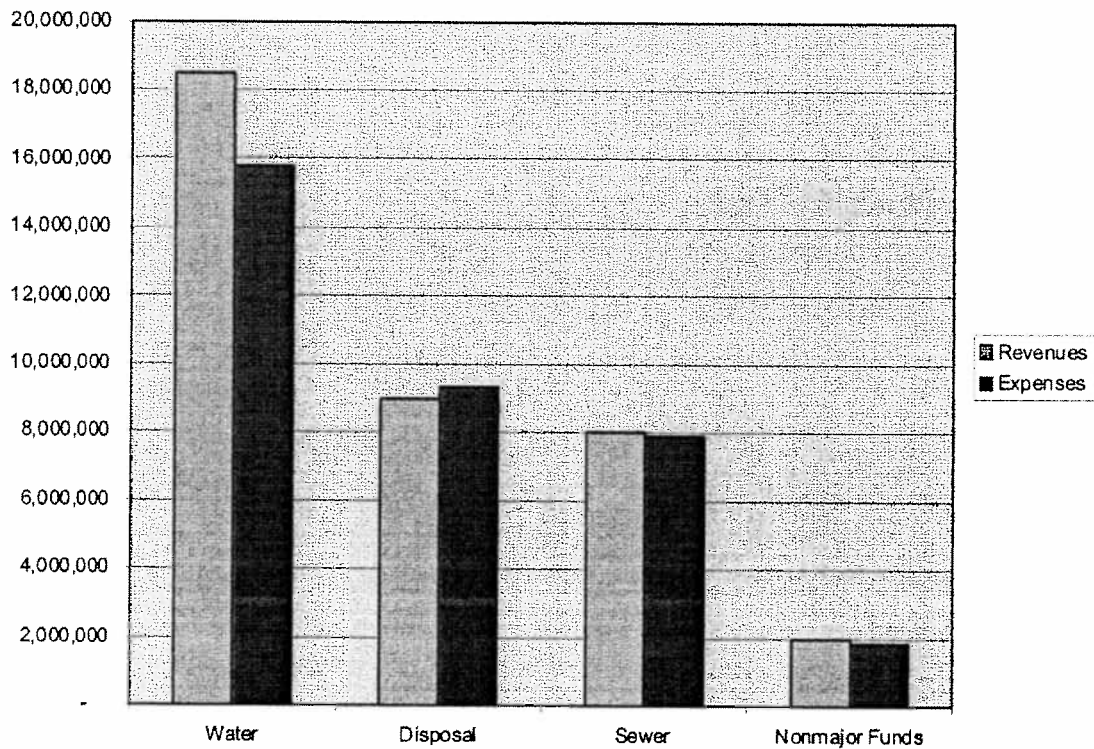
\$47,000, building and grounds maintenance at \$12,000, and a decrease of \$39,000 in depreciation expense. Interest expense on an interfund loan was \$27,000 lower than prior year.

Cemetery operating expenses decreased by only \$27,096 or 5.2%, with almost half of the decrease due to a reduction in salaries and benefits.

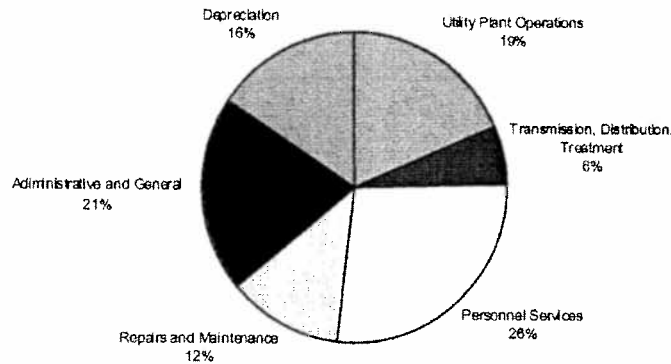
Operating expenses of the Groves Fund decreased by \$7,769 or 1.1%. Special contractual farming services decreased by almost \$6,100 from prior year.

Operating expenses of the new Nonpotable Water Fund were \$411,980.

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 2010, total fund balance of the general fund was \$17,750,440, a decrease of \$1,111,700, or 5.9%, from the prior year fund balance of \$18,862,140. 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 36.5% of general fund expenditures, however only \$5,802,815 of the \$17.75 million fund balance is unreserved. The unreserved fund balance of \$5.8 million, together with the \$6.21 million fund balance reserved for contingencies, the only portion of the reserved fund balance readily available for spending, represents 24.7% of general fund expenditures. Total general fund expenditures this year were \$2,106,322 less than prior year and total general fund revenues this year were \$4,011,353 less than prior year.

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

- Sales Taxes decreased by a net of \$193,602 from prior year due to a State adjustment in the compensation amount and increased sales and use tax receipts;
- Property Taxes decreased by \$692,226 (includes amount previously shown in Motor Vehicle In-Lieu Revenue) largely due to reduced secured property valuations;
- Franchise Fees decreased \$2,589,230 due to the combination of decreased capacity of gas powered electrical generators at a local utility plant and lower natural gas prices;
- "Other" Taxes decreased \$161,214, mainly due to reductions in Transient Occupancy Taxes, Property Transfer Taxes and Mining Taxes;
- Licenses, Permits and Fines decreased \$1,003,952, mostly due to decreases in building permits and plan checks;

- Intergovernmental Revenues decreased \$1,927 due to variations in Vehicle License Fees offset by Federal grants and State Mandated Cost Reimbursements;
- Charges for services increased \$1,465,707, mainly due to an increase in Mutual Aid Reimbursements, Attorney Services, waste import fees and a reclass of revenues;
- Charges for Services to other City funds decreased by \$23,666 since there was no Consumer Price Index increase to the cost allocation plan and reduced collections from impact fee revenue;
- Investment Income decreased \$470,293;
- "Other" Revenue decreased by \$385,294 due to a reclass of revenues.

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 \$5,100,669. This is an increase from last year of \$900,274 due to a need for new advances to the Police, Library and General Government funds. The decrease in fund balance/net assets results primarily from a decrease of \$692,579 in fees, a transfer to the General Fund of \$175,097 for Fire equipment lease payments, and continued work performed on Safety Hall and the Dispatch Center.

The **City of Redlands General Debt Service** fund accounts for the receipt of property taxes to be used for the retirement of the 1988 General Obligation Measure "O" Open Space Bonds, the 1994 Refunding General Obligation Bonds, and the 2003 General Obligation Bonds, as well as to account for the activity relating to the 2007 Taxable Pension Funding Bonds.

The **Redevelopment Agency Debt Service** fund accounts 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. This fund also records the required pass-through payments to other agencies and transfers amounts to the Low and Moderate Income Housing fund and Redevelopment Projects fund as required. This year the Agency was required by the State to make a payment to the Supplemental Education Augmentation Fund (SERAF) in the amount of \$2,389,188, as noted in the discussion of changes in investment income and fiscal charges for the governmental activities.

Major Enterprise Funds. The **Water Fund** has total net assets of \$99,153,301 at the end of the fiscal year; \$22,996,729 is unrestricted. The **Disposal Fund** has total net assets of \$20,126,901 at the end of the fiscal year; \$12,521,479 is unrestricted. The **Sewer Fund** has total net assets of \$41,816,147 at the end of the fiscal year; \$10,185,097 is 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 2009-2010 budget and the final amended 2009-2010 budget of the General Fund can be briefly summarized as follows:

- Total Revenues - \$4,083,899 decrease in the budget.
- General Government - \$48,555 decrease in the budget
- Public Safety - \$710,434 decrease in the budget.
- Highways and Streets - \$171,155 decrease in the budget.
- Culture and Recreation - \$308,164 decrease in the budget.

- Library – \$25,864 decrease in the budget.
- Capital Outlay - \$132,283 increase in the budget.
- Debt Service –\$3,052 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	\$ 47,891,877	\$ 49,128,921	\$ 1,237,044
General Government	8,816,939	8,417,832	399,107
Public Safety	30,930,319	30,768,086	162,233
Highways and Streets	3,854,089	3,726,191	127,898
Culture and Recreation	2,961,216	2,887,735	73,481
Library	1,900,926	1,986,391	(85,465)
Capital Outlay	421,441	308,379	113,062
Debt Service	457,886	501,693	(43,807)
Total Expenditures	\$ 49,342,816	\$ 48,596,307	\$ 746,509

Actual revenues were over the amended budget estimates due to greater than expected receipts in all categories except Charges for Service and Investment Income. The largest increases were in property and sales tax categories totaling \$739,649 and in licenses, permits and fines totaling \$867,122.

General Government expenditures ended the year under budget by 4.5%. The greatest decrease was \$309,576 in Human Resources, primarily in Retiree Health Insurance. Additional savings were achieved in the Council, \$40,309, City Manager, \$937, Clerk, \$46,142, Treasurer, \$13,724, and Finance, \$54,365. These were offset by overages in City Attorney, \$32,151, Community Development, \$30,872, and Building Maintenance, \$2,923.

As a whole, Public Safety expenditures were under budget in all categories. This includes savings in salaries and benefits, services, and supplies, in both the Fire Department and the Police Department. Savings in these departments, combined with deferral of expenditures into the next fiscal year through encumbrances and carryovers, have allowed a .5% reduction in this function.

Highways and Streets were under budget primarily due overall savings in all categories in the Streets and Engineering Divisions. Expenditures in salaries and benefits and supplies were generally maintained resulting in a reduction of 3.3%.

Culture and Recreation was under budget as a result of savings in all categories in the Community Services Divisions. Together with Parks, Recreation and Senior Services came in under budget with a net reduction at the end of the year of 2.5%.

Library expenditures were over budget by 4.5% at year-end. The overage was largely due to unexpected leave payoffs in the salary and benefit categories.

Actual capital expenditures were under budget by 26.8% at year-end. This is due to the Street Construction budget not being spent. There were also vehicle and equipment budgeted but not purchased in the Police department.

Debt Service expenditures were over budget by 9.6%. This was due to an understated principal payment for Police vehicles.

The overall favorable variance of \$746,509, or 1.5%, was achieved with the careful review of expenditures in all categories, in all departments. In addition, the City implemented a furlough program for all employees, offered early retirement incentives in 2008-2009 and layoffs in 2009-2010. With the budget reviews beginning in the fall of 2009 and the cooperative effort of management and staff, overall expenditure reductions were achieved. The unreserved fund balance was not only maintained, but was actually enhanced.

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, 2010, amounted to \$749,714,077 (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 recognized \$858,534 in building and improvement expenditures on various projects throughout the City. The largest of these expenditures was for the work on Safety Hall and the Dispatch Center totaling \$846,722. In addition, there were also completed street improvement projects recognized totaling \$1,367,474. This included \$555,136 in pavement, \$145,788 in curbs and gutters, \$592,900 in sidewalks and \$73,650 in street lights. There was \$1,697,446 in storm drain improvements this year, the largest of which was the completion of the Stuart Avenue and Texas Street improvements downtown valued at \$1,524,437. The Water and Sewer Utilities recognized \$767,742 in completed infrastructure improvements. However, construction in progress in water totaled \$4,588,799 for well and reservoir rehabilitation and pipeline replacement projects. Construction in progress for Sewer was \$2,052,466 for pipeline replacement and facility and equipment upgrades. Other expenditures included vehicle and equipment replacement purchases totaling \$581,479 and \$778,112 for video surveillance equipment installed in areas throughout the City.

Overall, the City's net capital assets increased by \$10,192,929 for the fiscal year ended June 30, 2010, or 1.4% over prior year. The Rights of Way category increased by a net of \$9,311,461, representing 91.4% 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
	2010	2009	2010	2009	2010	2009	
Land	\$ 29,729,444	\$ 29,729,444	\$ 30,724,347	\$ 30,724,728	\$ 60,453,791	\$ 60,454,172	0.00%
Buildings & Improvements	19,726,419	18,879,697	80,525,475	80,513,663	100,251,894	99,393,360	0.86%
Machinery/Equip./Vehicles	19,690,981	19,423,512	14,430,249	14,171,793	34,121,230	33,595,305	1.57%
Infrastructure	180,636,365	177,657,189	126,551,709	125,783,987	307,188,074	303,441,156	1.23%
Water Stock	408,125	408,125	8,871,459	8,888,709	9,279,584	9,276,834	0.03%
Rights of Way	424,838,948	415,527,487	-	-	424,838,948	415,527,487	2.24%
Construction in Progress	10,544,429	10,749,028	19,698,248	13,348,361	30,242,677	24,097,368	25.50%
Accum. Depreciation	(82,236,489)	(87,029,892)	(124,425,832)	(119,234,563)	(216,662,121)	(206,264,555)	5.04%
Total	\$ 593,338,222	\$ 585,344,490	\$ 158,375,855	\$ 154,176,658	\$ 749,714,077	\$ 739,521,148	1.38%

Internal Service Fund capital assets, in the net amount of \$151,195 are included in Governmental Activities.

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

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

LONG-TERM DEBT

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

- The City entered into a lease for a five new police vehicles valued at \$114,998, replacing an older models used as patrol vehicles by the department.
- The current year net OPEB obligation reported as required by GASB 45 totals \$3,272,628.
- The City experienced an increase of \$678,047 in compensated absences.
- There was an increase to the landfill closure liability in the amount of \$295,812.
- Amortized bond issue costs totaling \$48,004.
- Paid \$8,345,650 scheduled principal and \$5,066,749 interest on existing debt.

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

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease) Percent of Change
	2010	2009	2010	2009	2010	2009	
Capital Lease Obligations	\$ 1,236,237	\$ 1,555,810	\$ 292,686	\$ 347,240	\$ 1,528,923	\$ 1,903,050	-19.66%
General Obligation Bonds	2,195,000	2,695,000	-	-	2,195,000	2,695,000	-18.55%
Taxable Pension Bonds	24,773,830	25,626,705	-	-	24,773,830	25,626,705	-3.33%
Tax Allocation Bonds	34,185,000	36,080,000	-	-	34,185,000	36,080,000	-5.25%
Certificates of Participation	11,160,000	12,575,000	-	-	11,160,000	12,575,000	-11.25%
Add: Issuance Premium	384,034	432,038	-	-	384,034	432,038	-11.11%
Revenue Bonds	-	-	20,390,000	22,885,000	20,390,000	22,885,000	-10.90%
Notes Payable	-	-	10,305,982	10,909,182	10,305,982	10,909,182	-5.53%
Lease Payable	1,858,954	1,902,279	-	-	1,858,954	1,902,279	-2.28%
Claims Payable	2,881,000	2,717,000	-	-	2,881,000	2,717,000	6.04%
Compensated Absences	6,943,476	6,481,584	921,581	705,428	7,865,057	7,187,010	9.43%
Net OPEB Obligation	5,022,453	2,717,992	1,868,968	900,801	6,891,421	3,618,793	90.43%
Landfill Closure Liability	-	-	5,881,963	5,588,151	5,881,963	5,588,151	5.30%
Total	\$ 90,639,984	\$ 92,783,408	\$ 39,661,180	\$ 41,333,800	\$ 130,301,164	\$ 134,117,208	-2.85%

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

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BASIC FINANCIAL STATEMENTS

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CITY OF REDLANDS
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments (note 2)	\$ 47,240,022	55,503,913	102,743,935
Cash and investments with fiscal agent (note 2)	5,131,184	6,361,219	11,492,403
Receivables:			
Accounts	1,379,098	5,628,306	7,007,404
Taxes	2,545,495	-	2,545,495
Interest	116,279	2,437	118,716
Note (note 3)	40,000	-	40,000
Due from other governments	2,011,060	16,037	2,027,097
Deferred charges	620,771	-	620,771
Internal balances	(2,209,927)	2,209,927	-
Inventory	399,715	-	399,715
Prepaid pension contributions	23,547,902	-	23,547,902
Unamortized bond issuance costs	-	526,610	526,610
Capital assets, not depreciated (note 5)	465,520,946	59,294,054	524,815,000
Capital assets, net of accumulated depreciation (note 5)	127,817,276	97,081,801	224,899,077
	<u>674,159,821</u>	<u>226,624,304</u>	<u>900,784,125</u>
Total assets			
Liabilities:			
Accounts payable	1,330,905	3,163,983	4,494,888
Accrued payroll	2,162,306	471,916	2,634,222
Interest payable	1,800,635	432,986	2,233,621
Deposits	179,832	1,132,869	1,312,701
Unearned revenue	-	73,178	73,178
Long-term liabilities (note 6, 7, 8, 11 and 15):			
Due within one year	11,653,948	4,036,081	15,690,029
Due in more than one year	78,986,036	35,625,099	114,611,135
	<u>96,113,662</u>	<u>44,936,112</u>	<u>141,049,774</u>
Total liabilities			
Net assets:			
Invested in capital assets, net of related debt	552,406,654	131,748,406	684,155,060
Restricted for:			
Endowment - nonexpendable	1,773,438	-	1,773,438
Low and moderate income housing	478,052	-	478,052
Public safety	450,667	-	450,667
Highways and streets	13,951,598	-	13,951,598
Debt service	6,705,725	4,166,635	10,872,360
Culture and recreation	4,944,610	-	4,944,610
Unrestricted	(2,664,585)	45,773,151	43,108,566
	<u>\$ 578,046,159</u>	<u>181,688,192</u>	<u>759,734,351</u>
Total net assets			

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Statement of Activities
Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 15,277,666	5,112,805	3,383,431
Public safety	40,002,463	1,330,555	2,437,831
Highway and streets	8,391,171	1,159,894	3,813,528
Culture and recreation	3,610,031	222,454	387,908
Library	2,167,109	44,333	26,236
Interest and fiscal charges	6,957,598	-	-
Total governmental activities	<u>76,406,038</u>	<u>7,870,041</u>	<u>10,048,934</u>
Business-type activities:			
Water	15,813,173	17,918,992	31,877
Disposal	9,344,247	8,893,718	37,975
Sewer	7,888,041	7,650,779	-
Aviation	250,732	292,300	-
Cemetery	494,949	419,284	94,289
Groves	717,394	551,266	22,858
Non-potable Water	411,980	529,891	-
Total business-type activities	<u>34,920,516</u>	<u>36,256,230</u>	<u>186,999</u>
Total primary government	<u>\$ 111,326,554</u>	<u>44,126,271</u>	<u>10,235,933</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	
-	(6,781,430)	(6,781,430)	-	(6,781,430)
-	(36,234,077)	(36,234,077)	-	(36,234,077)
11,513,845	8,096,096	8,096,096	-	8,096,096
-	(2,999,669)	(2,999,669)	-	(2,999,669)
-	(2,096,540)	(2,096,540)	-	(2,096,540)
-	(6,957,598)	(6,957,598)	-	(6,957,598)
<u>11,513,845</u>	<u>(46,973,218)</u>	<u>(46,973,218)</u>	<u>-</u>	<u>(46,973,218)</u>
511,555	2,649,251	-	2,649,251	2,649,251
27,800	(384,754)	-	(384,754)	(384,754)
357,147	119,885	-	119,885	119,885
64,103	105,671	-	105,671	105,671
-	18,624	-	18,624	18,624
-	(143,270)	-	(143,270)	(143,270)
-	117,911	-	117,911	117,911
<u>960,605</u>	<u>2,483,318</u>	<u>-</u>	<u>2,483,318</u>	<u>2,483,318</u>
<u>12,474,450</u>	<u>(44,489,900)</u>	<u>(46,973,218)</u>	<u>2,483,318</u>	<u>(44,489,900)</u>
General revenues:				
Taxes:				
Property taxes, net		29,907,393	38,082	29,945,475
Sales taxes		11,669,250	-	11,669,250
Franchise taxes		2,886,836	-	2,886,836
Other taxes		1,167,543	-	1,167,543
Investment income		746,194	1,488,031	2,234,225
Intergovernmental (unrestricted)		370,373	-	370,373
Transfers		(54,449)	54,449	-
Total general revenues		<u>46,693,140</u>	<u>1,580,562</u>	<u>48,273,702</u>
Change in net assets		(280,078)	4,063,880	3,783,802
Net assets at beginning of year		<u>578,326,237</u>	<u>177,624,312</u>	<u>755,950,549</u>
Net assets at end of year		<u>\$ 578,046,159</u>	<u>181,688,192</u>	<u>759,734,351</u>

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GENERAL FUND

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

SPECIAL REVENUE FUND

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

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

DEBT SERVICE FUNDS

General Debt Service – To account for the receipt of property taxes to be used for the retirement of the 1988 General Obligation Measure “O” Open Space Bonds, the 1994 Refunding General Obligation Bonds, and the 2003 General Obligation Refunding Bonds, as well as to account for activity relating to the 2007 Taxable Pension Funding Bonds.

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
Governmental Funds
Balance Sheet
June 30, 2010

	Special Revenue Fund		Debt Service Fund		Nonmajor Governmental Funds	Totals
	General Fund	Public Facilities Development	City of Redlands	Redevelopment Agency		
Assets:						
Cash and investments	\$ 10,266,661	-	1,557,536	650,223	27,757,311	40,231,731
Cash and investments with fiscal agent	-	-	1,529,587	3,601,597	-	5,131,184
Receivables:						
Accounts	843,308	-	-	-	472,052	1,315,360
Taxes	2,242,395	-	16,769	211,597	74,734	2,545,495
Interest	-	-	236	116,043	-	116,279
Note	-	-	-	-	40,000	40,000
Inventory	223,221	-	-	-	-	223,221
Due from other funds (note 4)	1,139,667	-	-	-	-	1,139,667
Due from other governments	109,169	-	-	-	1,901,891	2,011,060
Advances receivable from other funds (note 4)	5,100,669	-	-	-	-	5,100,669
Total assets	\$ 19,925,090	-	3,104,128	4,579,460	30,245,988	57,854,666
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 378,991	22,700	-	-	249,721	651,412
Accrued payroll	1,769,416	-	-	-	222,630	1,992,046
Advances payable to other funds (note 4)	-	5,100,669	-	-	-	5,100,669
Deferred revenue	16,657	-	-	-	1,345,922	1,362,579
Due to other funds (note 4)	-	-	-	-	1,139,667	1,139,667
Deposits	9,586	-	-	-	170,246	179,832
Total liabilities	2,174,650	5,123,369	-	-	3,128,186	10,426,205
Fund balances (deficit):						
Reserved for:						
Encumbrances	418,424	5,587	-	-	2,254,563	2,678,574
Inventory	223,221	-	-	-	-	223,221
Advances receivable	5,100,669	-	-	-	-	5,100,669
Contingencies	6,205,311	-	-	-	-	6,205,311
Endowment	-	-	-	-	1,773,438	1,773,438
Debt service	-	-	3,104,128	3,601,597	-	6,705,725
Note receivable	-	-	-	-	40,000	40,000
Unreserved:						
Reported in:						
General fund	5,802,815	-	-	-	-	5,802,815
Special revenue fund	-	(5,128,956)	-	-	20,777,549	15,648,593
Debt service fund	-	-	-	977,863	-	977,863
Capital projects fund	-	-	-	-	2,272,252	2,272,252
Total fund balances (deficit)	17,750,440	(5,123,369)	3,104,128	4,579,460	27,117,802	47,428,461
Total liabilities and fund balances	\$ 19,925,090	-	3,104,128	4,579,460	30,245,988	57,854,666

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, 2010

Fund balances of governmental funds	\$ 47,428,461
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation of \$92,129,690 have not been included as financial resources in governmental fund activity. Amount excludes capital assets from internal service funds which are added below.	593,187,027
Pension benefit contributions funded by the 2007 Taxable Pension Funding Bonds recorded as expenditures in governmental funds are reported on the statement of net assets as prepaid assets.	23,547,902
Long-term liabilities and compensated absences have not been included in the governmental fund activity:	
Capital lease obligation	(1,236,237)
Taxable pension funding bonds	(24,773,830)
General obligation bonds	(2,195,000)
Tax allocation bonds	(34,185,000)
Certificates of participation payable	(11,544,034)
Notes payable	(1,858,954)
Net OBEB obligation	(4,267,273)
Compensated absences	(6,504,161)
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.	620,771
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(1,800,635)
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.	1,362,579
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, workers' compensation, compensated absences, retiree insurance and fleet management, to individual funds. The assets (including capital assets) and liabilities of the internal service funds must be added to the statement of net assets.	2,474,470
Internal balances created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.	<u>(2,209,927)</u>
Net assets of governmental activities.	<u>\$ 578,046,159</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, 2010

	Special Revenue		Debt Service		Nonmajor Governmental Funds	Totals
	Fund		Fund			
	General Fund	Public Facilities Development	City of Redlands	Redevelopment Agency		
Revenues:						
Taxes	\$ 37,289,449	-	708,542	6,546,102	1,271,957	45,816,050
Licenses, permits and fines	4,617,678	9,216	-	-	589,657	5,216,551
Intergovernmental	332,984	-	-	-	4,886,618	5,219,602
Charges for services	6,129,825	-	-	-	303,373	6,433,198
Investment income	632,100	-	41,008	163,211	661,611	1,497,930
Other	126,885	-	-	-	1,005,735	1,132,620
Total revenues	<u>49,128,921</u>	<u>9,216</u>	<u>749,550</u>	<u>6,709,313</u>	<u>8,718,951</u>	<u>65,315,951</u>
Expenditures:						
Current:						
General government	8,417,832	-	-	-	6,115,867	14,533,699
Public safety	30,768,086	74,975	-	-	4,733,770	35,576,831
Highway and streets	3,726,191	-	-	-	405,045	4,131,236
Culture and recreation	2,887,735	-	-	-	52,744	2,940,479
Library	1,986,391	-	-	-	-	1,986,391
SERAF obligation	-	-	-	2,389,188	-	2,389,188
Other pass-through payments	-	-	-	424,628	-	424,628
Capital outlay	308,379	871,039	-	-	2,470,849	3,650,267
Debt service:						
Principal	434,571	-	1,405,000	1,895,000	1,458,325	5,192,896
Interest	67,122	-	1,512,193	1,658,316	558,045	3,795,676
Fiscal charges	-	-	6,531	28,939	3,450	38,920
Total expenditures	<u>48,596,307</u>	<u>946,014</u>	<u>2,923,724</u>	<u>6,396,071</u>	<u>15,798,095</u>	<u>74,660,211</u>
Excess (deficiency) of revenues over (under) expenditures	<u>532,614</u>	<u>(936,798)</u>	<u>(2,174,174)</u>	<u>313,242</u>	<u>(7,079,144)</u>	<u>(9,344,260)</u>
Other financing sources (uses):						
Issuance of debt	114,998	-	-	-	-	114,998
Transfers in (note 4)	2,518,380	-	2,413,240	735,510	8,558,067	14,225,197
Transfers out (note 4)	(4,277,692)	(1,133,725)	-	(3,590,471)	(3,512,871)	(12,514,759)
Total other financing sources (uses)	<u>(1,644,314)</u>	<u>(1,133,725)</u>	<u>2,413,240</u>	<u>(2,854,961)</u>	<u>5,045,196</u>	<u>1,825,436</u>
Net change in fund balances	<u>(1,111,700)</u>	<u>(2,070,523)</u>	<u>239,066</u>	<u>(2,541,719)</u>	<u>(2,033,948)</u>	<u>(7,518,824)</u>
Fund balances (deficit) at beginning of year	<u>18,862,140</u>	<u>(3,052,846)</u>	<u>2,865,062</u>	<u>7,121,179</u>	<u>29,151,750</u>	<u>54,947,285</u>
Fund balances (deficit) at end of year	<u>\$ 17,750,440</u>	<u>(5,123,369)</u>	<u>3,104,128</u>	<u>4,579,460</u>	<u>27,117,802</u>	<u>47,428,461</u>

See accompanying notes to the basic financial statements.

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

Year ended June 30, 2010

Net change in fund balances - total governmental funds \$ (7,518,824)

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.

Acquisition of capital assets	3,650,267
Contributed capital - rights of way	10,550,985
Depreciation expense	(6,162,702)
Deletion of capital assets	(25,052)

The amortization of the prepaid pension obligation reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (872,144)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets, New debt issued is a revenue, the associated interest and cost of issuance are recorded as expenditures in the governmental funds; whereas these amounts are deferred and amortized in the Statement of net assets.

Principal - capital leases	477,896
Principal - general obligation bonds	500,000
Principal - taxable pension funding bonds, net accretion	852,875
Principal - tax allocation bonds	1,895,000
Principal - COP plus issuance premium charge	1,463,004
Net OPEB liability recognized (portion related to governmental funds)	(1,967,524)
Amortization of deferred charge	(53,338)

To record as an expense the net change in compensated absences in the statement of activities. (464,440)

Accrued interest for debt service. This is the net change in accrued interest for the current period. (251,727)

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. 1,362,579

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. (2,475,936)

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. (1,240,997)

Change in net assets of governmental activities \$ (280,078)

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Proprietary Funds

Statement of Net Assets

June 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Totals</u>	<u>Governmental</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor</u>		<u>Activities -</u>
				<u>Funds</u>		<u>Internal</u>
						<u>Service</u>
						<u>Funds</u>
Assets:						
Current assets:						
Cash and investments	\$ 24,752,548	16,934,873	12,410,109	1,406,383	55,503,913	7,008,291
Accounts receivable	3,181,979	1,198,078	1,174,048	74,201	5,628,306	63,738
Due from other governments	-	8,912	-	7,125	16,037	-
Advances receivable from other funds (note 4)	1,269,804	1,503,736	-	-	2,773,540	-
Inventory	-	-	-	-	-	176,494
Total current assets	<u>29,204,331</u>	<u>19,645,599</u>	<u>13,584,157</u>	<u>1,487,709</u>	<u>63,921,796</u>	<u>7,248,523</u>
Noncurrent assets:						
Restricted assets:						
Cash and investments with fiscal agent	3,770,396	-	2,590,823	-	6,361,219	-
Interest receivable	2,270	-	167	-	2,437	-
Total restricted assets	<u>3,772,666</u>	<u>-</u>	<u>2,590,990</u>	<u>-</u>	<u>6,363,656</u>	<u>-</u>
Capital assets (note 5):						
Land and water rights	15,911,005	1,285,410	4,227,522	18,171,869	39,595,806	-
Buildings and improvements	27,744,263	5,798,416	44,173,682	2,809,114	80,525,475	9,768
Machinery and equipment	3,474,206	8,130,364	2,314,659	511,020	14,430,249	248,226
Infrastructure	101,434,777	-	25,116,932	-	126,551,709	-
Construction in progress	15,920,054	-	3,778,194	-	19,698,248	-
Less accumulated depreciation	<u>(78,104,957)</u>	<u>(7,316,082)</u>	<u>(38,034,587)</u>	<u>(970,006)</u>	<u>(124,425,632)</u>	<u>(106,799)</u>
Total capital assets	<u>86,379,348</u>	<u>7,898,108</u>	<u>41,576,402</u>	<u>20,521,997</u>	<u>156,375,855</u>	<u>151,195</u>
Unamortized bond issuance costs	<u>265,123</u>	<u>-</u>	<u>261,487</u>	<u>-</u>	<u>526,610</u>	<u>-</u>
Total noncurrent assets	<u>90,417,137</u>	<u>7,898,108</u>	<u>44,428,879</u>	<u>20,521,997</u>	<u>163,266,121</u>	<u>151,195</u>
Total assets	<u>119,621,468</u>	<u>27,543,707</u>	<u>58,013,036</u>	<u>22,009,706</u>	<u>227,187,917</u>	<u>7,399,718</u>

(Continued)

See accompanying notes to the basic financial statements.

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

	Business-Type Activities - Enterprise Funds				Totals	Governmental
	Water	Disposal	Sewer	Nonmajor Funds		Internal Service Funds
Liabilities:						
Current liabilities:						
Accounts payable	1,881,833	178,972	1,051,556	51,622	3,163,983	679,493
Accrued payroll	202,345	131,729	125,740	12,102	471,916	170,260
Deferred revenue	-	-	-	73,178	73,178	-
Compensated absences - current (note 7)	174,425	191,950	89,302	5,114	460,791	219,658
Deposits	451,018	-	-	681,851	1,132,869	-
Notes payable (note 7)	366,963	-	252,047	-	619,010	-
Capital lease (note 7)	-	56,918	-	-	56,918	-
Claims payable (note 8)	-	-	-	-	-	2,881,000
Landfill closure liability - current (note 7 and 15)	-	299,362	-	-	299,362	-
Revenue bonds - current (note 7)	1,585,000	-	1,015,000	-	2,600,000	-
Interest payable	197,881	-	235,105	-	432,986	-
	4,859,465	858,931	2,768,750	823,867	9,311,013	3,950,411
Total current liabilities						
Noncurrent liabilities:						
Notes payable (note 7)	5,419,334	-	4,267,638	-	9,686,972	-
Capital lease (note 7)	-	235,768	-	-	235,768	-
Compensated absences (note 7)	174,425	191,950	89,302	5,113	460,790	219,657
Net OPEB obligation (note 7 and 11)	869,943	547,556	426,199	25,270	1,868,968	755,180
Advances payable to other funds (note 4)	-	-	-	2,773,540	2,773,540	-
Landfill closure liability (note 7 and 15)	-	5,582,601	-	-	5,582,601	-
Revenue bonds (note 7)	9,145,000	-	8,645,000	-	17,790,000	-
	15,608,702	6,557,875	13,428,139	2,803,923	38,398,639	974,837
Total long-term liabilities						
Total liabilities	20,468,167	7,416,806	16,196,889	3,627,790	47,709,652	4,925,248
Net assets:						
Invested in capital assets, net of related debt	73,633,447	7,605,422	29,987,540	20,521,997	131,748,406	151,195
Restricted for:						
Debt service	2,523,125	-	1,643,510	-	4,166,635	-
Unrestricted	22,996,729	12,521,479	10,185,097	(2,140,081)	43,563,224	2,323,275
	\$ 99,153,301	20,126,901	41,816,147	18,381,916	179,478,265	2,474,470
Total net assets						
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					2,209,927	
					\$ 181,688,192	

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, 2010

	<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>		
Operating revenues:						
Charges for services	\$ 17,713,298	8,885,176	7,642,790	1,423,570	35,664,834	9,509,650
Impact fees	285,680	27,800	106,660	-	420,140	-
Other	205,694	8,542	7,989	392,029	614,254	457,751
Total operating revenues	<u>18,204,672</u>	<u>8,921,518</u>	<u>7,757,439</u>	<u>1,815,599</u>	<u>36,699,228</u>	<u>9,967,401</u>
Operating expenses:						
Utility plant operations	3,960,673	-	2,011,947	176,352	6,148,972	-
Transmission, distribution and treatment	2,081,228	-	-	5,829	2,087,057	-
Personnel services	3,486,604	3,183,881	1,724,344	542,096	8,936,925	3,640,069
Repairs and maintenance	212,643	2,858,726	883,097	43,942	3,998,408	2,165,435
Administrative and general	2,819,847	1,936,068	1,098,942	988,777	6,843,634	4,826,805
Depreciation	2,395,405	1,283,922	1,413,114	98,628	5,191,069	19,766
Premiums paid out	-	-	-	-	-	322,682
Total operating expenses	<u>14,956,400</u>	<u>9,262,597</u>	<u>7,131,444</u>	<u>1,855,624</u>	<u>33,206,065</u>	<u>10,974,757</u>
Operating income (loss)	<u>3,248,272</u>	<u>(341,079)</u>	<u>625,995</u>	<u>(40,025)</u>	<u>3,493,163</u>	<u>(1,007,356)</u>
Non-operating revenues (expenses):						
Property taxes	-	-	-	38,082	38,082	-
Investment income	689,224	428,606	322,359	47,842	1,488,031	187,409
Amortization of bond issuance costs	(62,382)	-	(61,526)	-	(123,908)	-
Interest expense	(697,210)	(13,623)	(608,649)	(19,431)	(1,338,913)	-
Miscellaneous income (expense)	31,877	14,400	(57,268)	94,359	83,368	-
Total non-operating revenues (expenses)	<u>(38,491)</u>	<u>429,383</u>	<u>(405,084)</u>	<u>160,852</u>	<u>146,660</u>	<u>187,409</u>
Income (loss) before grants and transfers	3,209,781	88,304	220,911	120,827	3,639,823	(819,947)
Grants	-	23,575	-	64,033	87,608	-
Transfers in (note 4)	-	-	-	10,280	10,280	757,251
Transfers out (note 4)	(27,675)	(18,679)	(8,095)	(10,280)	(64,729)	(2,413,240)
Capital contributions	225,875	-	250,487	-	476,362	-
Change in net assets	3,407,981	93,200	463,303	184,860	4,149,344	(2,475,936)
Net assets at beginning of year	<u>95,745,320</u>	<u>20,033,701</u>	<u>41,352,844</u>	<u>18,197,056</u>		<u>4,950,406</u>
Net assets at end of year	<u>\$ 99,153,301</u>	<u>20,126,901</u>	<u>41,816,147</u>	<u>18,381,916</u>		<u>2,474,470</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds - change in net assets of business-type activities					<u>(85,464)</u>	
					<u>\$ 4,063,880</u>	

See accompanying notes to the basic financial statements

CITY OF REDLANDS
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Totals</u>	<u>Governmental</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor Funds</u>		<u>Activities - Internal Service Funds</u>
Cash flows from operating activities:						
Cash received from customers/user departments	\$ 17,990,050	9,124,718	7,634,470	1,888,483	36,637,721	9,930,629
Cash payments to suppliers for goods and services	(7,947,554)	(5,093,447)	(3,185,895)	(1,193,279)	(17,420,175)	(6,605,380)
Cash payments for claims	-	-	-	-	-	(158,682)
Cash payments for employees for services	(3,379,633)	(3,034,507)	(1,674,610)	(544,268)	(8,633,018)	(3,597,080)
Net cash provided by (used for) operating activities	<u>6,662,863</u>	<u>996,764</u>	<u>2,773,965</u>	<u>150,936</u>	<u>10,584,528</u>	<u>(430,513)</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	-	-	-	10,280	10,280	757,251
Cash paid to other funds	(27,675)	(18,679)	(8,095)	(10,280)	(64,729)	(2,413,240)
Cash received for other activities	<u>31,877</u>	<u>14,400</u>	<u>19,033</u>	<u>132,441</u>	<u>197,751</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>4,202</u>	<u>(4,279)</u>	<u>10,938</u>	<u>132,441</u>	<u>143,302</u>	<u>(1,655,989)</u>
Cash flows from capital and related financing activities:						
Cash paid for acquisition of capital assets	(4,842,332)	131,347	(2,144,521)	-	(6,855,506)	-
Interest paid on long-term debt	(697,210)	(13,623)	(608,649)	(19,431)	(1,338,913)	-
Principal payments on long-term debt	(1,877,301)	(54,554)	(1,220,899)	(170,569)	(3,323,323)	-
Grants received	-	23,575	-	6,261	29,836	-
Cash received from sale of land	<u>35,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,870</u>	<u>-</u>
Net cash provided by (used for) capital and related financing activities	<u>(7,380,973)</u>	<u>86,745</u>	<u>(3,974,069)</u>	<u>(183,739)</u>	<u>(11,452,036)</u>	<u>-</u>
Cash flows from investing activities:						
Interest received	<u>689,224</u>	<u>428,606</u>	<u>322,359</u>	<u>47,842</u>	<u>1,488,031</u>	<u>187,409</u>
Net cash provided by investing activities	<u>689,224</u>	<u>428,606</u>	<u>322,359</u>	<u>47,842</u>	<u>1,488,031</u>	<u>187,409</u>
Net increase (decrease) in cash and cash equivalents	(24,684)	1,507,836	(866,807)	147,480	763,825	(1,899,093)
Cash and cash equivalents at beginning of year	<u>28,547,628</u>	<u>15,427,037</u>	<u>15,867,739</u>	<u>1,258,903</u>	<u>61,101,307</u>	<u>8,907,384</u>
Cash and cash equivalents at end of year	<u>\$ 28,522,944</u>	<u>16,934,873</u>	<u>15,000,932</u>	<u>1,406,383</u>	<u>61,865,132</u>	<u>7,008,291</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental</u>	
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor Funds</u>	<u>Activities - Internal Service Funds</u>	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	<u>\$ 3,248,272</u>	<u>(341,079)</u>	<u>625,995</u>	<u>(40,025)</u>	<u>3,493,163</u>	<u>(1,007,356)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	2,395,405	1,283,922	1,413,114	98,628	5,191,069	19,766
(Increase) decrease in accounts receivable	(192,464)	(83,700)	(123,832)	1,716	(398,280)	(36,772)
(Increase) decrease in inventory	-	-	-	-	-	4,995
(Increase) decrease due from other governments	-	(8,912)	-	50,647	41,735	-
(Increase) decrease in taxes receivable	-	-	-	-	-	-
(Increase) decrease in interest receivable	(652)	-	863	6,148	6,359	-
(Increase) decrease in other assets	-	-	-	-	-	-
Increase (decrease) in accounts payable	678,170	(569,289)	590,673	8,888	708,442	44,928
Increase (decrease) in accrued payroll	43,170	14,900	32,868	(3,186)	87,752	45,537
Increase (decrease) in claims payable	-	-	-	-	-	164,000
Increase (decrease) in deposits	(21,506)	-	-	14,373	(7,133)	-
Increase (decrease) in compensated absences	63,801	134,474	16,866	1,014	216,155	(2,548)
Increase (decrease) in net OPEB obligation	460,067	270,636	224,731	12,733	968,167	336,937
Increase (decrease) in interest payable	(11,400)	-	(7,313)	-	(18,713)	-
Increase (decrease) in landfill closure liability	-	295,812	-	-	295,812	-
Total adjustments	<u>3,414,591</u>	<u>1,337,843</u>	<u>2,147,970</u>	<u>190,961</u>	<u>7,091,365</u>	<u>576,843</u>
Net cash provided by (used for) operating activities	<u>\$ 6,662,863</u>	<u>996,764</u>	<u>2,773,965</u>	<u>150,936</u>	<u>10,584,528</u>	<u>(430,513)</u>

Noncash investing, capital and financing activities:

During the year ended June 30, 2010, there were \$476,362 of developer contributed infrastructure.

See accompanying notes to the basic financial statements.

CITY OF REDLANDS
Agency Funds

Statement of Fiduciary Assets and Liabilities

June 30, 2010

Assets:	
Cash and investments (note 2)	\$ 3,663,781
Cash and investments with fiscal agent (note 2)	2,621,173
Interest receivable	<u>455,405</u>
Total assets	<u>\$ 6,740,359</u>
Liabilities:	
Accounts payable	\$ 14,479
Deposits	<u>6,725,880</u>
Total liabilities	<u>\$ 6,740,359</u>

See accompanying notes to the basic financial statements.

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CITY OF REDLANDS
Notes to the Basic Financial Statements
Year ended June 30, 2010

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The City of Redlands ("City") 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 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. Each blended component unit has a June 30 year-end.

Blended Component Units. The Redevelopment Agency of the City of Redlands ("Agency") 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 Agency 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 has no discretely presented component units. Eliminations have been made in the Statement of 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 Debt Service

The General Debt Service fund is used 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, as well as to account for activity relating to the 2007 Taxable Pension Funding Bonds.

Redevelopment Agency Debt Service

The Redevelopment Agency Debt Service fund is used 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.

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, the cost of maintaining and replacing the City's rolling stock fleet, and information technology services. City departments are the primary users of these services and are charged a fee on a cost reimbursement basis.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

(c) Fund Classifications, (Continued)

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 \$11,459 for the year ended June 30, 2010 to the cemetery enterprise fund for maintaining the cemetery's operations. No expenditures are incurred until the cemetery is closed.

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

(d) Investments

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

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)

(l) 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 January 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)

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

(m) Prepaid Pension Contribution

California Public Employees' Retirement System (CALPERS) Valuation Report dated June 30, 2003 established a side fund to account for the differences between the funded status of the pool and funded status of the City's plan. The side fund will be credited with the actuarial investment return assumption of 7.75% and subject to amortization on an annual basis. To reduce retirement costs and benefit from lower interest rates, on August 1, 2007, the City issued \$25,862,392 of 2007 Taxable Pension Funding Bonds to fund the City's unfunded accrued actuarial liability ("UAAL") for retirement benefits to its employees. The proceeds from the bond issue were remitted directly into the pension trust fund. The City will amortize the \$25,292,190 net pension asset over the plan's amortization period of twenty-nine years, resulting in a reduction of the pension asset in each succeeding fiscal year. The prepaid pension contribution for fiscal year ending June 30, 2010 is \$23,547,902.

(n) Use of Estimates

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

(2) Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$102,743,935
Cash and investments held by fiscal agent	11,492,403
Fiduciary funds:	
Cash and investments	3,663,781
Cash and investments held by fiscal agent	<u>2,621,173</u>
Total cash and investments	<u>\$120,521,292</u>

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

(2) Cash and Investments, (Continued)

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$ 5,000
Deposits with financial institutions	634,545
Investments	<u>119,881,747</u>
Total cash and investments	<u>\$120,521,292</u>

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 <u>Policy</u>	*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	\$ 52,757,712	1,997,969	-	50,759,743	-
Corporate bonds	15,217,020	2,009,880	13,207,140	-	-
Mutual funds	814,056	814,056	-	-	-
LAIF	37,121,974	37,121,974	-	-	-
Held by fiscal agent:					
U.S. treasury notes	258,937	258,937	-	-	-
Federal agency securities	5,322,702	5,322,702	-	-	-
Money market funds	6,199,825	6,199,825	-	-	-
Investment contracts	<u>2,189,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,189,521</u>
Total	<u>\$119,881,747</u>	<u>53,725,343</u>	<u>13,207,140</u>	<u>50,759,743</u>	<u>2,189,521</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 \$58,080,414.

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	\$ 52,757,712	N/A	-	52,757,712	-
Corporate bonds	15,217,020	A	-	15,217,020	-
Mutual funds	814,056	A	-	814,056	-
LAIF	37,121,974	N/A	-	-	37,121,974
Held by bond trustee:					
U.S. treasury notes	258,937	N/A	258,937	-	-
Federal agency securities	5,322,702	N/A	-	5,322,702	-
Money market funds	6,199,825	A	-	6,199,825	-
Investment contracts	<u>2,189,521</u>	N/A	-	-	<u>2,189,521</u>
Total	<u>\$119,881,747</u>		<u>258,937</u>	<u>80,311,315</u>	<u>39,311,495</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	\$14,433,167
Federal Home Loan Bank	Federal agency securities	16,972,417
Fannie Mae	Federal agency securities	10,608,594
Freddie Mac	Federal agency securities	14,423,641

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. LAIF is not rated.

(3) Note Receivable

The note in the amount of \$40,000 is receivable in monthly installments of \$182 beginning in July 2010, including interest payments at 0.9% due from inception. The note is secured by the deed of trust and assignment of rents and is guaranteed by the debtor. The full amount will be due in June 2030.

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

(4) Interfund Receivables, Payables and Transfers

Current interfund receivables and payables as of June 30, 2010 are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	<u>\$1,139,667</u> (A)

Noncurrent interfund receivables and payables as of June 30, 2010 are as follows:

<u>Advances receivable</u>	<u>Advances payable</u>	<u>Amount</u>
General Fund	Public Facilities Development Special Revenue Fund	\$5,100,669 (B)
Water Enterprise Fund	Nonmajor proprietary funds	1,269,804 (C)
Disposal Enterprise Fund	Nonmajor proprietary funds	<u>1,503,736</u> (C)
		<u>\$7,874,209</u>

- (A) Short-term borrowing for temporary cash shortfalls.
- (B) To provide funding for capital expenditures. The payable will be refunded through future development impact fee collections.
- (C) To provide funding for capital expenditures.

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

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

Transfers in and out for the year ended June 30, 2010 were as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>						<u>Total</u>
	<u>General Fund</u>	<u>General Debt Service</u>	<u>RDA Debt Service Fund</u>	<u>Nonmajor Government Funds</u>	<u>Internal Service Funds</u>	<u>Nonmajor Proprietary Fund</u>	
General Fund	\$ -	-	-	3,520,441	757,251	-	4,277,692
Public Facilities Development	175,097	-	-	958,628	-	-	1,133,725
Redevelopment Agency Debt Service Fund	-	-	-	3,590,471	-	-	3,590,471
Nonmajor Governmental	2,288,834	-	735,510	488,527	-	-	3,512,871
Internal Service Funds	-	2,413,240	-	-	-	-	2,413,240
Water Fund	27,675	-	-	-	-	-	27,675
Disposal Fund	18,679	-	-	-	-	-	18,679
Sewer Fund	8,095	-	-	-	-	-	8,095
Nonmajor Proprietary	-	-	-	-	-	<u>10,280</u>	<u>10,280</u>
	<u>\$2,518,380</u>	<u>2,413,240</u>	<u>735,510</u>	<u>8,558,067</u>	<u>757,251</u>	<u>10,280</u>	<u>14,992,728</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)

(5) Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>
Governmental activities:				
Capital assets not being depreciated:				
Land & water rights	\$30,137,569	-	-	30,137,569
Rights of way	415,527,487	9,315,381	(3,920)	424,838,948
Construction in progress	<u>10,749,028</u>	<u>1,698,151</u>	<u>(1,902,750)</u>	<u>10,544,429</u>
Total capital assets not being depreciated	<u>456,414,084</u>	<u>11,013,532</u>	<u>(1,906,670)</u>	<u>465,520,946</u>
Capital assets being depreciated:				
Infrastructure	177,657,189	3,196,450	(217,274)	180,636,365
Buildings and improvements	18,879,697	846,722	-	19,726,419
Machinery, equipment and vehicles	<u>19,423,512</u>	<u>1,047,298</u>	<u>(779,829)</u>	<u>19,690,981</u>
Total capital assets being depreciated	<u>215,960,398</u>	<u>5,090,470</u>	<u>(997,103)</u>	<u>220,053,765</u>
Less accumulated depreciation for:				
Infrastructure	(65,251,067)	(3,943,421)	196,142	(68,998,346)
Buildings and improvements	(7,605,823)	(461,746)	-	(8,067,569)
Machinery, equipment and vehicles	<u>(14,173,102)</u>	<u>(1,777,301)</u>	<u>779,829</u>	<u>(15,170,574)</u>
Total accumulated depreciated	<u>(87,029,992)</u>	<u>(6,182,468)</u>	<u>975,971</u>	<u>(92,236,489)</u>
Total capital assets being depreciated, net	<u>128,930,406</u>	<u>(1,091,998)</u>	<u>(21,132)</u>	<u>127,817,276</u>
Governmental activities:				
Capital assets, net	<u>\$585,344,490</u>	<u>9,921,534</u>	<u>(1,927,802)</u>	<u>593,338,222</u>

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

(5) Capital Assets, (Continued)

	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 30,724,728	-	(381)	30,724,347
Water rights	8,868,709	2,750	-	8,871,459
Construction in progress	<u>13,348,361</u>	<u>6,641,267</u>	<u>(291,380)</u>	<u>19,698,248</u>
Total capital assets not being depreciated	<u>52,941,798</u>	<u>6,644,017</u>	<u>(291,761)</u>	<u>59,294,054</u>
Capital assets being depreciated:				
Infrastructure	125,783,967	767,742	-	126,551,709
Buildings and improvements	80,513,663	11,812	-	80,525,475
Machinery, equipment and vehicles	<u>14,171,793</u>	<u>258,456</u>	<u>-</u>	<u>14,430,249</u>
Total capital assets being depreciated	<u>220,469,423</u>	<u>1,038,010</u>	<u>-</u>	<u>221,507,433</u>
Less accumulated depreciation for:				
Infrastructure	(54,971,234)	(2,312,277)	-	(57,238,511)
Buildings and improvements	(54,696,423)	(1,229,503)	-	(55,925,926)
Machinery, equipment and vehicles	<u>(9,566,906)</u>	<u>(1,649,289)</u>	<u>-</u>	<u>(11,216,195)</u>
Total accumulated depreciation	<u>(119,234,563)</u>	<u>(5,191,069)</u>	<u>-</u>	<u>(124,425,632)</u>
Total capital assets being depreciated, net	<u>101,234,860</u>	<u>(4,153,059)</u>	<u>-</u>	<u>97,081,801</u>
Business-type activities:				
Capital assets, net	<u>\$154,176,658</u>	<u>2,490,958</u>	<u>(291,761)</u>	<u>156,375,855</u>

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

(5) Capital Assets, (Continued)

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General government	\$ 169,652	-
Public safety	1,304,544	-
Highway and streets	4,089,312	-
Culture and recreation	599,194	-
Water	-	2,395,405
Disposal	-	1,283,922
Sewer	-	1,413,114
Others	-	98,628
Internal service	19,766	-
Total	<u>\$6,182,468</u>	<u>\$5,191,069</u>

(6) Long-Term Liabilities – Governmental Activities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

	<u>Balance at June 30, 2009</u>	<u>Additions/ Accretion</u>	<u>Retirements</u>	<u>Balance at June 30, 2010</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Compensated absences	\$6,481,584	4,384,938	(3,923,046)	6,943,476	3,332,868
Capital leases payable	1,555,810	114,998	(434,571)	1,236,237	342,386
Claims payable	2,717,000	1,497,430	(1,333,430)	2,881,000	2,881,000
Net OPEB obligation	2,717,992	4,115,790	(1,811,329)	5,022,453	-
General obligation bonds:					
2003 Refunding	2,695,000	-	(500,000)	2,195,000	515,000
Taxable pension funding bonds:					
2007 Series	25,626,705	52,125	(905,000)	24,773,830	1,040,000

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

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

	Balance at June 30, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance at June 30, <u>2010</u>	Amount Due Within <u>One Year</u>
Tax allocation bonds:					
1998A Refunding	\$21,950,000	-	(1,155,000)	20,795,000	1,200,000
2003A Series	9,715,000	-	(530,000)	9,185,000	550,000
2007A Refunding	<u>4,415,000</u>	<u>-</u>	<u>(210,000)</u>	<u>4,205,000</u>	<u>225,000</u>
Total tax allocation bonds	<u>36,080,000</u>	<u>-</u>	<u>(1,895,000)</u>	<u>34,185,000</u>	<u>1,975,000</u>
Certificate of participation:					
2003 lease revenue refunding	12,575,000	-	(1,415,000)	11,160,000	1,475,000
Add: issuance premium	<u>432,038</u>	<u>-</u>	<u>(48,004)</u>	<u>384,034</u>	<u>48,004</u>
	<u>13,007,038</u>	<u>-</u>	<u>(1,463,004)</u>	<u>11,544,034</u>	<u>1,523,004</u>
I-Bank sports park lease	<u>1,902,279</u>	<u>-</u>	<u>(43,325)</u>	<u>1,858,954</u>	<u>44,690</u>
Total governmental activities long-term liabilities	<u>\$92,783,408</u>	<u>10,165,281</u>	<u>(12,308,705)</u>	<u>90,639,984</u>	<u>11,653,948</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, \$439,315 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, 2010

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 \$2,728,014.

\$1,236,237

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

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

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

<u>Year ending June 30</u>	<u>Amount</u>
2011	\$ 395,960
2012	295,797
2013	226,688
2014	121,685
2015	121,686
2016	<u>243,370</u>
Total minimum lease payments	1,405,186
Less: amount representing interest	<u>(168,949)</u>
Present value of minimum lease payments	<u>\$1,236,237</u>

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. The original bonds were used for the purpose of refinancing the acquisition and improvement of real property within the City for use as public parks and open space. 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, 2010 is \$2,195,000.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 515,000	89,788
2012	535,000	73,050
2013	560,000	51,650
2014	<u>585,000</u>	<u>29,250</u>
	<u>\$2,195,000</u>	<u>243,738</u>

2007 Taxable Pension Funding Bonds

On August 1, 2007, the City issued \$25,862,392 of 2007 Taxable Pension Funding Bonds to refund the City's obligation to PERS, reimburse the City for its payment of a portion of its fiscal year ended 2008 unfunded liability and pay the costs of issuance of the bonds. Interest is payable February 1 and August 1 of each year commencing on February 1, 2008. Interest rate is 5.233% with annual principal payments plus accredited value commencing February 1, 2008. The amount outstanding at June 30, 2010 is \$24,773,830.

The annual requirements to amortize pension funding bonds outstanding as of June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,040,000	1,376,839
2012	1,180,000	1,318,079
2013	1,330,000	1,251,409
2014	1,500,000	1,176,264
2015	1,670,000	1,091,514
2016-2020	9,935,000	3,817,273
2021-2025	4,830,000	1,519,765
2026-2030	1,245,000	1,031,965
2031-2035	2,010,000	714,142
2036-2037	<u>1,130,000</u>	<u>101,515</u>
	25,870,000	
Less unaccreted discount	<u>(1,096,170)</u>	
Outstanding balance	<u>\$24,773,830</u>	<u>13,398,765</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

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. Proceeds of the refunded bonds were used to refinance certain public facilities and projects in connection with the redevelopment project area. This debt is secured by the tax increment revenue of the Redevelopment Agency. The amount outstanding at June 30, 2010 is \$20,795,000.

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. In August of 2007 a portion of the bond was defeased in an amount equal to \$4,300,000 through unspent proceeds of the bond. At June 30, 2010, the outstanding principal was \$9,185,000.

Series 2007A Tax Allocation Bonds

In August of 2007, the Agency issued \$4,640,000 in 2007 Tax Allocation Bonds, Series A with interest rates of 5.818%. The proceeds of the bond will be used to provide funds for certain low and moderate income housing purposes within the Project Area, fund a deposit to a debt service reserve account, and pay costs incurred in connection with the issuance, sale, and delivery of the Series 2007A bonds, including the premium for a bond insurance policy. Interest on the Series 2007A Bond 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, 2008, until maturity in 2022 or earlier redemption thereof. At June 30, 2010, the outstanding principal was \$4,205,000.

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

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

The annual requirements to amortize tax allocation bonds outstanding as of June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,975,000	1,576,677
2012	2,060,000	1,488,163
2013	2,160,000	1,392,170
2014	2,255,000	1,291,184
2015	2,355,000	1,184,478
2016-2020	13,570,000	4,091,923
2021-2023	<u>9,810,000</u>	<u>740,250</u>
	<u>\$34,185,000</u>	<u>11,764,845</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. They represented the interests of the owners thereof in lease payments to be made by the City in the Redlands Financing Authority for the use and occupancy of certain public capital facilities refinanced with the proceeds of the prior certificates and the real property upon which they are situated.

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, 2010 was \$11,160,000 with premium in the amount of \$384,034.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,475,000	446,537
2012	1,525,000	384,443
2013	1,600,000	306,318
2014	1,675,000	240,147
2015	1,730,000	185,863
2016-2018	<u>3,155,000</u>	<u>177,125</u>
	<u>\$11,160,000</u>	<u>1,740,433</u>

I-Bank Sports Park – Lease 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 lease, 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, 2010, the outstanding balance of the I-Bank Sports Park lease payable balance was \$1,858,954.

The annual retirements to amortize lease payable outstanding as of June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 44,690	57,854
2012	46,097	56,424
2013	47,549	54,949
2014	49,047	53,427
2015	50,592	51,858
2016-2020	277,894	233,962
2021-2025	324,508	186,617
2026-2037	<u>1,018,577</u>	<u>204,339</u>
	<u>\$1,858,954</u>	<u>899,430</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Liabilities – Business-Type

The following is a summary of changes in business-type long-term liabilities, including landfill closure liability, for the year ended June 30, 2010:

	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010	Amount Due Within One Year	Amount Due Beyond a Year
Business-type activities:						
Compensated absences	\$ 705,426	816,056	(599,901)	921,581	460,791	460,790
Capital lease payable	347,240	-	(54,554)	292,686	56,918	235,768
Net OPEB obligation	900,801	1,422,210	(454,043)	1,868,968	-	1,868,968
Landfill closure liability	5,586,151	295,812	-	5,881,963	299,362	5,582,601
Revenue Bonds:						
1999 Water refunding	12,250,000	-	(1,520,000)	10,730,000	1,585,000	9,145,000
1999 Wastewater refunding	10,635,000	-	(975,000)	9,660,000	1,015,000	8,645,000
Total revenue bonds	22,885,000	-	(2,495,000)	20,390,000	2,600,000	17,790,000
Notes payable:						
Agricultural drainage water management loan program	659,414	-	(100,419)	558,995	104,034	454,961
California recycled water project	4,765,584	-	(245,899)	4,519,685	252,047	4,267,638
Safe drinking water project	5,484,184	-	(256,882)	5,227,302	262,929	4,964,373
Total notes payable	10,909,182	-	(603,200)	10,305,982	619,010	9,686,972
Total business-type activities long-term liabilities	\$41,333,800	2,534,078	(4,206,698)	39,661,180	4,036,081	35,625,099

Capital Lease Payable

The City has entered into a lease agreement for a caterpillar track-type tractor. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The asset acquired under capital lease is rolling stock. The total cost was \$414,376.

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

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

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

<u>Year ending June 30</u>	<u>Amount</u>
2011	\$ 68,177
2012	68,177
2013	68,177
2014	<u>115,794</u>
Total minimum lease payments	320,325
Less: amount representing interest	<u>(27,639)</u>
Present value of minimum lease payments	<u>\$292,686</u>

Revenue Bonds Payable

1999 Water Refunding Revenue Bonds

The \$23,345,000 of water refunding revenue bonds, issue of 1999, consists 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 net proceeds were used to refinance the prior water projects. The amount outstanding at June 30, 2010 was \$10,730,000.

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 net proceeds were used to refinance the prior wastewater projects. The amount outstanding at June 30, 2010 was \$9,660,000.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

The annual requirements to amortize bonds payable subsequent to June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 2,600,000	938,919
2012	2,725,000	814,400
2013	2,855,000	680,091
2014	2,990,000	535,750
2015	3,145,000	382,375
2016-2018	<u>6,075,000</u>	<u>361,625</u>
	<u>\$20,390,000</u>	<u>3,713,160</u>

Notes Payable

At June 30, 2009, the City has \$659,414 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. The amount outstanding at June 30, 2010 was \$558,995

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, 2010 was \$4,519,685.

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, 2010, the City has \$5,227,302 in outstanding principal.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

The annual requirements to amortize notes payable outstanding as of June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 619,010	253,905
2012	635,244	237,671
2013	651,918	220,998
2014	669,041	203,875
2015	686,627	186,288
2016-2020	3,046,923	696,862
2021-2025	3,434,851	308,936
2026	<u>562,368</u>	<u>13,211</u>
	<u>\$10,305,982</u>	<u>2,121,746</u>

(8) Claims Payable

On June 30, 2010 and throughout 2009-2010, 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.

At June 30, 2010, \$742,000 and \$2,139,000 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.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(8) Claims Payable, (Continued)

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, 2010 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, 2010 is as follows:

<u>2009-2010</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	\$ 700,000	368,507	326,507	742,000
Worker's compensation	<u>2,017,000</u>	<u>1,128,923</u>	<u>1,006,923</u>	<u>2,139,000</u>
	<u>\$2,717,000</u>	<u>1,497,430</u>	<u>1,333,430</u>	<u>2,881,000</u>
<u>2008-2009</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	\$ 755,000	512,894	567,894	700,000
Worker's compensation	<u>2,447,000</u>	<u>285,292</u>	<u>715,292</u>	<u>2,017,000</u>
	<u>\$3,202,000</u>	<u>798,186</u>	<u>1,283,186</u>	<u>2,717,000</u>

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

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

At June 30, 2010, the following governmental funds have fund deficits:

	<u>Deficit Amount</u>
Special Revenue Funds:	
Public Facilities Development	\$5,123,369 (a)
Community Development Block Grant	17,496
Disaster Recovery	57,839
General Capital Improvement	400,703 (b)
Police Grants	617
Capital Projects Fund:	
Redevelopment Projects	16,484
Enterprise Fund:	
Cemetery	592,057 (c)
Internal Service Fund:	
Information Technology	288,457 (d)

- (a) Deficit due to outstanding loans to the general fund to be paid by future impact fees.
- (b) Deficit due to the majority of funding being grant related on a reimbursement basis.
- (c) Deficit due to outstanding loans to the Water Fund to be paid by future revenues and expenditure reductions.
- (d) Deficit due to the increase in personnel services and administration to be controlled in budget in future.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

Expenditures for the year ended June 30, 2010 exceeded the appropriations of the following funds/departments:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General:			
City attorney	\$ 653,063	685,214	(32,151)
Building maintenances	1,125,008	1,127,931	(2,923)
Community development	1,433,942	1,464,814	(30,872)
Parks	1,613,081	1,620,468	(7,387)
Library	1,900,926	1,986,391	(85,465)
Special revenue:			
Public Facilities Development	651,676	946,014	(294,338)
Downtown Redlands Business Association	343,778	357,718	(13,940)
Parking Authority	22,106	55,415	(33,309)
Emergency Services	3,595,217	3,617,747	(22,530)
Traffic Safety	-	735	(735)
Designated Receipts	-	451,703	(451,703)
Traffic Signals	3,500	3,542	(42)
Capital Project:			
Redevelopment Projects	2,425,114	2,572,011	(146,897)

(10) Defined Benefit Pension Plan

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

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

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(10) Defined Benefit Pension Plan, (Continued)

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, 2009 to June 30, 2010 has been determined by an actuarial valuation of the plan as of June 30, 2007. The contribution rate for the indicated period is 9.21%, 19.987% and 19.471% 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, 2010, these contribution rates, as modified by any amendments for the year, is multiplied by the payroll of covered employees that were paid during the period from July 1, 2009 to June 30, 2010.

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

Miscellaneous

Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	11 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 30 year 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.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(10) Defined Benefit Pension Plan, (Continued)

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll for miscellaneous. The schedule of funding progress, presented below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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>
6/30/06	\$85,914,510	79,046,879	6,867,631	92.0%	17,263,107	39.8%
6/30/07	91,347,219	85,219,591	6,127,628	93.3%	17,488,084	35.0%
6/30/08	99,370,303	95,482,489	3,887,814	96.1%	19,234,253	20.2%

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>	
6/30/08	\$1,997,432	2,785,734	2,274,468	100%	-
6/30/09	1,765,870	1,661,076	1,119,621	100%	-
6/30/10	1,658,235	1,740,463	1,254,698	100%	-

(11) Other Post-Employment Benefits Plan

In addition to the pension benefits described in Note 10, the City 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.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(11) Other Post-Employment Benefits Plan, (Continued)

Plan Description: The City administers a defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City pays up to the entire cost of health benefits for eligible retirees and their spouses until age 65 subject to the City's vesting schedule. After age 65, the City contributes a flat monthly rate of \$397 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 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 and have a minimum of 15 years of continuous service with the City of Redlands, or 20 years depending on the particular bargaining units.

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2009-10, the City contributed \$2,265,372 to the plan. 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. During the year ended June 30, 2010, the City expended \$2,265,372 for these post-employment benefits.

The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits. CalPERS publishes separate financial statements conforming to GASB Statement No. 43 in separately issued financial statements for the CalPERS OPEB Trust. Copies of PERS' annual financial reports for its OPEB Trust may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(11) Other Post-Employment Benefits Plan, (Continued)

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual required contribution	\$5,538,000
Contributions made (including premiums paid)	<u>(2,265,372)</u>
Increase in net OPEB obligation	3,272,628
Net OPEB obligation—beginning of year	<u>3,618,793</u>
Net OPEB obligation—end of year	<u>\$6,891,421</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
6/30/08	N/A	N/A	N/A
6/30/09	\$1,919,207	34.7%	\$3,618,793
6/30/10	2,265,372	40.9%	6,891,421

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2010, was as follows:

Actuarial accrued liability (AAL)	\$68,964,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$68,964,000</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$29,983,000
UAAL as a percentage of covered payroll	230%

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(11) Other Post-Employment Benefits Plan, (Continued)

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

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements of 1% per year for the first three years then decrements of .5% to an ultimate rate of 5% after the seventh year. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years. It is assumed the City's payroll will increase 3.5% per year.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
7/1/06	N/A	N/A	N/A	0%	N/A	0%
7/1/07	N/A	N/A	N/A	0%	N/A	0%
7/1/08	\$0	\$68,964,000	\$68,964,000	0%	\$29,983,000	230%

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(12) Contingencies

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

(13) Commitments – Contract with County of San Bernardino

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

(14) Construction Commitments

The following material construction commitments existed at June 30, 2010:

<u>Project Name</u>	<u>Remaining Commitments</u>
Orange/Redlands Blvd. Improvements	\$1,508,292
CIP Pipeline Replacement (Phase 3)	1,119,263
Highline Relocation (Phase 2)	949,831
County Club Reservoir No. 1 Replacement	799,200
Local Collection Mains 2010	679,805
Hinckley Expansion	632,747
SCADA System Upgrades	532,055
Sewer Centrifuge Project	200,909
Downtown Integrated Video Surveillance	149,768

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(15) Solid Waste Landfill

State and federal laws and regulations require the City to provide financial assurance for closure and postclosure costs 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 \$5,881,963 reported as landfill closure and postclosure liability at June 30, 2010 represents the cumulative amount reported to date based on the use of 52.01 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 \$800,000 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform closure and postclosure activities in 2010 dollars. The City expects to close the landfill in the year 2042. 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 of 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. 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, 2010, \$5,871,398 is held for landfill closure. The City expects that future inflation costs will be paid from future annual operating revenues in the enterprise fund. Postclosure costs are agreed to be covered by revenue from solid waste customer billings which is deposited directly into the Solid Waste enterprise fund.

(16) Debt Without Government Commitment

Assessment District Bonds

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

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(16) Debt Without Government Commitment., (Continued)

In September 2001, the City issued for and on behalf of the Community Facilities District No. 2001-1 (Northwest Development Project) \$9,255,000 aggregate principal amount of 2001 Special Tax Bonds to finance the acquisition of certain public improvements with appurtenant work and incidental expenses within the District. The Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from proceeds of annual special tax to be levied on the property within the District. Bonds maturing in the years 2002 to 2015 are serial bonds payable in annual installments of \$170,000 to \$355,000 while bonds maturing in the year 2022 in the amount of \$3,175,000 and bonds maturing in the year 2026 in the amount of \$2,535,000 are term bonds. The interest rates on the bonds range from 3.75% to 6.45%. The outstanding balance at June 30, 2010 was \$7,555,000.

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, 2010 was \$9,385,000.

(17) Operating Lease

The City has entered into an operating lease with Xerox Corporation for copier equipment, services and supplies in December 2009. The term calls for a five-year lease with a minimum monthly payment of \$5,875. The minimum future payments as of June 30, 2010 are as follows:

<u>June 30 ending</u>	<u>Amount</u>
2011	\$70,494
2012	70,494
2013	70,494
2014	70,494
2015	35,247

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(18) Defeasance of Debt

In August 2007, the Redevelopment Agency of the City of Redlands defeased \$4,300,000 of its \$17,300,000 2003 Tax Allocation Bonds by entering into an Escrow Deposit and Trust Agreement and depositing unspent bond proceeds to fund the irrevocable trust. The current outstanding balance of the defeased bonds is \$3,850,000.

(19) Pledged Revenue

The City and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purpose for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions of the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so required by the debt agreement) are indicated in the table below. These percentages also approximates the relationship of debt service to pledged revenues for the remainder of the term of the commitment:

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses)	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Tax increment Downtown	\$ 5,209,491	\$ 2,786,821	53%
Housing set aside	1,328,987	766,495	58%
Water revenues	3,280,149	2,078,035	63%
Wastewater revenues	625,995	1,471,821	235%

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REDLANDS

Notes to Required Supplementary Information

Year ended June 30, 2010

(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, 2010, a net decrease of supplemental appropriations in the amount of \$1,134,941 were made in the General Fund.
- 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, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 39,835,000	36,549,800	37,289,449	739,649
Licenses, permits and fines	4,401,608	3,750,556	4,617,678	867,122
Intergovernmental	165,000	175,000	332,984	157,984
Charges for services	6,799,395	6,618,923	6,129,825	(489,098)
Investment income	747,549	770,374	632,100	(138,274)
Other	27,224	27,224	126,885	99,661
Total revenues	<u>51,975,776</u>	<u>47,891,877</u>	<u>49,128,921</u>	<u>1,237,044</u>
Expenditures:				
General government:				
City council	227,498	276,040	235,731	40,309
City manager	639,496	640,465	639,528	937
City clerk	245,219	261,573	215,431	46,142
City attorney	617,996	653,063	685,214	(32,151)
City treasurer	576,238	497,428	483,704	13,724
Finance	1,398,358	1,392,652	1,338,287	54,365
Human resources	2,285,604	2,536,768	2,227,192	309,576
Building maintenance	1,291,175	1,125,008	1,127,931	(2,923)
Community development	1,583,910	1,433,942	1,464,814	(30,872)
Total general government	<u>8,865,494</u>	<u>8,816,939</u>	<u>8,417,832</u>	<u>399,107</u>
Public safety:				
Police	21,530,184	21,055,601	20,958,861	96,740
Fire	10,110,569	9,874,718	9,809,225	65,493
Total public safety	<u>31,640,753</u>	<u>30,930,319</u>	<u>30,768,086</u>	<u>162,233</u>
Highway and streets	<u>4,025,244</u>	<u>3,854,089</u>	<u>3,726,191</u>	<u>127,898</u>
Culture and recreation:				
Community services	1,475,922	1,348,135	1,267,267	80,868
Parks	1,793,458	1,613,081	1,620,468	(7,387)
Total culture and recreation	<u>3,269,380</u>	<u>2,961,216</u>	<u>2,887,735</u>	<u>73,481</u>
Library	<u>1,926,790</u>	<u>1,900,926</u>	<u>1,986,391</u>	<u>(85,465)</u>
Capital outlay	<u>289,158</u>	<u>421,441</u>	<u>308,379</u>	<u>113,062</u>

(Continued)

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Debt service:				
Principal	393,995	392,550	434,571	(42,021)
Interest	66,943	65,336	67,122	(1,786)
Total debt service	<u>460,938</u>	<u>457,886</u>	<u>501,693</u>	<u>(43,807)</u>
Total expenditures	<u>50,477,757</u>	<u>49,342,816</u>	<u>48,596,307</u>	<u>746,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,498,019</u>	<u>(1,450,939)</u>	<u>532,614</u>	<u>1,983,553</u>
Other financing sources (uses):				
Issuance of debt	-	-	114,998	114,998
Transfers in	1,837,306	2,782,159	2,518,380	(263,779)
Transfers out	<u>(4,743,911)</u>	<u>(4,070,931)</u>	<u>(4,277,692)</u>	<u>(206,761)</u>
Total other financing sources (uses)	<u>(2,906,605)</u>	<u>(1,288,772)</u>	<u>(1,644,314)</u>	<u>(355,542)</u>
Net change in fund balance	(1,408,586)	(2,739,711)	(1,111,700)	1,628,011
Fund balance at beginning of year	<u>18,862,140</u>	<u>18,862,140</u>	<u>18,862,140</u>	-
Fund balance at end of year	<u>\$ 17,453,554</u>	<u>16,122,429</u>	<u>17,750,440</u>	<u>1,628,011</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, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fines	\$ 990,000	9,216	9,216	-
Investment income	4,000	-	-	-
Total revenues	994,000	9,216	9,216	-
Expenditures:				
Current:				
Public safety	19,800	53,676	74,975	(21,299)
Capital outlay	-	598,000	871,039	(273,039)
Total expenditures	19,800	651,676	946,014	(294,338)
Excess (deficiency) of revenues over (under) expenditures	974,200	(642,460)	(936,798)	(294,338)
Other financing sources (uses):				
Transfers out	(1,134,000)	(1,134,000)	(1,133,725)	275
Total other financing sources (uses)	(1,134,000)	(1,134,000)	(1,133,725)	275
Net change in fund balance	(159,800)	(1,776,460)	(2,070,523)	(294,063)
Fund balance (deficit) at beginning of year	(3,052,846)	(3,052,846)	(3,052,846)	-
Fund balance (deficit) at end of year	\$ (3,212,646)	(4,829,306)	(5,123,369)	(294,063)

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SUPPLEMENTARY SCHEDULES

CITY OF REDLANDS
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2010

	Special Revenue	Debt Service	Capital Projects	Permanent Fund Cemetery Endowment	Total
Assets:					
Cash and investments	\$ 23,243,988	-	2,739,924	1,773,399	27,757,311
Receivables:					
Accounts	472,013	-	-	39	472,052
Taxes	74,734	-	-	-	74,734
Note	-	-	40,000	-	40,000
Due from other governments	1,901,891	-	-	-	1,901,891
Total assets	<u>\$ 25,692,626</u>	<u>-</u>	<u>2,779,924</u>	<u>1,773,438</u>	<u>30,245,988</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 221,546	-	28,175	-	249,721
Accrued payroll	197,074	-	25,556	-	222,630
Deferred revenue	1,345,922	-	-	-	1,345,922
Due to other funds	1,139,667	-	-	-	1,139,667
Deposits	72,762	-	97,484	-	170,246
Total liabilities	<u>2,976,971</u>	<u>-</u>	<u>151,215</u>	<u>-</u>	<u>3,128,186</u>
Fund balances:					
Reserved for:					
Encumbrances	1,938,106	-	316,457	-	2,254,563
Endowment	-	-	-	1,773,438	1,773,438
Note receivable	-	-	40,000	-	40,000
Unreserved	20,777,549	-	2,272,252	-	23,049,801
Total fund balances	<u>22,715,655</u>	<u>-</u>	<u>2,628,709</u>	<u>1,773,438</u>	<u>27,117,802</u>
Total liabilities and fund balances	<u>\$ 25,692,626</u>	<u>-</u>	<u>2,779,924</u>	<u>1,773,438</u>	<u>30,245,988</u>

CITY OF REDLANDS
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year ended June 30, 2010

	Special Revenue	Debt Service	Capital Projects	Permanent Fund	
				Cemetery Endowment	Total
Revenues:					
Taxes	\$ 1,271,957	-	-	-	1,271,957
Licenses, permits and fines	589,314	-	343	-	589,657
Intergovernmental	4,886,618	-	-	-	4,886,618
Charges for services	303,373	-	-	-	303,373
Investment income	609,322	-	52,289	-	661,611
Other	942,601	-	709	62,425	1,005,735
Total revenues	8,603,185	-	53,341	62,425	8,718,951
Expenditures:					
Current:					
General government	4,604,291	-	1,511,576	-	6,115,867
Public safety	4,733,770	-	-	-	4,733,770
Highway and streets	391,111	-	13,934	-	405,045
Culture and recreation	52,744	-	-	-	52,744
Capital outlay	1,404,273	-	1,066,576	-	2,470,849
Debt service:					
Principal	43,325	1,415,000	-	-	1,458,325
Interest	59,239	498,806	-	-	558,045
Fiscal charges	-	3,450	-	-	3,450
Total expenditures	11,288,753	1,917,256	2,592,086	-	15,798,095
Excess (deficiency) of revenues over (under) expenditures	(2,685,568)	(1,917,256)	(2,538,745)	62,425	(7,079,144)
Other financing sources (uses):					
Transfers in	3,896,163	1,917,256	2,744,648	-	8,558,067
Transfers out	(2,595,235)	-	(917,636)	-	(3,512,871)
Total other financing sources (uses)	1,300,928	1,917,256	1,827,012	-	5,045,196
Net change in fund balances	(1,384,640)	-	(711,733)	62,425	(2,033,948)
Fund balances at beginning of year	24,100,295	-	3,340,442	1,711,013	29,151,750
Fund balances at end of year	\$ 22,715,655	-	2,628,709	1,773,438	27,117,802

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NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

North Low and Moderate Income Housing – To account for annual monies which, by law, must be set aside from Redevelopment tax increment revenues collected from the north side project area for the purpose of funding programs dedicated to the 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.

Arterial 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 and Open Space (formerly 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 expenditure of street and road construction funds including 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.

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.

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.

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

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

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

Freeway Interchanges – To account for the collection and related expenditure of development impact fees designated for new freeway interchange construction projects.

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CITY OF REDLANDS
Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2010

	State Gas Tax	Community Development Block Grant	Downtown Redlands Business Association	Parking Authority	Low and Moderate Income Housing	North Low and Moderate Income Housing
Assets:						
Cash and investments	\$ -	-	168,151	49,316	589,622	813
Receivables:						
Accounts	-	-	791	1,165	-	-
Taxes	52,615	-	-	-	-	-
Due from other governments	56,011	697,049	-	-	-	-
Total assets	\$ 108,626	697,049	168,942	50,481	589,622	813
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ -	11,803	14,898	5,427	89,864	-
Accrued payroll	-	3,138	764	-	22,519	-
Deferred revenue	-	14,283	-	-	-	-
Due to other funds	-	685,321	-	-	-	-
Deposits	-	-	-	10,079	-	-
Total liabilities	-	714,545	15,662	15,506	112,383	-
Fund balances (deficits):						
Reserved for encumbrances	-	-	6,429	-	3,403	-
Unreserved	108,626	(17,496)	146,851	34,975	473,836	813
Total fund balances (deficits)	108,626	(17,496)	153,280	34,975	477,239	813
Total liabilities and fund balances	\$ 108,626	697,049	168,942	50,481	589,622	813

<u>Emergency Services</u>	<u>Arterial Street Construction</u>	<u>Traffic Safety</u>	<u>Open Space</u>	<u>Disaster Recovery</u>	<u>Park and Open Space</u>	<u>Local Transportation</u>	<u>Street Lighting District #1</u>
141,254	994,820	-	2,152,059	-	2,410,756	6,063,703	35
-	-	8,005	-	-	-	-	-
16,229	-	-	-	-	-	-	234
-	-	2,457	-	57,671	-	593,142	-
<u>157,483</u>	<u>994,820</u>	<u>10,462</u>	<u>2,152,059</u>	<u>57,671</u>	<u>2,410,756</u>	<u>6,656,845</u>	<u>269</u>
15,224	-	100	-	-	661	772	-
142,259	-	-	-	-	-	5,615	269
-	-	-	-	57,671	-	413,017	-
-	-	-	-	57,839	-	-	-
-	-	-	-	-	-	-	-
<u>157,483</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>115,510</u>	<u>661</u>	<u>419,404</u>	<u>269</u>
-	-	-	-	-	2,617	1,589,351	-
-	994,820	10,362	2,152,059	(57,839)	2,407,478	4,648,090	-
-	994,820	10,362	2,152,059	(57,839)	2,410,095	6,237,441	-
<u>157,483</u>	<u>994,820</u>	<u>10,462</u>	<u>2,152,059</u>	<u>57,671</u>	<u>2,410,756</u>	<u>6,656,845</u>	<u>269</u>

(Continued)

CITY OF REDLANDS
Nonmajor Special Revenue Funds

Combining Balance Sheet

(Continued)

	Air Quality Improvement	Measure I	General Capital Improvement	Designated Receipts	Traffic Signals	Landscape Maintenance District
Assets:						
Cash and investments	396,914	6,356,207	-	2,048,720	538,196	2,097
Receivables:						
Accounts	-	-	450,000	-	-	-
Taxes	-	-	-	-	-	284
Due from other governments	21,786	-	-	-	-	-
Total assets	418,700	6,356,207	450,000	2,048,720	538,196	2,381
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	-	3,000	-	6,665	-	2,112
Accrued payroll	-	3,526	408	-	-	269
Deferred revenue	-	-	483,048	-	-	-
Due to other funds	-	-	367,247	-	-	-
Deposits	-	-	-	-	-	-
Total liabilities	-	6,526	850,703	6,665	-	2,381
Fund balances (deficits):						
Reserved for encumbrances	-	-	-	-	-	4,834
Unreserved	418,700	6,349,681	(400,703)	2,042,055	538,196	(4,834)
Total fund balances (deficits)	418,700	6,349,681	(400,703)	2,042,055	538,196	-
Total liabilities and fund balances	418,700	6,356,207	450,000	2,048,720	538,196	2,381

<u>Household Hazardous Waste</u>	<u>Supplemental Law Enforcement</u>	<u>Drug Confiscation</u>	<u>Police Grants</u>	<u>CFD 2004-1 Assessment</u>	<u>Freeway Interchanges</u>	<u>Total</u>
173,937	122,579	333,491	-	440,288	261,030	23,243,988
9,985	-	-	2,067	-	-	472,013
-	-	-	-	5,372	-	74,734
-	13,770	47,403	412,602	-	-	1,901,891
<u>183,922</u>	<u>136,349</u>	<u>380,894</u>	<u>414,669</u>	<u>445,660</u>	<u>261,030</u>	<u>25,692,626</u>
4,362	3,190	2,088	61,269	111	-	221,546
-	3,295	-	14,602	410	-	197,074
-	67,748	-	310,155	-	-	1,345,922
-	-	-	29,260	-	-	1,139,667
-	-	-	-	62,683	-	72,762
<u>4,362</u>	<u>74,233</u>	<u>2,088</u>	<u>415,286</u>	<u>63,204</u>	<u>-</u>	<u>2,976,971</u>
3,432	18,670	4,500	290,870	14,000	-	1,938,106
<u>176,128</u>	<u>43,446</u>	<u>374,306</u>	<u>(291,487)</u>	<u>368,456</u>	<u>261,030</u>	<u>20,777,549</u>
<u>179,560</u>	<u>62,116</u>	<u>378,806</u>	<u>(617)</u>	<u>382,456</u>	<u>261,030</u>	<u>22,715,655</u>
<u>183,922</u>	<u>136,349</u>	<u>380,894</u>	<u>414,669</u>	<u>445,660</u>	<u>261,030</u>	<u>25,692,626</u>

CITY OF REDLANDS
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Year ended June 30, 2010

	State Gas Tax	Community Development Block Grant	Downtown Redlands Business Association	Parking Authority	Low and Moderate Income Housing	North Low and Moderate Income Housing
Revenues:						
Taxes	\$ -	-	-	-	-	-
Licenses, permits and fines	-	-	66,431	-	-	-
Intergovernmental	1,167,131	796,224	-	-	-	-
Charges for services	-	-	260,071	-	-	-
Investment income	-	-	4,644	7,615	3,409	8
Other	-	-	17,464	-	1,000	-
Total revenues	<u>1,167,131</u>	<u>796,224</u>	<u>348,610</u>	<u>7,615</u>	<u>4,409</u>	<u>8</u>
Expenditures:						
Current:						
General government	-	97,004	357,718	55,415	3,380,123	-
Public safety	-	-	-	-	-	-
Highway and streets	-	17,246	-	-	-	-
Culture and recreation	-	45,433	-	-	-	-
Capital outlay	-	637,822	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>797,505</u>	<u>357,718</u>	<u>55,415</u>	<u>3,380,123</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,167,131</u>	<u>(1,281)</u>	<u>(9,108)</u>	<u>(47,800)</u>	<u>(3,375,714)</u>	<u>8</u>
Other financing sources (uses):						
Transfers in	-	-	4,300	-	1,328,987	805
Transfers out	<u>(1,152,126)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(766,495)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,152,126)</u>	<u>-</u>	<u>4,300</u>	<u>-</u>	<u>562,492</u>	<u>805</u>
Net change in fund balances	15,005	(1,281)	(4,808)	(47,800)	(2,813,222)	813
Fund balances (deficits) at beginning of year	<u>93,621</u>	<u>(16,215)</u>	<u>158,088</u>	<u>82,775</u>	<u>3,290,461</u>	<u>-</u>
Fund balances (deficits) at end of year	\$ 108,626	(17,496)	153,280	34,975	477,239	813

<u>Emergency Services</u>	<u>Arterial Street Construction</u>	<u>Traffic Safety</u>	<u>Open Space</u>	<u>Disaster Recovery</u>	<u>Park and Open Space</u>	<u>Local Transportation</u>	<u>Street Lighting District #1</u>
1,086,929	-	-	-	-	-	-	25,233
-	43,291	271,566	4,684	-	4,599	-	-
-	-	-	-	-	-	691,647	-
25,322	-	-	-	-	-	-	-
-	19,968	-	54,861	-	61,352	159,442	-
-	-	860	-	-	-	3,920	-
<u>1,112,251</u>	<u>63,259</u>	<u>272,426</u>	<u>59,545</u>	<u>-</u>	<u>65,951</u>	<u>855,009</u>	<u>25,233</u>
-	-	735	94	-	-	-	-
3,617,747	-	-	-	-	-	-	-
-	866	-	-	-	-	254,082	7,314
-	-	-	-	-	7,311	-	-
-	-	-	-	-	-	299,072	-
-	-	-	-	-	43,325	-	-
-	-	-	-	-	59,239	-	-
<u>3,617,747</u>	<u>866</u>	<u>735</u>	<u>94</u>	<u>-</u>	<u>109,875</u>	<u>553,154</u>	<u>7,314</u>
<u>(2,505,496)</u>	<u>62,393</u>	<u>271,691</u>	<u>59,451</u>	<u>-</u>	<u>(43,924)</u>	<u>301,855</u>	<u>17,919</u>
2,505,496	-	-	-	-	-	-	-
-	-	(277,968)	-	-	(260)	(380,467)	(17,919)
<u>2,505,496</u>	<u>-</u>	<u>(277,968)</u>	<u>-</u>	<u>-</u>	<u>(260)</u>	<u>(380,467)</u>	<u>(17,919)</u>
-	62,393	(6,277)	59,451	-	(44,184)	(78,612)	-
-	932,427	16,639	2,092,608	(57,839)	2,454,279	6,316,053	-
-	994,820	10,362	2,152,059	(57,839)	2,410,095	6,237,441	-

(Continued)

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

	Air Quality Improvement	Measure I	General Capital Improvement	Designated Receipts	Traffic Signals	Landscape Maintenance District
Revenues:						
Taxes	-	-	-	-	-	28,770
Licenses, permits and fines	-	-	-	-	177,097	-
Intergovernmental	81,123	798,741	4,805	-	-	-
Charges for services	-	-	-	-	-	-
Investment income	9,436	155,044	-	-	9,740	-
Other	-	-	42,000	531,993	-	-
Total revenues	<u>90,559</u>	<u>953,785</u>	<u>46,805</u>	<u>531,993</u>	<u>186,837</u>	<u>28,770</u>
Expenditures:						
Current:						
General government	-	-	18,842	451,703	-	85,085
Public safety	-	-	-	-	-	-
Highway and streets	-	107,628	-	-	3,542	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	49,563	-	42,000	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>49,563</u>	<u>107,628</u>	<u>60,842</u>	<u>451,703</u>	<u>3,542</u>	<u>85,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,996</u>	<u>846,157</u>	<u>(14,037)</u>	<u>80,290</u>	<u>183,295</u>	<u>(56,315)</u>
Other financing sources (uses):						
Transfers in	-	-	260	-	-	56,315
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>260</u>	<u>-</u>	<u>-</u>	<u>56,315</u>
Net change in fund balances	<u>40,996</u>	<u>846,157</u>	<u>(13,777)</u>	<u>80,290</u>	<u>183,295</u>	<u>-</u>
Fund balances (deficits) at beginning of year	<u>377,704</u>	<u>5,503,524</u>	<u>(386,926)</u>	<u>1,961,765</u>	<u>354,901</u>	<u>-</u>
Fund balances (deficits) at end of year	<u>418,700</u>	<u>6,349,681</u>	<u>(400,703)</u>	<u>2,042,055</u>	<u>538,196</u>	<u>-</u>

Household Hazardous Waste	Supplemental Law Enforcement	Drug Confiscation	Police Grants	CFD 2004-1 Assessment	Freeway Interchanges	Total
-	-	-	-	131,025	-	1,271,957
-	-	-	-	-	21,646	589,314
7,006	119,190	-	1,220,751	-	-	4,886,618
17,378	-	-	602	-	-	303,373
107,952	2,911	-	-	7,813	5,127	609,322
-	-	332,751	12,613	-	-	942,601
<u>132,336</u>	<u>122,101</u>	<u>332,751</u>	<u>1,233,966</u>	<u>138,838</u>	<u>26,773</u>	<u>8,603,185</u>
106,789	-	-	-	50,783	-	4,604,291
-	119,190	170,776	826,057	-	-	4,733,770
-	-	-	-	-	433	391,111
-	-	-	-	-	-	52,744
-	-	-	375,816	-	-	1,404,273
-	-	-	-	-	-	43,325
-	-	-	-	-	-	59,239
<u>106,789</u>	<u>119,190</u>	<u>170,776</u>	<u>1,201,873</u>	<u>50,783</u>	<u>433</u>	<u>11,288,753</u>
<u>25,547</u>	<u>2,911</u>	<u>161,975</u>	<u>32,093</u>	<u>88,055</u>	<u>26,340</u>	<u>(2,685,568)</u>
-	-	-	-	-	-	3,896,163
-	-	-	-	-	-	(2,595,235)
-	-	-	-	-	-	1,300,928
25,547	2,911	161,975	32,093	88,055	26,340	(1,384,640)
<u>154,013</u>	<u>59,205</u>	<u>216,831</u>	<u>(32,710)</u>	<u>294,401</u>	<u>234,690</u>	<u>24,100,295</u>
<u>179,560</u>	<u>62,116</u>	<u>378,806</u>	<u>(617)</u>	<u>382,456</u>	<u>261,030</u>	<u>22,715,655</u>

CITY OF REDLANDS
State Gas Tax Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,140,007	1,167,131	27,124
Excess of revenues over expenditures	1,140,007	1,167,131	27,124
Other financing uses:			
Transfers out	<u>(910,000)</u>	<u>(1,152,126)</u>	<u>(242,126)</u>
Net change in fund balance	230,007	15,005	(215,002)
Fund balance at beginning of year	<u>93,621</u>	<u>93,621</u>	<u>-</u>
Fund balance at end of year	<u>\$ 323,628</u>	<u>108,626</u>	<u>(215,002)</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, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,335,940	<u>796,224</u>	<u>(539,716)</u>
Expenditures:			
Current:			
General government	97,000	97,004	(4)
Highways and streets	400	17,246	(16,846)
Culture and recreation	50,000	45,433	4,567
Capital outlay	<u>1,188,540</u>	<u>637,822</u>	<u>550,718</u>
Total expenditures	<u>1,335,940</u>	<u>797,505</u>	<u>538,435</u>
Net change in fund balance	-	(1,281)	(1,281)
Fund balance (deficit) at beginning of year	<u>(16,215)</u>	<u>(16,215)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (16,215)</u>	<u>(17,496)</u>	<u>(1,281)</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, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 61,000	66,431	5,431
Charges for services	240,000	260,071	20,071
Investment income	2,500	4,644	2,144
Other	<u>16,562</u>	<u>17,464</u>	<u>902</u>
Total revenues	320,062	348,610	28,548
Expenditures:			
Current:			
General government	<u>343,778</u>	<u>357,718</u>	<u>(13,940)</u>
Excess (deficiency) of revenues over (under) expenditures	(23,716)	(9,108)	14,608
Other financing sources:			
Transfers in	<u>-</u>	<u>4,300</u>	<u>4,300</u>
Net change in fund balance	(23,716)	(4,808)	18,908
Fund balance at beginning of year	<u>158,088</u>	<u>158,088</u>	<u>-</u>
Fund balance at end of year	<u>\$ 134,372</u>	<u>\$ 153,280</u>	<u>18,908</u>

CITY OF REDLANDS
Parking Authority Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 7,000	7,615	615
Expenditures:			
Current:			
General government	<u>22,106</u>	<u>55,415</u>	<u>(33,309)</u>
Net change in fund balance	(15,106)	(47,800)	(32,694)
Fund balance at beginning of year	<u>82,775</u>	<u>82,775</u>	<u>-</u>
Fund balance at end of year	<u>\$ 67,669</u>	<u>34,975</u>	<u>(32,694)</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, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 3,409	3,409	-
Other	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total revenues	4,409	4,409	-
Expenditures:			
Current:			
General government	<u>3,605,891</u>	<u>3,380,123</u>	<u>225,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,601,482)</u>	<u>(3,375,714)</u>	<u>225,768</u>
Other financing sources (uses):			
Transfers in	1,254,258	1,328,987	74,729
Transfers out	<u>(737,775)</u>	<u>(766,495)</u>	<u>(28,720)</u>
Total other financing sources (uses)	<u>516,483</u>	<u>562,492</u>	<u>46,009</u>
Net change in fund balance	(3,084,999)	(2,813,222)	271,777
Fund balance at beginning of year	<u>3,290,461</u>	<u>3,290,461</u>	<u>-</u>
Fund balance at end of year	<u>\$ 205,462</u>	<u>477,239</u>	<u>271,777</u>

CITY OF REDLANDS
North Low and Moderate Income Housing Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	8	8
Other financing sources sources:			
Transfers in	<u>-</u>	<u>805</u>	<u>805</u>
Net change in fund balance	-	813	813
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>813</u>	<u>813</u>

CITY OF REDLANDS
Emergency Services Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 1,080,000	1,086,929	6,929
Charges for services	<u>21,000</u>	<u>25,322</u>	<u>4,322</u>
Total revenues	1,101,000	1,112,251	11,251
Expenditures:			
Current:			
Public safety	<u>3,595,217</u>	<u>3,617,747</u>	<u>(22,530)</u>
Excess (deficiency) of revenues over (under) expenditures	(2,494,217)	(2,505,496)	(11,279)
Other financing sources:			
Transfers in	<u>2,566,828</u>	<u>2,505,496</u>	<u>(61,332)</u>
Net change in fund balance	72,611	-	(72,611)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ 72,611</u>	<u>-</u>	<u>(72,611)</u>

CITY OF REDLANDS
Arterial Street Construction Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 43,480	43,291	(189)
Investment income	<u>14,000</u>	<u>19,968</u>	<u>5,968</u>
Total revenues	57,480	63,259	5,779
Expenditures:			
Current:			
Highway & streets	<u>2,400</u>	<u>866</u>	<u>1,534</u>
Net change in fund balance	55,080	62,393	7,313
Fund balance at beginning of year	<u>932,427</u>	<u>932,427</u>	<u>-</u>
Fund balance at end of year	<u>\$ 987,507</u>	<u>994,820</u>	<u>7,313</u>

CITY OF REDLANDS
Traffic Safety Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 252,000	271,566	19,566
Other	<u>755</u>	<u>860</u>	<u>105</u>
Total revenue	\$ 252,755	272,426	19,671
Expenditures:			
Current:			
General government	<u>-</u>	<u>735</u>	<u>(735)</u>
Excess of revenues over expenditures	252,755	271,691	18,936
Other financing uses:			
Transfers out	<u>(215,000)</u>	<u>(277,968)</u>	<u>(62,968)</u>
Net change in fund balance	37,755	(6,277)	(44,032)
Fund balance at beginning of year	<u>16,639</u>	<u>16,639</u>	<u>-</u>
Fund balance at end of year	<u>\$ 54,394</u>	<u>10,362</u>	<u>(44,032)</u>

CITY OF REDLANDS
Open Space Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fees	\$ 4,684	4,684	-
Investment income	25,000	54,861	29,861
Total revenues	29,684	59,545	29,861
Expenditures:			
Current:			
General government	<u>100</u>	<u>94</u>	<u>6</u>
Net change in fund balance	29,584	59,451	29,867
Fund balance at beginning of year	<u>2,092,608</u>	<u>2,092,608</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 2,122,192</u></u>	<u><u>2,152,059</u></u>	<u><u>29,867</u></u>

CITY OF REDLANDS
Disaster Recovery Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 55,881	-	(55,881)
Expenditures:			
Capital outlay	55,881	-	55,881
Net change in fund balance	-	-	-
Fund balance (deficit) at beginning of year	<u>(57,839)</u>	<u>(57,839)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (57,839)</u>	<u>(57,839)</u>	<u>-</u>

CITY OF REDLANDS
Park & Open Space Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 5,000	4,599	(401)
Investment income	<u>30,000</u>	<u>61,352</u>	<u>31,352</u>
Total revenues	<u>35,000</u>	<u>65,951</u>	<u>30,951</u>
Expenditures:			
Current:			
Culture and recreation	19,630	7,311	12,319
Debt Service:			
Principal retirement	43,325	43,325	-
Interest	<u>59,239</u>	<u>59,239</u>	<u>-</u>
Total expenditures	<u>122,194</u>	<u>109,875</u>	<u>12,319</u>
Excess (deficiency) of revenues over (under) expenditures	(87,194)	(43,924)	43,270
Other financing uses:			
Transfers out	<u>-</u>	<u>(260)</u>	<u>(260)</u>
Net change in fund balance	(87,194)	(44,184)	43,010
Fund balance at beginning of year	<u>2,454,279</u>	<u>2,454,279</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,367,085</u>	<u>2,410,095</u>	<u>43,010</u>

CITY OF REDLANDS
Local Transportation Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 219,256	691,647	472,391
Investment income	80,000	159,442	79,442
Other	<u>-</u>	<u>3,920</u>	<u>3,920</u>
Total revenues	<u>299,256</u>	<u>855,009</u>	<u>555,753</u>
Expenditures:			
Current:			
Highway and streets	410,436	254,082	156,354
Capital outlay	<u>3,875,300</u>	<u>299,072</u>	<u>3,576,228</u>
Total expenditures	<u>4,285,736</u>	<u>553,154</u>	<u>3,732,582</u>
Excess (deficiency) of revenues over (under) expenditures	(3,986,480)	301,855	4,288,335
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(380,467)</u>	<u>(380,467)</u>
Net change in fund balance	(3,986,480)	(78,612)	3,907,868
Fund balance at beginning of year	<u>6,316,053</u>	<u>6,316,053</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,329,573</u>	<u>6,237,441</u>	<u>3,907,868</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, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 25,000	25,233	233
Expenditures:			
Current:			
Highway and streets	7,439	7,314	125
Excess of revenues over expenditures	17,561	17,919	358
Other financing sources (uses):			
Transfers in	42,893	-	(42,893)
Transfers out	-	(17,919)	(17,919)
Total other financing sources (uses)	42,893	(17,919)	(60,812)
Net change in fund balance	60,454	-	(60,454)
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ 60,454</u>	<u>-</u>	<u>(60,454)</u>

CITY OF REDLANDS
Air Quality Improvement Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 80,000	81,123	1,123
Investment income	<u>4,000</u>	<u>9,436</u>	<u>5,436</u>
Total revenues	<u>84,000</u>	<u>90,559</u>	<u>6,559</u>
Expenditures:			
Capital outlay	<u>49,563</u>	<u>49,563</u>	<u>-</u>
Net change in fund balance	34,437	40,996	6,559
Fund balance at beginning of year	<u>377,704</u>	<u>377,704</u>	<u>-</u>
Fund balance at end of year	<u>\$ 412,141</u>	<u>418,700</u>	<u>6,559</u>

CITY OF REDLANDS
Measure I Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 800,000	798,741	(1,259)
Investment income	<u>75,000</u>	<u>155,044</u>	<u>80,044</u>
Total revenues	<u>875,000</u>	<u>953,785</u>	<u>78,785</u>
Expenditures:			
Current:			
Highway and streets	128,726	107,628	21,098
Capital outlay	<u>4,001,918</u>	<u>-</u>	<u>4,001,918</u>
Total expenditures	<u>4,130,644</u>	<u>107,628</u>	<u>4,023,016</u>
Net change in fund balance	(3,255,644)	846,157	4,101,801
Fund balance at beginning of year	<u>5,503,524</u>	<u>5,503,524</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,247,880</u>	<u>6,349,681</u>	<u>4,101,801</u>

CITY OF REDLANDS
General Capital Improvement Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 312,868	4,805	(308,063)
Other	<u>2,500</u>	<u>42,000</u>	<u>39,500</u>
Total revenues	<u>315,368</u>	<u>46,805</u>	<u>(268,563)</u>
Expenditures:			
Current:			
General government	309,692	18,842	290,850
Capital outlay	<u>-</u>	<u>42,000</u>	<u>(42,000)</u>
Total expenditures	<u>309,692</u>	<u>60,842</u>	<u>248,850</u>
Excess (deficiency) of revenues over (under) expenditures	5,676	(14,037)	(19,713)
Other financing sources:			
Transfers in	<u>-</u>	<u>260</u>	<u>260</u>
Net change in fund balance	5,676	(13,777)	(19,453)
Fund balance (deficit) at beginning of year	<u>(386,926)</u>	<u>(386,926)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (381,250)</u>	<u>(400,703)</u>	<u>(19,453)</u>

CITY OF REDLANDS
Designated Receipts Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other	\$ -	531,993	531,993
Expenditures:			
Current:			
General government	-	451,703	(451,703)
Net change in fund balance	-	80,290	80,290
Fund balance at beginning of year	<u>1,961,765</u>	<u>1,961,765</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,961,765</u>	<u>2,042,055</u>	<u>80,290</u>

CITY OF REDLANDS
Traffic Signals Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
License, permits and fines	\$ 177,128	177,097	(31)
Investment income	<u>4,500</u>	<u>9,740</u>	<u>5,240</u>
Total revenues	<u>\$ 181,628</u>	<u>186,837</u>	<u>5,209</u>
Expenditures:			
Current:			
Highway & streets	<u>3,500</u>	<u>3,542</u>	<u>(42)</u>
Net change in fund balance	178,128	183,295	5,167
Fund balance at beginning of year	<u>354,901</u>	<u>354,901</u>	<u>-</u>
Fund balance at end of year	<u>\$ 533,029</u>	<u>538,196</u>	<u>5,167</u>

CITY OF REDLANDS
Landscape Maintenance District Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 29,000	28,770	(230)
Expenditures:			
Current:			
General government	88,091	85,085	3,006
Excess (deficiency) of revenues over (under) expenditures	(59,091)	(56,315)	2,776
Other financing sources:			
Transfers in	11,287	56,315	(54,972)
Net change in fund balance	52,196	-	(52,196)
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ 52,196</u>	<u>-</u>	<u>(52,196)</u>

CITY OF REDLANDS
Household Hazardous Waste Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 7,006	7,006	-
Charges for services	10,501	17,378	6,877
Investment income	<u>92,189</u>	<u>107,952</u>	<u>15,763</u>
Total revenues	<u>109,696</u>	<u>132,336</u>	<u>22,640</u>
Expenditures:			
Current:			
General government	<u>109,076</u>	<u>106,787</u>	<u>2,287</u>
Net change in fund balance	620	25,547	24,927
Fund balance at beginning of year	<u>154,013</u>	<u>154,013</u>	<u>-</u>
Fund balance at end of year	<u>\$ 154,633</u>	<u>179,560</u>	<u>24,927</u>

CITY OF REDLANDS
Supplemental Law Enforcement Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 173,168	119,190	(53,978)
Investment income	<u>636</u>	<u>2,911</u>	<u>2,275</u>
Total revenues	<u>173,804</u>	<u>122,101</u>	<u>(51,703)</u>
Expenditures:			
Current:			
Public safety	202,241	119,190	83,051
Capital outlay	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total expenditures	<u>217,241</u>	<u>119,190</u>	<u>98,051</u>
Net change in fund balance	(43,437)	2,911	46,348
Fund balance at beginning of year	<u>59,205</u>	<u>59,205</u>	<u>-</u>
Fund balance at end of year	<u>\$ 15,768</u>	<u>62,116</u>	<u>46,348</u>

CITY OF REDLANDS
Drug Confiscation Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other	\$ 249,100	332,751	83,651
Expenditures:			
Current:			
Public safety	171,100	170,776	324
Capital outlay	<u>21,000</u>	<u>-</u>	<u>21,000</u>
Total expenditures	<u>192,100</u>	<u>170,776</u>	<u>21,324</u>
Net change in fund balance	57,000	161,975	104,975
Fund balance at beginning of year	<u>216,831</u>	<u>216,831</u>	<u>-</u>
Fund balance at end of year	<u>\$ 273,831</u>	<u>378,806</u>	<u>104,975</u>

CITY OF REDLANDS
Police Grants Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 3,863,500	1,220,751	(2,642,749)
Charges for services	-	602	602
Other	<u>144,588</u>	<u>12,613</u>	<u>(131,975)</u>
Total revenues	<u>4,008,088</u>	<u>1,233,966</u>	<u>(2,774,122)</u>
Expenditures:			
Current:			
Public safety	3,742,209	826,057	2,916,152
Capital outlay	<u>333,310</u>	<u>375,816</u>	<u>(42,506)</u>
Total expenditures	<u>4,075,519</u>	<u>1,201,873</u>	<u>2,873,646</u>
Net change in fund balance	(67,431)	32,093	99,524
Fund balance (deficit) at beginning of year	<u>(32,710)</u>	<u>(32,710)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (100,141)</u>	<u>(617)</u>	<u>99,524</u>

CITY OF REDLANDS
CFD 2004-1 Assessment

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 130,000	131,025	1,025
Investment income	<u>5,000</u>	<u>7,813</u>	<u>2,813</u>
Total revenues	<u>135,000</u>	<u>138,838</u>	<u>3,838</u>
Expenditures:			
Current:			
General government	<u>55,250</u>	<u>50,783</u>	<u>4,467</u>
Net change in fund balance	79,750	88,055	8,305
Fund balance at beginning of year	<u>294,401</u>	<u>294,401</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 374,151</u></u>	<u><u>382,456</u></u>	<u><u>8,305</u></u>

CITY OF REDLANDS
Freeway Interchanges Fund

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits, & fines	\$ 21,740	21,646	(94)
Investment income	<u>3,000</u>	<u>5,127</u>	<u>2,127</u>
Total revenues	<u>24,740</u>	<u>26,773</u>	<u>2,033</u>
Expenditures:			
Current:			
Highway & streets	<u>1,500</u>	<u>433</u>	<u>1,067</u>
Net change in fund balance	23,240	26,340	3,100
Fund balance at beginning of year	<u>234,690</u>	<u>234,690</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 257,930</u></u>	<u><u>261,030</u></u>	<u><u>3,100</u></u>

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DEBT SERVICE FUNDS

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

Nonmajor Fund

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.

Major Funds

General Debt Service – To account for the receipt of property taxes to be used for the retirement of the 1988 General Obligation Measure “O” Open Space Bonds, the 1994 Refunding General Obligation Bonds, and the 2003 General Obligation Refunding Bonds, as well as to account for activity relating to the 2007 Taxable Pension Funding Bonds.

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 Fund

Redlands Public Improvement Corporation

Balance Sheet

June 30, 2010

Assets:		
Cash and investments	\$	<u> -</u>
Total assets		<u> -</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$	<u> -</u>
Total liabilities		<u> -</u>
Fund balance:		
Unreserved		<u> -</u>
Total fund balance		<u> -</u>
Total liabilities and fund balance	\$	<u> -</u>

CITY OF REDLANDS
Nonmajor Debt Service Fund

Redlands Public Improvement Corporation

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2010

Revenues:		
Taxes		\$ <u> -</u>
Total revenues		<u> -</u>
Expenditures:		
Debt service:		
Principal		1,415,000
Interest		498,806
Fiscal charges		<u> 3,450</u>
Total expenditures		<u> 1,917,256</u>
Excess (deficiency) of revenues over (under) expenditures		<u> (1,917,256)</u>
Other financing sources:		
Transfers in		<u> 1,917,256</u>
Total other financing sources		<u> 1,917,256</u>
Net change in fund balances		-
Fund balance at beginning of year		<u> -</u>
Fund balance at end of year		<u><u> -</u></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, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:			
Debt service:			
Principal	\$ 1,415,000	1,415,000	-
Interest	498,806	498,806	-
Fiscal charges	<u>3,500</u>	<u>3,450</u>	<u>50</u>
Total expenditures	<u>1,917,306</u>	<u>1,917,256</u>	<u>50</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,917,306)</u>	<u>(1,917,256)</u>	<u>50</u>
Other financing sources:			
Transfers in	<u>1,917,806</u>	<u>1,917,256</u>	<u>(550)</u>
Net change in fund balance	500	-	(500)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ 500</u>	<u>-</u>	<u>(500)</u>

CITY OF REDLANDS
City of Redlands General Debt Service
Debt Service Fund

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

Year ended June 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 611,000	672,000	708,542	36,542
Investment income	15,000	31,337	41,008	9,671
Total revenues	<u>626,000</u>	<u>703,337</u>	<u>749,550</u>	<u>46,213</u>
Expenditures:				
Debt service:				
Principal	1,405,000	1,405,000	1,405,000	-
Interest	1,512,194	1,512,194	1,512,193	1
Fiscal charges	5,726	6,881	6,531	350
Total expenditures	<u>2,922,920</u>	<u>2,924,075</u>	<u>2,923,724</u>	<u>351</u>
Excess (deficiency) of revenues over (under) expenditures	(2,296,920)	(2,220,738)	(2,174,174)	46,564
Other financing sources:				
Transfers in	<u>2,307,405</u>	<u>2,307,405</u>	<u>2,413,240</u>	<u>105,835</u>
Net change in fund balances	10,485	86,667	239,066	152,399
Fund balance at beginning of year	<u>2,865,062</u>	<u>2,865,062</u>	<u>2,865,062</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,875,547</u>	<u>2,951,729</u>	<u>3,104,128</u>	<u>152,399</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, 2010

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 6,142,000	6,278,916	6,546,102	267,186
Investment income	<u>75,000</u>	<u>120,025</u>	<u>163,211</u>	<u>43,186</u>
Total revenues	<u>6,217,000</u>	<u>6,398,941</u>	<u>6,709,313</u>	<u>310,372</u>
Expenditures:				
Debt service:				
Principal	1,895,000	1,895,000	1,895,000	-
Interest	1,658,316	1,658,316	1,658,316	-
Fiscal charges	<u>342,847</u>	<u>2,846,289</u>	<u>2,842,755</u>	<u>3,534</u>
Total expenditures	<u>3,896,163</u>	<u>6,399,605</u>	<u>6,396,071</u>	<u>3,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,320,837</u>	<u>(664)</u>	<u>313,242</u>	<u>313,906</u>
Other financing sources (uses):				
Transfers in	737,775	737,775	735,510	(2,265)
Transfers out	<u>(3,028,518)</u>	<u>(3,028,518)</u>	<u>(3,590,471)</u>	<u>(561,953)</u>
Total other financing sources (uses)	<u>(2,290,743)</u>	<u>(2,290,743)</u>	<u>(2,854,961)</u>	<u>(564,218)</u>
Net change in fund balance	30,094	(2,291,407)	(2,541,719)	(250,312)
Fund balance at beginning of year	<u>7,121,179</u>	<u>7,121,179</u>	<u>7,121,179</u>	<u>-</u>
Fund balance at end of year	<u>\$ 7,151,273</u>	<u>4,829,772</u>	<u>4,579,460</u>	<u>(250,312)</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, 2010

	Storm Drain	General Obligation Bond, Series 1988A	Redevelopment Projects	Total
Assets:				
Cash and investments	\$ 2,453,852	191,588	94,484	2,739,924
Receivable:				
Note	-	-	40,000	40,000
Total assets	<u>\$ 2,453,852</u>	<u>191,588</u>	<u>134,484</u>	<u>2,779,924</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	-	28,175	28,175
Accrued payroll	247	-	25,309	25,556
Deposits	-	-	97,484	97,484
Total liabilities	<u>247</u>	<u>-</u>	<u>150,968</u>	<u>151,215</u>
Fund balances (deficit):				
Reserved for:				
Encumbrances	16,600	-	299,857	316,457
Note receivable	-	-	40,000	40,000
Unreserved	<u>2,437,005</u>	<u>191,588</u>	<u>(356,341)</u>	<u>2,272,252</u>
Total fund balances (deficit)	<u>2,453,605</u>	<u>191,588</u>	<u>(16,484)</u>	<u>2,628,709</u>
Total liabilities and fund balances	<u>\$ 2,453,852</u>	<u>191,588</u>	<u>134,484</u>	<u>2,779,924</u>

CITY OF REDLANDS
Nonmajor Capital Projects Funds

Combining Statement Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2010

	Storm Drain	General Obligation Bond, Series 1998A	Redevelopment Projects	Total
Revenues:				
Licenses, permits and fines	\$ 343	-	-	343
Investment income	65,615	4,889	(18,215)	52,289
Other	-	-	709	709
	<u>65,958</u>	<u>4,889</u>	<u>(17,506)</u>	<u>53,341</u>
Expenditures:				
Current:				
General government	-	-	1,511,576	1,511,576
Highway and streets	13,934	-	-	13,934
Capital outlay	6,141	-	1,060,435	1,066,576
	<u>20,075</u>	<u>-</u>	<u>2,572,011</u>	<u>2,592,086</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,883</u>	<u>4,889</u>	<u>(2,589,517)</u>	<u>(2,538,745)</u>
Other financing sources (uses):				
Transfers in	-	-	2,744,648	2,744,648
Transfer out	(483,967)	-	(433,669)	(917,636)
	<u>(483,967)</u>	<u>-</u>	<u>2,310,979</u>	<u>1,827,012</u>
Net change in fund balances	(438,084)	4,889	(278,538)	(711,733)
Fund balances at beginning of year	<u>2,891,689</u>	<u>186,699</u>	<u>262,054</u>	<u>3,340,442</u>
Fund balances (deficit) at end of year	<u>\$ 2,453,605</u>	<u>191,588</u>	<u>(16,484)</u>	<u>2,628,709</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, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 343	343	-
Investment income	<u>35,000</u>	<u>65,615</u>	<u>30,615</u>
Total revenues	<u>35,343</u>	<u>65,958</u>	<u>30,615</u>
Expenditures:			
Current:			
Highway and streets	24,745	13,934	10,811
Capital Outlay	<u>1,956,547</u>	<u>6,141</u>	<u>1,950,406</u>
Total expenditures	<u>1,981,292</u>	<u>20,075</u>	<u>1,961,217</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,945,949)</u>	<u>45,883</u>	<u>1,991,832</u>
Other financing uses:			
Transfer out	<u>-</u>	<u>(483,967)</u>	<u>(483,967)</u>
Net change in fund balances	(1,945,949)	(438,084)	1,507,865
Fund balance at beginning of year	<u>2,891,689</u>	<u>2,891,689</u>	<u>-</u>
Fund balance at end of year	<u>\$ 945,740</u>	<u>2,453,605</u>	<u>1,507,865</u>

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

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

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 2,000	4,889	2,889
Net change in fund balances	2,000	4,889	2,889
Fund balance at beginning of year	<u>186,699</u>	<u>186,699</u>	<u>-</u>
Fund balance at end of year	<u>\$ 188,699</u>	<u>191,588</u>	<u>2,889</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, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ 18,206	(18,215)	(36,421)
Other	300	709	409
Total revenues	18,506	(17,506)	(36,012)
Expenditures:			
Current:			
General government	1,467,339	1,511,576	(44,237)
Capital outlay	957,775	1,060,435	(102,660)
Total expenditures	2,425,114	2,572,011	(146,897)
Excess (deficiency) of revenues over (under) expenditures	(2,406,608)	(2,589,517)	(182,909)
Other financing sources (uses):			
Transfers in	1,800,118	2,744,648	944,530
Transfers out	(154,923)	(433,669)	(278,746)
Total other financing sources (uses)	1,645,195	2,310,979	665,784
Net change in fund balance	(761,413)	(278,538)	482,875
Fund balance at beginning of year	262,054	262,054	-
Fund balance (deficit) at end of year	\$ (499,359)	(16,484)	482,875

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.

Non Potable (NP) Water – To account for non potable water utility operations, projects, debt service costs, and impact fees of the City.

CITY OF REDLANDS
Nonmajor Enterprise Funds
Combining Statement of Net Assets
June 30, 2010

	Business-type Enterprise Funds				Total
	Aviation	Cemetery	Groves	NP Water	
Assets:					
Current assets:					
Cash and investments	\$ 234,935	694,085	151,449	325,914	1,406,383
Accounts receivable	22,300	51,901	-	-	74,201
Due from other governments	7,125	-	-	-	7,125
Total current assets	<u>264,360</u>	<u>745,986</u>	<u>151,449</u>	<u>325,914</u>	<u>1,487,709</u>
Capital assets:					
Land and water rights	1,165,281	630,631	16,375,957	-	18,171,869
Buildings and improvements	2,726,995	82,119	-	-	2,809,114
Machinery and equipment	109,979	401,041	-	-	511,020
Less: accumulated depreciation	<u>(509,786)</u>	<u>(460,220)</u>	<u>-</u>	<u>-</u>	<u>(970,006)</u>
Total capital assets	<u>3,492,469</u>	<u>653,571</u>	<u>16,375,957</u>	<u>-</u>	<u>20,521,997</u>
Total assets	<u>3,756,829</u>	<u>1,399,557</u>	<u>16,527,406</u>	<u>325,914</u>	<u>22,009,706</u>
Liabilities:					
Current liabilities:					
Accounts payable	10,266	9,982	31,374	-	51,622
Accrued payroll	132	11,828	-	142	12,102
Deferred revenue	73,178	-	-	-	73,178
Compensated absences - current	-	5,114	-	-	5,114
Deposits	<u>1,431</u>	<u>664,503</u>	<u>15,917</u>	<u>-</u>	<u>681,851</u>
Total current liabilities	<u>85,007</u>	<u>691,427</u>	<u>47,291</u>	<u>142</u>	<u>823,867</u>
Long-term liabilities:					
Compensated absences - noncurrent	-	5,113	-	-	5,113
Net OPEB obligation	-	25,270	-	-	25,270
Advances payable	<u>1,503,736</u>	<u>1,269,804</u>	<u>-</u>	<u>-</u>	<u>2,773,540</u>
Total long-term liabilities	<u>1,503,736</u>	<u>1,300,187</u>	<u>-</u>	<u>-</u>	<u>2,803,923</u>
Total liabilities	<u>1,588,743</u>	<u>1,991,614</u>	<u>47,291</u>	<u>142</u>	<u>3,627,790</u>
Net assets:					
Invested in capital assets	3,492,469	653,571	16,375,957	-	20,521,997
Unrestricted	<u>(1,324,383)</u>	<u>(1,245,628)</u>	<u>104,158</u>	<u>325,772</u>	<u>(2,140,081)</u>
Total net assets (deficit)	<u>\$ 2,168,086</u>	<u>(592,057)</u>	<u>16,480,115</u>	<u>325,772</u>	<u>18,381,916</u>

CITY OF REDLANDS
Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2010

	Business-type Enterprise Funds				Total
	Aviation	Cemetery	Groves	NP Water	
Operating revenues:					
Charges for services	\$ -	342,413	551,266	529,891	1,423,570
Other	292,300	76,871	22,858	-	392,029
Total operating revenues	<u>292,300</u>	<u>419,284</u>	<u>574,124</u>	<u>529,891</u>	<u>1,815,599</u>
Operating expenses:					
Utility plant operations	-	-	-	176,352	176,352
Transmission, distribution & treatment	-	-	-	5,829	5,829
Personnel services	58,185	262,117	48,327	173,467	542,096
Repairs and maintenance	4,713	39,229	-	-	43,942
Administrative and general	79,147	184,231	669,067	56,332	988,777
Depreciation	98,008	620	-	-	98,628
Total operating expenses	<u>240,053</u>	<u>486,197</u>	<u>717,394</u>	<u>411,980</u>	<u>1,855,624</u>
Operating income (loss)	<u>52,247</u>	<u>(66,913)</u>	<u>(143,270)</u>	<u>117,911</u>	<u>(40,025)</u>
Nonoperating revenues (expenses):					
Property taxes	38,082	-	-	-	38,082
Investment income	5,694	33,570	5,904	2,674	47,842
Interest expense	(10,679)	(8,752)	-	-	(19,431)
Miscellaneous income	70	94,289	-	-	94,359
Total non-operating revenues (expenses)	<u>33,167</u>	<u>119,107</u>	<u>5,904</u>	<u>2,674</u>	<u>160,852</u>
Income (loss) before grants and transfers	<u>85,414</u>	<u>52,194</u>	<u>(137,366)</u>	<u>120,585</u>	<u>120,827</u>
Grants	64,033	-	-	-	64,033
Transfers in (note 4)	-	10,280	-	-	10,280
Transfers out (note 4)	-	(10,280)	-	-	(10,280)
Change in net assets	<u>149,447</u>	<u>52,194</u>	<u>(137,366)</u>	<u>120,585</u>	<u>184,860</u>
Net assets (deficit) at beginning of year	<u>2,018,639</u>	<u>(644,251)</u>	<u>16,617,481</u>	<u>205,187</u>	<u>18,197,056</u>
Net assets (deficit) at end of year	<u>\$ 2,168,086</u>	<u>(592,057)</u>	<u>16,480,115</u>	<u>325,772</u>	<u>18,381,916</u>

CITY OF REDLANDS
Nonmajor Enterprise Funds

Combining Statement of Cash Flows

Year ended June 30, 2010

	Business-type Enterprise Funds				Total
	Aviation	Cemetery	Groves	NP Water	
Cash flows from primary activities:					
Cash received from customers	\$ 320,647	428,103	609,842	529,891	1,888,483
Cash payments to suppliers for goods and services	(76,655)	(207,884)	(670,227)	(238,513)	(1,193,279)
Cash payments for employees for services	(60,130)	(260,409)	(50,404)	(173,325)	(544,268)
Net cash provided by (used for) operating activities	<u>183,862</u>	<u>(40,190)</u>	<u>(110,789)</u>	<u>118,053</u>	<u>150,936</u>
Cash flows from noncapital financing activities:					
Cash received from other funds	-	10,280	-	-	10,280
Cash paid to other funds	-	(10,280)	-	-	(10,280)
Cash received for other activities	<u>38,152</u>	<u>94,289</u>	<u>-</u>	<u>-</u>	<u>132,441</u>
Net cash provided by noncapital financing activities	<u>38,152</u>	<u>94,289</u>	<u>-</u>	<u>-</u>	<u>132,441</u>
Cash flows from capital and related financing activities:					
Interest paid on long-term debt	(10,679)	(8,752)	-	-	(19,431)
Principal payments on long-term debt	(114,321)	(56,248)	-	-	(170,569)
Grants received	<u>6,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,261</u>
Net cash provided by (used for) capital and related financing activities	<u>(118,739)</u>	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>(183,739)</u>
Cash flows from investing activities:					
Interest received	<u>5,694</u>	<u>33,570</u>	<u>5,904</u>	<u>2,674</u>	<u>47,842</u>
Net cash provided by investing activities	<u>5,694</u>	<u>33,570</u>	<u>5,904</u>	<u>2,674</u>	<u>47,842</u>
Net increase (decrease) in cash and cash equivalents	108,969	22,669	(104,885)	120,727	147,480
Cash and cash equivalents at beginning of year	<u>125,966</u>	<u>671,416</u>	<u>256,334</u>	<u>205,187</u>	<u>1,258,903</u>
Cash and cash equivalents at end of year	<u>\$ 234,935</u>	<u>694,085</u>	<u>151,449</u>	<u>325,914</u>	<u>1,406,383</u>

(Continued)

CITY OF REDLANDS
Nonmajor Enterprise Funds

Combining Statement of Cash Flows

(Continued)

	Business-type Enterprise Funds				Total
	Aviation	Cemetery	Groves	NP Water	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 52,247	(66,913)	(143,270)	117,911	(40,025)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	98,008	620	-	-	98,628
(Increase) decrease in accounts receivable	(22,300)	(11,702)	35,718	-	1,716
(Increase) decrease in due from other governments	50,647	-	-	-	50,647
(Increase) decrease in interest receivable	-	6,148	-	-	6,148
Increase (decrease) in accounts payable	7,205	2,843	(1,160)	-	8,888
Increase (decrease) in accrued payroll	(1,945)	694	(2,077)	142	(3,186)
Increase (decrease) in deposits	-	14,373	-	-	14,373
Increase (decrease) in compensated absences	-	1,014	-	-	1,014
Increase (decrease) in net OPEB obligation	-	12,733	-	-	12,733
Total adjustments	131,615	26,723	32,481	142	190,961
Net cash provided by (used for) operating activities	\$ 183,862	(40,190)	(110,789)	118,053	150,936

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INTERNAL SERVICE FUNDS

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

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

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

Information Technology – To account for the general maintenance and service of all City computers and phone equipment provided to all City departments.

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.

Equipment 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, 2010

	Workers' Compensation Self-Insurance	Liability Self-Insurance	Information Technology	Payroll Clearing	Utility Billing	Equipment Maintenance	Total
Assets:							
Current assets:							
Cash and investments	\$ 4,095,621	1,106,880	240,695	280,226	852,874	431,995	7,008,291
Accounts receivable	-	-	-	62	4,027	59,649	63,738
Inventory	-	-	-	-	-	176,494	176,494
Total current assets	<u>4,095,621</u>	<u>1,106,880</u>	<u>240,695</u>	<u>280,288</u>	<u>856,901</u>	<u>668,138</u>	<u>7,248,523</u>
Capital assets:							
Buildings and improvements	-	-	9,768	-	-	-	9,768
Machinery and equipment	-	-	7,425	-	-	240,801	248,226
Less: accumulated depreciation	-	-	(4,950)	-	-	(101,849)	(106,799)
Total capital assets	<u>-</u>	<u>-</u>	<u>12,243</u>	<u>-</u>	<u>-</u>	<u>138,952</u>	<u>151,195</u>
Total assets	<u>4,095,621</u>	<u>1,106,880</u>	<u>252,938</u>	<u>280,288</u>	<u>856,901</u>	<u>807,090</u>	<u>7,399,718</u>
Liabilities:							
Current liabilities:							
Accounts payable	32,254	5,477	77,751	280,288	15,575	268,148	679,493
Accrued payroll	10,580	11,894	68,444	-	34,838	44,504	170,260
Claims payable	2,139,000	742,000	-	-	-	-	2,881,000
Compensated absences - current	-	30,414	67,672	-	24,147	97,425	219,658
Total current liabilities	<u>2,181,834</u>	<u>789,785</u>	<u>213,867</u>	<u>280,288</u>	<u>74,560</u>	<u>410,077</u>	<u>3,950,411</u>
Noncurrent liabilities:							
Compensated absences	-	30,414	67,672	-	24,146	97,425	219,657
Net OPEB obligation	8,864	16,289	259,856	-	217,014	253,157	755,180
Total noncurrent liabilities	<u>8,864</u>	<u>46,703</u>	<u>327,528</u>	<u>-</u>	<u>241,160</u>	<u>350,582</u>	<u>974,837</u>
Total liabilities	<u>2,190,698</u>	<u>836,488</u>	<u>541,395</u>	<u>280,288</u>	<u>315,720</u>	<u>760,659</u>	<u>4,925,248</u>
Net assets (deficit):							
Invested in capital assets	-	-	12,243	-	-	138,952	151,195
Unrestricted	1,904,923	270,392	(300,700)	-	541,181	(92,521)	2,323,275
Total net assets (deficit)	<u>\$ 1,904,923</u>	<u>270,392</u>	<u>(288,457)</u>	<u>-</u>	<u>541,181</u>	<u>46,431</u>	<u>2,474,470</u>

CITY OF REDLANDS
Internal Service Funds

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

Year ended June 30, 2010

	Workers' Compensation Self-Insurance	Liability Self-Insurance	Information Technology	Payroll Clearing	Utility Billing	Equipment Maintenance	Total
Operating revenues:							
Charges for services	\$ 695,385	-	1,894,745	2,165,840	1,020,456	3,733,224	9,509,650
Other	8,212	6,309	-	-	443,230	-	457,751
Total operating revenues	<u>703,597</u>	<u>6,309</u>	<u>1,894,745</u>	<u>2,165,840</u>	<u>1,463,686</u>	<u>3,733,224</u>	<u>9,967,401</u>
Operating expenses:							
Personnel services	408,820	184,827	1,366,669	-	719,551	960,202	3,640,069
Repairs and maintenance	-	-	-	-	10,436	2,154,999	2,165,435
Administration and general	1,307,984	1,024,279	1,026,130	-	539,337	929,075	4,826,805
Depreciation	-	-	2,475	-	-	17,291	19,766
Premiums paid out	53,543	269,139	-	-	-	-	322,682
Total operating expenses	<u>1,770,347</u>	<u>1,478,245</u>	<u>2,395,274</u>	<u>-</u>	<u>1,269,324</u>	<u>4,061,567</u>	<u>10,974,757</u>
Operating income (loss)	<u>(1,066,750)</u>	<u>(1,471,936)</u>	<u>(500,529)</u>	<u>2,165,840</u>	<u>194,362</u>	<u>(328,343)</u>	<u>(1,007,356)</u>
Nonoperating revenues:							
Investment income	115,022	36,788	13,383	(9,851)	17,881	14,186	187,409
Total nonoperating revenues	<u>115,022</u>	<u>36,788</u>	<u>13,383</u>	<u>(9,851)</u>	<u>17,881</u>	<u>14,186</u>	<u>187,409</u>
Income (loss) before transfers	<u>(951,728)</u>	<u>(1,435,148)</u>	<u>(487,146)</u>	<u>2,155,989</u>	<u>212,243</u>	<u>(314,157)</u>	<u>(819,947)</u>
Transfers:							
Transfers in	-	500,000	-	257,251	-	-	757,251
Transfers out	-	-	-	(2,413,240)	-	-	(2,413,240)
Total transfers	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>(2,155,989)</u>	<u>-</u>	<u>-</u>	<u>(1,655,989)</u>
Change in net assets	<u>(951,728)</u>	<u>(935,148)</u>	<u>(487,146)</u>	<u>-</u>	<u>212,243</u>	<u>(314,157)</u>	<u>(2,475,936)</u>
Net assets at beginning of year	<u>2,856,651</u>	<u>1,205,540</u>	<u>198,689</u>	<u>-</u>	<u>328,938</u>	<u>360,588</u>	<u>4,950,406</u>
Net assets (deficit) at end of year	<u>\$ 1,904,923</u>	<u>270,392</u>	<u>(288,457)</u>	<u>-</u>	<u>541,181</u>	<u>46,431</u>	<u>2,474,470</u>

CITY OF REDLANDS
Internal Service Funds

Combining Statement of Cash Flows

Year ended June 30, 2010

	Workers' Compensation Self-Insurance	Liability Self-Insurance	Information Technology	Payroll Clearing	Utility Billing	Equipment Maintenance	Total
Cash flows from operating activities:							
Cash received from user departments	\$ 703,597	6,309	1,894,745	2,165,778	1,463,941	3,696,259	9,930,629
Cash payments to suppliers for goods and services	(1,346,270)	(1,046,484)	(827,652)	48,498	(466,222)	(2,967,250)	(6,605,380)
Cash payments for claims	68,457	(227,139)	-	-	-	-	(158,682)
Cash payments to employees for services	(401,628)	(150,672)	(1,348,052)	-	(767,447)	(929,281)	(3,597,080)
Net cash provided by (used for) operating activities	(975,844)	(1,417,986)	(280,959)	2,214,276	230,272	(200,272)	(430,513)
Cash flows from noncapital financing activities:							
Cash received from other funds	-	500,000	-	257,251	-	-	757,251
Cash paid to other funds	-	-	-	(2,413,240)	-	-	(2,413,240)
Net cash provided by (used for) noncapital financing activities	-	500,000	-	(2,155,989)	-	-	(1,655,989)
Cash flows from investing activities:							
Interest received	115,022	36,788	13,383	(9,851)	17,881	14,186	187,409
Net cash provided by investing activities	115,022	36,788	13,383	(9,851)	17,881	14,186	187,409
Net increase (decrease) in cash and cash equivalents	(860,822)	(881,198)	(267,576)	48,436	248,153	(186,086)	(1,899,093)
Cash and cash equivalents at beginning of year	4,956,443	1,988,078	508,271	231,790	604,721	618,081	8,907,384
Cash and cash equivalents at end of year	\$ 4,095,621	1,106,880	240,695	280,226	852,874	431,995	7,008,291

(Continued)

CITY OF REDLANDS
Internal Service Funds

Combining Statement of Cash Flows
(Continued)

	Workers' Compensation Self-Insurance	Liability Self-Insurance	Information Technology	Payroll Clearing	Utility Billing	Equipment Maintenance	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ (1,066,750)	(1,471,936)	(500,529)	2,165,840	194,362	(328,343)	(1,007,356)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	-	-	2,475	-	-	17,291	19,766
(Increase) decrease in accounts receivable	-	-	-	(62)	255	(36,965)	(36,772)
(Increase) decrease in inventory	-	-	-	-	-	4,995	4,995
Increase (decrease) in accounts payable	(38,751)	(27,592)	47,638	48,498	(2,644)	17,779	44,928
Increase (decrease) in accrued payroll	7,192	6,449	27,198	-	(1,565)	6,263	45,537
Increase (decrease) in claims payable	122,000	42,000	-	-	-	-	164,000
Increase (decrease) in compensated absences	-	27,706	(8,581)	-	(46,331)	24,658	(2,548)
Increase (decrease) in net OPEB obligation	465	5,387	150,840	-	86,195	94,050	336,937
Total adjustments	90,906	53,950	219,570	48,436	35,910	128,071	576,843
Net cash provided by (used for) operating activities	\$ (975,844)	(1,417,986)	(280,959)	2,214,276	230,272	(200,272)	(430,513)

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AGENCY FUNDS

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

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

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

CITY OF REDLANDS
 Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year ended June 30, 2010

	<u>Balance at</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2010</u>
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 4,141,384	3,405,847	3,885,960	3,661,271
Interest receivable	640,406	443,903	640,406	443,903
Total assets	<u>\$ 4,781,790</u>	<u>3,849,750</u>	<u>4,526,366</u>	<u>4,105,174</u>
Liabilities:				
Accounts payable	\$ 18,170	1,114,138	1,117,829	14,479
Deposits	4,763,620	325,570	998,495	4,090,695
Total liabilities	<u>\$ 4,781,790</u>	<u>1,439,708</u>	<u>2,116,324</u>	<u>4,105,174</u>
<u>Community Facilities District Trust</u>				
Assets:				
Cash and investments	\$ 2,510	-	-	2,510
Cash and investments with fiscal agent	2,623,008	1,063,500	1,065,335	2,621,173
Interest receivable	-	11,502	-	11,502
Total assets	<u>\$ 2,625,518</u>	<u>1,075,002</u>	<u>1,065,335</u>	<u>2,635,185</u>
Liabilities:				
Deposits	<u>\$ 2,625,518</u>	<u>1,357,434</u>	<u>1,347,767</u>	<u>2,635,185</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 4,143,894	3,405,847	3,885,960	3,663,781
Cash and investments with fiscal agent	2,623,008	1,063,500	1,065,335	2,621,173
Interest receivable	640,406	455,405	640,406	455,405
Total assets	<u>\$ 7,407,308</u>	<u>4,924,752</u>	<u>5,591,701</u>	<u>6,740,359</u>
Liabilities:				
Accounts payable	\$ 18,170	1,114,138	1,117,829	14,479
Deposits	7,389,138	1,683,004	2,346,262	6,725,880
Total liabilities	<u>\$ 7,407,308</u>	<u>2,797,142</u>	<u>3,464,091</u>	<u>6,740,359</u>

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	Page
Financial Trends	144
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	149
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	154
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	159
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	161
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 Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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	475,848,979	538,505,009	552,406,654
Restricted	7,680,350	20,217,874	20,169,777	19,302,690	19,431,228	17,261,278	30,310,832	28,304,090
Unrestricted	17,731,491	22,731,051	15,269,017	21,427,233	29,808,370	62,448,864	9,510,396	(2,664,585)
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>	<u>555,559,121</u>	<u>578,326,237</u>	<u>578,046,159</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	129,384,736	126,384,905	131,748,403
Restricted	-	-	-	-	-	-	4,120,375	4,166,635
Unrestricted	27,462,231	19,503,335	17,894,867	32,616,394	28,140,260	37,237,084	47,119,032	45,773,154
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>	<u>166,621,820</u>	<u>177,624,312</u>	<u>181,688,192</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	605,233,715	664,889,914	684,155,057
Restricted	7,680,350	20,217,874	20,169,777	19,302,690	19,431,228	17,261,278	34,431,207	32,470,725
Unrestricted	45,193,722	42,234,386	33,163,884	54,043,627	57,948,630	99,685,948	56,629,428	43,108,569
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>	<u>722,180,941</u>	<u>755,950,549</u>	<u>759,734,351</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 Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses:								
Governmental activities:								
General government	11,406,883	9,937,107	10,634,567	11,868,103	13,987,953	15,161,802	19,973,152	15,277,666
Public safety	21,521,649	27,458,958	32,397,475	36,994,587	36,805,550	37,623,861	38,005,815	40,002,463
Highway and streets	6,130,261	5,752,512	6,284,884	8,325,785	8,492,440	8,341,455	8,648,714	8,391,171
Culture and recreation	2,694,475	3,667,475	2,858,152	3,692,986	3,668,992	4,129,747	4,021,267	3,610,031
Library	1,569,843	1,707,371	1,806,206	1,871,418	1,845,482	1,955,443	2,082,948	2,167,109
Interest and fiscal charges	4,366,521	3,352,377	3,169,104	3,713,659	2,883,874	5,035,588	4,335,844	6,957,598
Total governmental activities expenses	47,689,632	51,875,800	57,150,388	66,466,538	67,684,291	72,247,896	77,067,740	76,406,038
Business-type activities:								
Water	14,743,147	15,018,863	15,165,061	14,882,261	14,926,296	14,112,424	15,666,955	15,813,173
Disposal	6,535,367	8,154,201	8,339,209	8,799,485	8,753,717	8,956,968	10,446,326	9,344,247
Sewer	4,384,793	7,465,712	6,945,863	6,922,541	7,458,724	7,650,890	8,021,053	7,888,041
Aviation	143,518	117,417	456,441	218,316	268,309	400,298	370,715	250,732
Cemetery	519,639	569,764	630,307	591,363	541,946	552,989	522,045	494,949
Groves	472,247	463,753	872,263	749,143	708,779	604,998	725,163	717,394
NP Water	-	-	-	-	-	-	-	411,980
Total business-type activities expenses	26,798,711	31,789,710	32,409,144	32,163,109	32,657,771	32,278,567	35,752,257	34,920,516
Total primary government expenses	74,488,343	83,665,510	89,559,532	98,629,647	100,342,062	104,526,463	112,819,997	111,326,554
Program revenues:								
Governmental activities:								
Charges for services:								
General government	7,739,885	5,920,646	5,644,238	6,559,998	6,393,161	5,826,011	5,290,837	5,112,805
Public safety	978,690	1,137,806	1,160,479	935,186	1,189,004	1,229,744	1,390,380	1,330,555
Highway and streets	417,834	1,189,059	1,201,865	1,491,579	1,623,290	1,891,618	1,286,006	1,159,894
Culture and recreation	303,366	251,492	219,018	263,771	230,870	237,357	277,167	222,454
Library	44,126	43,648	67,977	55,976	50,716	51,886	47,282	44,333
Operating grants and contributions	7,526,482	9,695,136	9,849,623	18,542,273	18,206,757	14,314,045	10,058,173	10,048,934
Capital grants and contributions	4,443,648	10,258,428	38,659,823	3,715,690	36,180,849	125,567,546	29,395,240	11,513,845
Total governmental activities program revenues	21,454,031	28,496,215	56,803,023	31,564,473	63,874,647	149,118,207	47,745,085	29,432,820
Business-type activities:								
Charges for services:								
Water	15,061,628	14,797,671	13,651,258	14,988,327	17,235,534	18,074,421	18,132,373	17,918,992
Disposal	8,396,057	8,815,119	11,619,754	9,056,597	9,060,415	9,297,234	9,631,846	8,893,718
Sewer	6,691,929	6,131,723	5,364,393	6,093,675	7,041,203	6,868,701	7,077,737	7,650,779
Aviation	331,945	90,768	86,507	154,907	210,434	230,835	254,398	292,300
Cemetery	422,644	475,047	455,865	561,620	537,454	401,733	308,923	419,284
Groves	374,712	464,116	950,970	713,935	720,621	600,363	439,670	551,266
NP Water	-	-	-	-	-	-	-	529,891
Operating grants and contributions	29,128	26,628	1,488,852	423,720	617,206	4,313,798	702,524	186,999
Capital grants and contributions	-	14,266,620	4,794,810	7,891,272	7,512,629	10,917,476	5,729,189	960,605
Total business-type activities program revenues	31,308,043	45,067,692	38,412,409	39,884,053	42,935,496	50,704,561	42,276,660	37,403,834
Total primary government program revenues	52,762,074	73,563,907	95,215,432	71,448,526	106,810,143	199,822,768	90,021,745	66,836,654
Net revenues (expenses):								
Governmental activities	(26,235,601)	(23,379,585)	(347,365)	(34,902,065)	(3,809,644)	76,870,311	(29,322,655)	(46,973,218)
Business-type activities	4,509,332	13,277,982	6,003,265	7,720,944	10,277,725	18,425,994	6,524,403	2,483,318
Total net revenues (expenses)	(21,726,269)	(10,101,603)	5,655,900	(27,181,121)	6,468,081	95,296,305	(22,798,252)	(44,489,900)
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	29,165,961	30,626,167	29,907,393
Sales taxes	10,546,723	10,870,623	13,646,820	15,267,688	14,762,456	13,986,798	11,862,852	11,669,250
Franchise taxes	816,204	939,519	996,858	1,097,157	3,659,356	4,044,161	5,476,066	2,886,836
Other taxes	892,445	1,080,199	1,115,401	1,230,525	1,543,302	1,726,102	1,354,067	1,167,543
Investment income	725,284	905,943	1,356,544	2,180,119	2,421,829	2,763,654	2,384,773	746,194
Intergovernmental (unrestricted)	7,467,008	3,394,937	8,261,949	1,225,814	654,950	496,302	436,414	370,373

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Land sale proceeds	-	216,174	-	-	-	-	-	-
Transfers	136,947	48,139	(729,010)	-	119,606	1,104,461	(50,568)	(54,449)
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>	<u>53,287,439</u>	<u>52,089,771</u>	<u>46,693,140</u>
Business-type activities:								
Property taxes	-	-	-	-	52,655	51,398	45,221	38,082
Investment income	1,378,230	611,614	1,147,888	1,442,393	2,714,291	2,478,925	2,029,765	1,488,031
Transfers	(136,947)	(48,139)	729,010	-	(119,606)	(1,104,461)	50,568	54,449
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>	<u>1,425,862</u>	<u>2,125,554</u>	<u>1,580,562</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>	<u>54,713,301</u>	<u>54,215,325</u>	<u>48,273,702</u>
Changes in net assets								
Governmental activities	8,243,262	9,324,148	39,648,133	10,013,998	46,387,977	130,157,750	22,767,116	(280,078)
Business-type activities	5,750,615	13,841,457	7,880,163	9,163,337	12,925,065	19,851,856	8,649,957	4,063,880
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>	<u>150,009,606</u>	<u>31,417,073</u>	<u>3,783,802</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 Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General fund:								
Reserved	9,099,467	7,693,349	8,559,857	8,886,457	8,893,298	10,169,670	10,972,417	11,947,625
Unreserved	<u>10,548,153</u>	<u>10,672,433</u>	<u>7,058,101</u>	<u>2,922,503</u>	<u>4,354,426</u>	<u>4,958,881</u>	<u>7,889,723</u>	<u>5,802,815</u>
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>	<u>15,128,551</u>	<u>18,862,140</u>	<u>17,750,440</u>
All other governmental funds:								
Reserved	1,428,001	2,601,356	11,500,492	2,033,335	6,977,364	4,274,778	10,888,944	10,779,313
Unreserved, reported in:								
Special revenue fund	5,301,464	17,717,671	9,791,298	16,410,790	17,708,775	23,528,904	19,904,622	15,648,593
Debt service fund	4,716,871	8,617,660	8,392,355	6,793,832	6,891,672	8,634,444	3,518,914	977,863
Capital projects fund	<u>1,039,229</u>	<u>6,470,702</u>	<u>6,862,140</u>	<u>9,865,235</u>	<u>9,361,936</u>	<u>9,632,720</u>	<u>1,772,665</u>	<u>2,272,252</u>
Total all other governmental funds:	<u>12,485,565</u>	<u>35,407,389</u>	<u>36,546,285</u>	<u>35,103,192</u>	<u>40,939,747</u>	<u>46,070,846</u>	<u>36,085,145</u>	<u>29,678,021</u>

NOTE:
The City of Redlands has elected to show only eight years of data for this schedule.

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:								
Taxes	25,874,219	28,211,269	31,241,724	41,642,820	47,142,875	49,074,516	49,319,152	45,816,050
Licenses, permits and fines	7,926,637	9,813,539	9,412,476	14,071,545	14,785,863	14,405,549	7,422,024	5,216,551
Intergovernmental	12,267,871	9,230,680	11,082,073	11,497,035	15,650,446	9,741,769	6,261,983	5,219,602
Charges for services	4,117,522	1,746,893	1,552,689	1,578,029	2,214,772	2,808,774	4,946,435	6,433,198
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	5,336,312	2,559,089	1,497,930
Contributions from property owners	-	6,608,423	-	-	-	-	-	-
Other	4,453,462	1,667,652	2,320,474	2,138,612	2,077,164	2,238,590	2,214,972	1,132,620
Total revenues	55,898,892	61,830,713	60,549,609	74,072,816	85,457,504	83,605,510	72,723,655	65,315,951
Expenditures								
Current:								
General government	12,144,871	9,548,691	10,308,122	11,478,185	13,758,100	19,638,037	19,663,593	14,533,699
Public safety	22,672,706	26,073,331	30,772,182	35,350,737	36,008,498	57,179,014	35,519,554	35,576,831
Highway and streets	4,415,591	3,542,929	6,600,623	5,076,512	5,434,175	4,826,627	4,844,425	4,131,236
Culture and recreation	2,567,771	2,443,711	2,594,046	3,344,777	3,311,493	3,821,206	3,534,250	2,940,479
Library	1,583,168	1,642,304	1,761,765	1,856,592	1,851,926	1,966,965	2,028,917	1,986,391
SERAF Obligation	-	-	-	-	-	-	-	2,389,188
Other Pass-through payments	-	-	-	-	-	-	-	424,628
Capital outlay	5,172,975	8,911,917	3,196,389	16,004,189	13,561,057	8,384,995	5,817,816	3,650,267
Debt service:								
Principal	4,356,901	1,727,146	2,449,329	2,403,739	3,955,548	4,198,760	4,541,378	5,192,896
Interest	2,754,952	1,989,154	2,709,433	3,275,252	2,660,716	3,332,948	3,986,341	3,795,676
Fiscal charges	184,346	276,104	468,879	447,327	238,111	732,990	351,335	38,920
Underwriters' fees	-	268,705	-	-	-	-	-	-
Cost of issuance	-	704,438	-	-	-	-	-	-
Total expenditures	55,853,281	57,128,430	60,860,768	79,237,310	80,779,624	104,081,542	80,287,609	74,660,211
Excess (deficiency) of revenues over (under) expenditures	45,611	4,702,283	(311,159)	(5,164,494)	4,677,880	(20,476,032)	(7,563,954)	(9,344,260)
Other financing sources (uses):								
Transfers in	6,265,001	18,897,881	8,407,181	9,655,411	11,985,951	18,608,919	21,658,490	14,225,197
Transfers out	(6,025,606)	(20,134,841)	(9,704,950)	(10,993,456)	(12,642,677)	(17,269,538)	(20,346,648)	(12,514,759)
Land sale proceeds	-	216,174	-	-	-	-	-	-
Proceeds of capital lease	-	654,891	-	1,250,448	1,269,165	236,136	-	114,998
Issuance of long term debt	17,366,732	17,300,000	-	-	1,985,000	30,502,392	-	-
Refunding bonds issued	-	5,380,000	-	-	-	-	-	-
Discount on issuance of long term debt	-	(154,936)	-	-	-	(297,722)	-	-
Premium on refunding bonds issued	-	142,261	-	-	-	-	-	-
Payment to refunding bond escrow agent	(17,338,898)	(5,363,727)	-	-	-	(4,292,229)	-	-
Total other financing sources (uses)	267,229	16,937,703	(1,297,769)	(87,597)	2,597,439	27,487,958	1,311,842	1,825,436
Net change in fund balances	312,840	21,639,986	(1,608,928)	(5,252,091)	7,275,319	7,011,926	(6,252,112)	(7,518,824)
Debt service as a percentage of noncapital expenditures ¹	16.4%	8.6%	9.9%	9.9%	11.0%	8.6%	13.0%	14.5%

NOTE:

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

¹ Calculated by dividing the sum of principal and interest by the sum of current expenditures excluding 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
2001	2,828,293	104,875	(73,957)	2,859,211	229,932	40,466	(780)	269,618	0.31211
2002	2,954,145	120,501	(75,664)	2,998,982	247,116	42,240	(801)	288,555	0.31489
2003	3,332,102	145,151	(79,354)	3,397,899	271,199	49,078	(823)	319,454	0.31197
2004	3,672,991	152,007	(79,354)	3,745,644	287,821	46,720	(854)	333,687	0.30679
2005	4,072,008	137,651	(79,611)	4,130,048	316,589	44,019	(843)	359,765	0.30228
2006	4,854,140	160,644	(79,240)	4,935,544	348,224	47,055	(841)	394,438	0.28835
2007	5,745,855	164,409	(79,612)	5,830,652	390,031	49,336	(774)	438,593	0.27624
2008	6,535,813	204,391	(79,555)	6,660,649	428,699	56,938	(767)	484,870	0.27390
2009	6,935,648	231,948	(79,734)	7,087,862	456,545	58,275	(764)	514,056	0.27478
2010	6,518,846	232,468	(79,791)	6,671,523	705,249	81,977	(5,199)	782,027	0.27641

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 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 & Coe)
California Municipal Statistics, Inc.
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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Residential	2,390,268	2,491,831	2,731,840	3,035,139	3,298,525	3,717,496	4,232,501	4,724,469	4,866,787	4,511,071
Commercial	358,716	385,745	426,292	446,564	492,024	560,210	658,585	745,188	828,697	905,533
Industrial	77,254	85,389	120,855	182,833	232,590	257,161	325,169	495,797	682,669	732,243
Dry Farm	1,722	1,755	2,062	1,113	1,097	337	344	840	714	-
Government	3,976	4,312	4,050	3,444	8,320	4,284	4,370	4,457	1,380	471
Institutional	9,777	11,874	27,394	10,896	15,557	25,209	13,607	14,163	14,604	14,399
Irrigated	22,481	29,626	26,701	24,053	29,247	39,464	41,481	36,360	40,045	32,307
Miscellaneous	5,685	8,113	70,751	15,709	11,049	12,328	12,968	18,547	17,869	14,379
Recreational	25,797	26,103	26,336	26,728	27,379	27,870	27,527	28,932	30,591	31,864
Vacant Land	145,896	139,106	149,807	151,675	175,163	248,366	264,268	289,940	313,328	307,578
SBE Nonumitary	16,645	17,407	17,213	61,061	96,019	306,375	555,066	605,819	595,509	664,832
Unsecured	145,341	162,741	194,229	198,727	181,670	207,699	213,745	261,329	290,223	323,863
Unknown	8	-	-	1,597	1,627	3,264	-	-	-	-
Total Assessed Value	3,203,566	3,364,002	3,797,530	4,159,539	4,570,267	5,410,063	6,349,631	7,225,841	7,682,416	7,538,540
Less: Exemptions	(74,737)	(76,465)	(80,177)	(80,208)	(80,454)	(80,081)	(80,386)	(80,322)	(80,498)	(84,990)
Taxable Assessed Value	3,128,829	3,287,537	3,717,353	4,079,331	4,489,813	5,329,982	6,269,245	7,145,519	7,601,918	7,453,550
Total Direct Rate	0.31211	0.31489	0.31197	0.30679	0.30228	0.28835	0.27624	0.27390	0.27478	0.27641

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 Eight Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010
City Basic Rate	0.21455	0.21455	0.21455	0.21455	0.21455	0.21455	0.21878	0.21868
Overlapping Rates:								
County General Fund	0.14707	0.14707	0.14707	0.14707	0.14707	0.14707	0.14600	0.14600
County Superintendent	0.00755	0.00755	0.00755	0.00755	0.00755	0.00755	0.00750	0.00750
East Valley Resource Conservation District	0.00049	0.00049	0.00049	0.00049	0.00049	0.00049	0.00050	0.00050
Educational Revenue Augmentation Fund	0.22257	0.22257	0.22257	0.22257	0.22257	0.22257	0.22110	0.22110
Flood Control Zone 3	0.02584	0.02584	0.02584	0.02584	0.02584	0.02584	0.02560	0.02560
Flood Control Zone 8	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00088	0.00088
Redlands Unified	0.30207	0.30207	0.30207	0.30207	0.30207	0.30207	0.30160	0.30160
San Bernardino Community College	0.05185	0.05185	0.05185	0.05185	0.05185	0.05185	0.05130	0.05130
San Bernardino Valley Municipal Water	0.02668	0.02668	0.02668	0.02668	0.02668	0.02668	0.02630	0.02640
San Bernardino Valley Water Conservation District	0.00044	0.00044	0.00044	0.00044	0.00044	0.00044	0.00044	0.00044
Total Proposition 13 Rate	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<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	0.01030	0.00990	0.01060
Redlands Unified	0.03510	0.06280	0.04690	0.04490	0.03760	0.03220	0.05190	0.05410
San Bernardino Community College	-	0.01690	0.01890	0.01660	0.01950	0.01270	0.03930	0.02800
San Bernardino Unified	0.03150	0.04100	0.09160	0.07880	0.07070	0.06610	0.06780	0.07470
San Bernardino Valley Municipal Water	0.14000	0.14000	0.14000	0.16000	-	-	-	-
San Bernardino Valley Municipal Water Debt Service	-	-	-	-	0.15500	0.16500	0.16500	0.16500
Total Voter Approved Rate	<u>0.22620</u>	<u>0.27840</u>	<u>0.31290</u>	<u>0.31380</u>	<u>0.29480</u>	<u>0.28630</u>	<u>0.33390</u>	<u>0.33240</u>
Total Tax Rate	<u>1.22620</u>	<u>1.27840</u>	<u>1.31290</u>	<u>1.31380</u>	<u>1.29480</u>	<u>1.28630</u>	<u>1.33390</u>	<u>1.33240</u>
RDA Incremental Rate	1.15960	1.15770	1.15550	1.17350	1.16700	1.17530	1.17490	1.1756
Total Direct Rate	0.31197	0.30679	0.30228	0.28835	0.27624	0.27390	0.27478	0.27641

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	2010		2001	
	Total Assessed Value	Percentage of Total City Assessed Value	Total Assessed Value	Percentage of Total City Assessed Value
Mountainview Power Company	\$ 664,600	8.82%	\$ -	N/A
Prologis	113,163	1.50%	-	N/A
AMB Institutional Alliance Fund	78,000	1.03%	-	N/A
Evans Withycombe Residential	72,003	0.96%	62,030	1.94%
Catellus	53,060	0.70%	-	N/A
2301 W. San Bernardino Avenue Investment Group	53,039	0.70%	-	N/A
NYS, LLC	48,076	0.64%	-	N/A
Redlands Business Center, LLC	46,736	0.62%	-	N/A
Mountainview Industrial Center LLC	40,901	0.54%	-	N/A
US Industrial REIT II Trust	38,324	0.51%	-	N/A
Union Pacific Railroad	-	N/A	21,705	0.68%
Paul J. Dangermond	-	N/A	15,917	0.50%
Mitsui SBD America Fund 88 II	-	N/A	13,267	0.41%
Wal Mart Stores Inc.	-	N/A	12,423	0.39%
ESRI	-	N/A	12,098	0.38%
California Gateway	-	N/A	10,615	0.33%
Spieker Northwest Inc.	-	N/A	10,370	0.32%
Cemex USA Construction Materials	-	N/A	9,801	0.31%
Showprop Redlands	-	N/A	9,244	0.29%
	<u>\$ 1,207,902</u>	<u>16.02%</u>	<u>\$ 177,470</u>	<u>5.55%</u>

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
2001	11,994,176	11,512,935	95.99%	329,758	11,842,693	98.74%
2002	11,864,336	11,589,661	97.68%	765,510	12,355,171	104.14%
2003	13,523,293	13,093,816	96.82%	829,560	13,923,376	102.96%
2004	14,453,979	14,146,989	97.88%	682,615	14,829,604	102.60%
2005	18,648,647	18,153,068	97.34%	722,833	18,875,901	101.22%
2006	22,796,971	22,204,121	97.40%	1,392,399	23,596,520	103.51%
2007	26,404,200	25,513,769	96.63%	1,292,499	26,806,268	101.52%
2008	28,989,125	27,666,659	95.44%	1,487,446	29,154,105	100.57%
2009	29,041,866	27,732,874	95.49%	1,820,062	29,552,936	101.76%
2010	27,857,389	27,284,416	97.94%	1,625,142	28,909,558	103.78%

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. Collections in Subsequent Years may include delinquent tax payments from multiple years which are not identified separately by the County of San Bernardino.

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	Taxable Pension Bonds	Tax Allocation Bonds	Certificates of Participation	Loans	Total Governmental Activities	Water Revenue Bonds	Wastewater Revenue Bonds	Certificates of Participation	Loans	Business-type Activities	Total Business-type Activities			
2001	5,780,000	-	29,715,000	20,300,000	-	55,795,000	22,295,000	17,095,000	4,515,000	1,346,816	45,251,816	101,046,816	6.75%	1,547	
2002	5,470,000	-	28,865,000	19,005,000	253,272	53,593,272	21,210,000	16,395,000	3,880,000	2,006,599	43,491,599	97,084,871	6.30%	1,471	
2003	5,140,000	-	27,985,000	17,366,732	195,287	50,687,019	20,085,000	15,670,000	3,205,000	2,692,748	41,652,748	92,339,767	5.69%	1,366	
2004	4,940,000	-	44,375,000	17,313,394	333,237	66,961,631	18,910,000	14,915,000	2,480,000	11,995,991	48,300,991	115,262,622	6.66%	1,675	
2005	4,510,000	-	42,680,000	17,260,056	235,277	64,685,333	17,685,000	14,130,000	1,705,000	11,199,198	44,719,198	109,404,531	5.97%	1,556	
2006	4,075,000	-	41,105,000	16,620,000	135,647	61,935,647	16,415,000	13,315,000	880,000	12,508,935	43,118,935	105,054,582	5.45%	1,478	
2007	3,625,000	-	39,375,000	15,310,000	2,048,891	60,358,891	15,090,000	12,460,000	-	12,069,804	39,619,804	99,978,695	4.98%	1,401	
2008	3,170,000	25,907,621	37,930,000	13,955,000	1,965,577	82,928,198	13,700,000	11,565,000	-	11,496,989	36,761,989	119,690,187	5.72%	1,667	
2009	2,695,000	25,626,705	36,080,000	12,575,000	1,902,279	78,878,984	12,250,000	10,635,000	-	10,909,182	33,794,182	112,673,166	5.16%	1,573	
2010	2,195,000	24,773,830	34,185,000	11,160,000	1,858,954	74,172,784	10,730,000	9,660,000	-	10,305,982	30,695,982	104,868,766	4.74%	1,458	

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	Taxable Pension Bonds	Tax Allocation Bonds	Certificates of Participation	Loans	Total		
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
2008	3,170	25,908	37,930	13,955	1,966	82,928	1.15%	1,155
2009	2,695	25,627	36,080	12,575	1,902	78,879	1.03%	1,101
2010	2,195	24,774	34,185	11,160	1,859	74,173	0.98%	1,031

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, 2010

Total 2009-2010 Assessed Valuation	\$ 7,538,540,177	
Redevelopment Agency Incremental Valuation	<u>535,704,042</u>	
Adjusted City Assessed Valuation	<u>\$ 7,002,836,135</u>	
	Percentage	Estimated
	Applicable ¹	Share of
		Overlapping
	Outstanding	Debt
	Debt 06/30/10	Debt
Overlapping Tax and Assessment Debt:		
San Bernardino Community College District	16.381%	\$ 71,080,392
Redlands Unified School District	67.434%	74,396,415
San Bernardino City Unified School District	0.098%	152,140
City of Redlands Community Facilities District No. 2001-1	100.000%	7,555,000
City of Redlands Community Facilities District No. 2003-1	100.000%	<u>9,385,000</u>
Total Overlapping Tax and Assessment Debt		<u>162,568,947</u>
Overlapping General Fund Debt:		
San Bernardino County General Fund Obligations	5.364%	\$ 38,933,789
San Bernardino County Pension Obligations	5.364%	34,778,062
San Bernardino County Flood Control District General Fund Obligations	5.364%	6,153,044
San Bernardino Valley Municipal Water District Certificates of Participation	23.506%	276,196
Redlands Unified School District Certificates of Participation	67.434%	3,371,700
Yucaipa-Calimesa Joint Unified School District Authority	0.817%	<u>127,166</u>
Total Gross Overlapping General Fund Debt		<u>83,639,957</u>
Less: San Bernardino Valley Municipal Water District Certificates of Participation		(276,196)
Less: Redlands Unified School District Self-Supporting Qualified Zone Academy Bonds		<u>(3,371,700)</u>
Total Net Overlapping General Fund Debt		<u>79,992,062</u>
Total Gross Overlapping Debt		\$ 246,208,905
Total Net Overlapping Debt		\$ 242,561,009
Direct Tax and Assessment Debt:		
City of Redlands	100.000%	<u>\$ 2,195,000</u>
Direct General Fund Debt:		
City of Redlands General Fund Obligations	100.000%	\$ 11,160,000
City of Redlands Pension Obligations	100.000%	<u>24,773,830</u>
Total Gross Overlapping General Fund Debt		<u>35,933,830</u>
Total Direct Debt		\$ 38,128,830
Total Gross Direct and Overlapping Debt ²		\$ 284,337,735
Total Net Direct and Overlapping Debt ²		\$ 280,689,839

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed valuation	3,203,366,422	3,364,001,725	3,797,530,098	4,159,538,812	4,570,267,222	5,410,062,595	6,349,631,333	7,225,841,687	7,682,415,838	\$ 7,538,540,177
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	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	1,806,460,422	1,920,603,960	1,884,635,044
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	120,133,741	126,150,065	142,407,379	155,982,705	171,385,021	202,877,347	238,111,175	270,969,063	288,090,594	282,695,257
Total net debt applicable to limit: General obligation bonds	5,780,000	5,470,000	5,140,000	4,940,000	4,510,000	4,075,000	3,625,000	3,170,000	2,695,000	2,195,000
Legal debt margin	114,353,741	120,680,065	137,267,379	151,042,705	166,875,021	198,802,347	234,486,175	267,799,063	285,395,594	280,500,257
Total debt applicable to the limit as a percentage of debt limit	4.8%	4.3%	3.6%	3.2%	2.6%	2.0%	1.5%	1.2%	0.9%	0.8%

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		Coverage	Wastewater Revenue	Less Operating Expenses	Net Available Revenue		Coverage	Tax Increment	Debt Service		Coverage	
			Principal	Interest				Principal	Interest			Principal	Interest		
2001	10,458,450	8,498,058	1,960,392	1,050,000	1,041,849	0.94	4,315,888	3,542,829	773,059	675,000	803,699	820,000	1,354,963	1.54	
2002	11,335,908	9,230,587	2,105,321	1,085,000	1,002,351	1.01	4,318,650	3,689,006	629,644	700,000	778,261	850,000	1,323,168	1.73	
2003	15,073,046	11,108,209	3,964,837	1,125,000	957,669	1.90	6,691,929	3,941,439	2,750,490	725,000	750,812	880,000	1,291,163	1.93	
2004	17,392,023	11,107,771	6,284,252	1,175,000	910,148	3.01	17,829,276	4,630,817	13,198,459	755,000	721,588	910,000	1,377,309	1.86	
2005	16,131,641	11,292,982	4,838,659	1,225,000	862,735	2.32	7,995,331	4,891,105	3,104,226	785,000	691,166	1,695,000	1,866,995	1.20	
2006	19,199,475	11,976,185	7,223,290	1,270,000	811,565	3.47	9,919,748	4,584,864	5,334,884	815,000	656,110	1,575,000	1,815,247	1.74	
2007	21,807,806	11,514,062	10,293,744	1,325,000	751,770	4.96	11,288,913	5,353,523	5,935,390	855,000	618,371	1,730,000	1,762,942	1.68	
2008	21,741,391	11,261,448	10,479,943	1,390,000	688,065	5.04	9,982,096	5,645,675	4,336,421	895,000	580,299	1,785,000	1,725,164	1.78	
2009	20,449,999	12,606,173	7,843,826	1,450,000	624,860	3.78	9,330,293	5,982,855	3,347,438	930,000	539,684	1,850,000	1,734,574	1.83	
2010	18,925,773	12,560,995	6,364,778	1,520,000	558,035	3.06	8,079,798	5,718,330	2,361,468	975,000	496,821	1,895,000	1,658,316	1.84	

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)
2001	65,313	1,497,888,342	22,934	3.6%
2002	65,984	1,541,122,304	23,356	4.3%
2003	67,604	1,621,617,148	23,987	4.5%
2004	68,832	1,729,610,496	25,128	4.2%
2005	70,324	1,833,206,032	26,068	3.8%
2006	71,086	1,928,847,524	27,134	3.5%
2007	71,375	2,007,564,625	28,127	4.1%
2008	71,807	2,093,533,085	29,155	5.7%
2009	71,646	2,183,555,007	30,029	10.3%
2010	71,926	2,211,796,426	30,751	10.5%

- 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; 2009-2010 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 Redlands from 2000-2008, for 2009 the Redlands the June 2009 rate is shown and for 2010, the Redlands Oct. 2010 rate is shown)

CITY OF REDLANDS
Principal Employers
Current Year and Nine Years Ago

Employer	2010		2001	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Loma Linda University Behavioral Medical	5,000	14.97%	*	*
ESRI	1,500	4.49%	1,463	4.56%
United States Postal Service	1,400	4.19%	1,220	3.80%
Redlands Unified School District	1,108	3.32%	1,550	4.83%
Redlands Community Hospital	1,100	3.29%	755	2.35%
University of Redlands	600	1.80%	550	1.71%
City Of Redlands	555	1.66%	446	1.39%
Beaver Medical Group	518	1.55%	362	1.13%
Wal-Mart Stores, Inc.	400	1.20%	324	1.01%
La-Z-Boy, Inc.	390	1.17%	403	1.26%
Klaussner Furniture	*	*	325	1.01%
Total of Top Employers	12,571		7,398	
Total Employees in City	33,398		32,100	

NOTE:

"Total Employment" as used above represents the total employment of all employers located within City limits.

For 2010, the June 2010 non-preliminary employment figure (33,398) was used.

For 2001, the June 2001 non-preliminary employment figure (32,100) was used.

Sources:

InfoGroup via HdL Coren & Cone

City of Redlands for 2001

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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Full-time employees:										
City clerk's office	2	2	2	2	2	2	2	2	-	-
City manager's office	7	7	6	6	6	6	6	8	6	5
City treasurer's office	8	8	8	8	7	7	7	6	-	-
Community development	18	18	16	18	18	18	19	17	17	15
Finance	12	12	12	12	12	11	12	13	24	21
Fire	60	60	60	60	60	67	67	64	64	61
Human Resources	5	5	5	5	5	5	5	6	4	4
Library	21	21	21	21	21	21	21	20	20	17
Management information systems	4	4	4	4	4	4	4	10	14	11
Municipal utilities and engineering:										
Administration	19	19	18	23	23	29	31	34	26	23
Water	39	39	41	38	38	39	40	41	45	48
Wastewater	21	21	24	24	24	24	24	24	24	24
Police	130	138	151	157	154	161	161	149	158.5	132.5
Quality of life										
Administration, parks & streets	53	53	56	57	56	52	53	48	47	37
Equipment maintenance	14	14	15	15	15	15	15	15	11	11
Solid waste	38	38	42	44	42	40	40	39	37	38
Cemetery	7	7	7	7	7	5	3	3	3	3
Redevelopment	-	-	-	-	-	5	5	9	9.5	4.5
	<u>458</u>	<u>466</u>	<u>488</u>	<u>501</u>	<u>494</u>	<u>511</u>	<u>515</u>	<u>508</u>	<u>510</u>	<u>455</u>
Part-time employees ¹	-	-	-	-	-	72	67	56	45	40
At-will employees	-	-	-	-	-	10	10	-	-	-
Grant-funded employees	<u>7</u>	<u>7</u>	<u>13</u>	<u>16</u>	<u>14</u>	<u>15</u>	<u>14</u>	<u>14</u>	<u>3</u>	<u>11</u>
Total	<u>465</u>	<u>473</u>	<u>501</u>	<u>517</u>	<u>508</u>	<u>608</u>	<u>606</u>	<u>578</u>	<u>558</u>	<u>506</u>

¹ Data not available for all fiscal years.

Reorganizations in 2008 created new departments, moved divisions and transferred employees. Historical data has been changed to reflect some but not all of these reorganizations.

Since 2006, At-will employees have not been counted. Currently there are three At-will employees.

Source: City of Redlands Budget

CITY OF REDLANDS
 Operating Indicators
 by Function
 Last Ten Fiscal Years

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Calls for service ¹	45,614	48,124	55,512	63,727	63,560	59,182	56,821	61,184	58,702	54,725
Emergency calls for service ¹	8,899	8,900	9,699	10,521	11,178	11,970	16,546	2,643	2,739	3,091
Citations issued ¹	10,514	8,180	9,338	8,291	5,410	5,242	7,390	3,754	7,639	6,516
Fire:										
Number of incidents	6,319	6,340	6,675	7,116	7,040	7,625	8,038	7,885	8,113	8,239
Inspections performed ¹	2,262	2,355	2,456	2,498	2,576	2,737	3,610	2,296	3,145	2,794
Building and safety:										
Permits issued ²	2,409	2,385	2,876	3,070	2,997	2,838	2,967	2,446	1,453	1,721
Inspections performed ²	11,048	10,970	12,228	15,961	15,679	17,273	14,611	15,868	12,543	7,920
Parks and recreation:										
Community center attendance	39,686	46,968	36,211	45,228	35,160	62,048	69,861	85,216	68,093	37,973
Senior center attendance	43,452	48,788	47,941	43,644	42,496	43,374	43,633	41,258	34,899	43,706
Joselyn center attendance	39,989	40,175	47,292	43,201	49,808	39,328	40,830	38,960	43,989	37,477
Youth sports attendance	25,266	20,963	12,980	15,781	17,781	14,859	4,665	7,284	10,991	6,787
Adult sports attendance	12,943	14,780	10,255	11,989	20,418	19,797	17,427	30,509	10,259	10,260
Water:										
Number of services	18,857	19,357	19,670	20,140	20,500	21,047	21,450	21,547	21,667	21,534
Average daily consumption (thousands of gallons)	23,600	28,200	25,700	25,400	27,000	23,553	29,458	33,650	22,346	29,960
Solid waste:										
Recycled materials (tons) ²	19,495	21,058	24,502	29,794	37,123	38,083	40,851	34,317	37,334	28,329
Refuse disposed (tons) ²	50,250	52,034	54,599	56,865	59,745	61,607	58,402	57,480	54,171	78,832
Library:										
Number of volumes	129,472	134,032	138,513	136,671	138,446	141,310	140,644	141,241	142,050	142,945

¹ Data is calendar year, instead of fiscal year. Data is by Fiscal Year for 2009.

² Data not available for all years.

In FY 2007/2008 the Police department switched reporting to a fiscal year basis and began reporting emergency calls as priority 1 calls only.

Source: City of Redlands

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	4	4	4	4	4	4	4	4	2	2
Fire:										
Fire stations	3	3	3	3	4	4	4	4	4	4
Public works:										
Streets (miles)	285	290	305	307	310	312	315	315	315	315
Traffic signals (city-owned)	51	54	58	61	61	64	68	68	68	68
Parks and recreation:										
Parks (acreage)	250	250	250	250	250	250	230	230	260	260
Groves (acreage)	268	268	200	175	175	196	192	204	204	204
Community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	361	361	368	381	387	407	416	421	404	386
Maximum daily production capacity (thousands of gallons)	42,600	45,400	45,400	55,400	59,000	50,000	50,000	55,000	55,000	55,000
Non Potable Water *										
Water mains (miles)	-	-	-	-	-	-	-	-	28	28.46
Maximum daily production capacity (thousands of gallons)	-	-	-	-	-	-	-	-	4,500	4,500
Wastewater:										
Sewers (miles)	215	215	222	222	226	232	239	239	241	239
Daily capacity of wastewater plant (thousands of gallons)	9,500	9,500	9,500	9,500	9,500	9,500	5,500	5,500	9,500	9,500
Solid waste:										
Landfill (city-owned)	1	1	1	1	1	1	1	1	1	1
Library:										
Public library	1	1	1	1	1	1	1	1	1	1

* Beginning in 2008-2009 potable and non potable water data is reported separately.

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