



***Comprehensive Annual Financial Report  
for the year ended June 30, 2008***

***Redlands' City Council Members***

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

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

*Cover photograph courtesy of A.K. Smiley Public Library*



CITY OF REDLANDS  
CALIFORNIA

Comprehensive Annual Financial Report

Year ended June 30, 2008

Prepared by:  
FINANCE DEPARTMENT

Tina T. Kundig  
Finance Director/City Treasurer



CITY OF REDLANDS  
Comprehensive Annual Financial Report  
Year ended June 30, 2008

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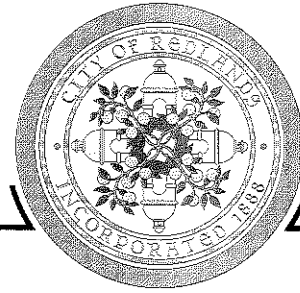
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**INTRODUCTORY SECTION**

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# City of Redlands



December 22, 2008

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, 2008.

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, 2008, 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, 2008, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

*"Preserving the Past, Protecting the Future"*



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

## PROFILE OF THE GOVERNMENT

The City of Redlands, incorporated in 1888, is located 63 miles east of Los Angeles, 110 miles north of San Diego, and 500 miles southeast of San Francisco. It lies within the San Bernardino Valley in the southwestern portion of San Bernardino County, covering an area of 36 square miles, within the heart of the Inland Empire. It serves a population of 71,807 residents.

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

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

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

## ECONOMIC CONDITION AND OUTLOOK

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

**Local economy.** City of Redlands' economy is based largely in the service and trade sectors (health care, retail trade, government, and education) and light manufacturing. The region has a varied manufacturing and industrial base that adds to the relative stability of the unemployment rate which is at 5.7%. Since 1999, the annual unemployment rate for the City has ranged from a low of 3.4% to a high of 5.7%.

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

The City's property tax base has shown steady growth since fiscal year 2000-2001 with an average annual increase in assessed valuation of 12.4%. The City of Redlands experienced a net taxable value increase of 13.8% for the 2007-2008 tax roll. The increase experienced county wide was 15.8%. The assessed value increase from the prior year was \$876.2 million, with \$111 million or 12.7% of that amount attributable to the 2% CPI adjustment granted by the County assessor. The largest assessed value increase on a single parcel, \$44.5 million, was reported on an industrial property owned by Prologis Exchange California. Lucky Seven LLC reported a re-organization of the corporation structure which resulted in a re-appraisal of this residential site for a year-to-year increase of \$11.6 million. The taxable value of residential property in the City increased by \$492 million (11.62%), commercial property increased by \$86.7 million (13.15%), and industrial property increased by \$170.6 million (52.47%). Since fiscal year 2000-2001 assessed valuation for the City of Redlands increased 126% reaching \$7.2 billion.

Development activity occurring in fiscal year 2007-2008 remained strong through the first six months and tapered off toward the end of the fiscal year due to the downturn in the economy. Residential growth continued to experience a slow down, with approximately 120 dwelling units permitted, the same as in prior year. The strongest activity continued to be industrial development relative to industrial parks and warehouse distribution, with over 1 million square feet of industrial buildings permitted during fiscal year 2007-2008.

Office development was very strong in fiscal year 2006-2007 and continued strong during the first part of fiscal year 2007-2008, with approximately 250,000 square feet of office buildings permitted for administrative, professional and medical uses.

Retail development remained soft with less than 100,000 square feet of new retail buildings permitted in fiscal year 2007-2008.

Approved projects or projects nearing approval consist of approximately 760 residential dwelling units, approximately 806,323 square feet of commercial buildings, approximately 269,937 square feet of office buildings, and approximately 1,556,770 square feet of industrial buildings. Development of these projects is dependent on how quickly the economy recovers.

In addition to the development projects noted above, the City completed street rehabilitations on approximately 14 lane miles of roadway using voter approved Measure "I" and Proposition 1B funding sources. The street improvements were completed on Citrus Avenue, Orange Street, Terracina Boulevard, and Redlands Boulevard. Additionally, the City partnered with Mountain View Power to construct the street widening improvements on San Bernardino Avenue from Mountain View Avenue to California Street.

Significant improvements were completed at the City's new Sports Complex located at Dearborn Street and San Bernardino Avenue, to include a new restroom and concession stand, finishing the parking lot paving and paving adjacent to the park on San Bernardino Avenue.

During this period, the City has prepared a number of significant projects for construction in the following year. These projects include the Stuart Street Storm Drain, new traffic signals to be located on Eureka Street at Colton Avenue and at Stuart Avenue and on 6<sup>th</sup> Street I-10 Freeway ramps. Additionally, the City has coordinated with Caltrans for a traffic signal at the Orange Street off ramp at Eureka Street and Pearl Avenue. The City is preparing the design to replace and relocate a major segment of the 80-year old Highline pipeline that connects to the historic Country Club Reservoirs. This will be the second of four segments of the vintage facility to be replaced. The Highline is a major transmission main that conveys water from the City's Tate Water Treatment Plant to supply various areas of Redlands. The last project to be highlighted is the expansion of the California Street Landfill. This is a municipally owned and operated Landfill for the benefit of Redlands. In order to maintain disposal capacity at the facility there will be six expansion projects that will extend the facility life to approximately the year 2035. The second expansion is scheduled for implementation in fiscal year 2008-2009 and will extend the California Street Landfill to approximately 2014. The City of Redlands is fortunate to possess this landfill operation that is managed to the betterment of the citizens of Redlands.

**Long-term financial outlook/planning.** Over the last few years the City has faced financial challenges as a result of the State Budget crisis, increases in PERS rates, increases in employee contracts, and employee retirements. As a result, up until fiscal year 2006-2007, the City's General Fund expenditures exceeded revenues, thereby causing a steady reduction in unreserved fund balance. Although the City experienced significant growth in property taxes, sales taxes and development during these years, its revenues still were not able to keep pace with its expenditures. Accordingly, the City began to focus on financial policy decisions to balance the budget, establish minimum reserve levels, as well as review service levels, enhance revenue opportunities, evaluate reorganizations and develop capital improvement plans. These actions helped the City's General Fund achieve net increases in fund balance two years in a row, with its fund balance increasing by \$1.4 million during fiscal year 2006-2007 and by \$1.9 million during fiscal year 2007-2008. This kind of innovation and teamwork by the Council, staff and the citizens of Redlands is critical to the City's financial future, particularly given the current economic decline and the expectation that the economy may not rebound for several years.

**Cash management policies and practices.** During the year, temporarily idle cash was invested in demand deposits, certificates of deposits, obligations of the U.S. Treasury and its agencies, commercial paper, mutual funds, and the state of California Local Agency Investment Fund. The City's current investment policy is to keep its portfolio as liquid as necessary to meet the City's needs, minimize credit and market risks, and still maintain an acceptable yield. Accordingly, most city funds are invested in the State's Local Agency Investment Fund or in Federal Agency securities. All investments were held by the City or held in the City's name by Bank of New York's safekeeping department. The maturities of the investments range from 1 day to 1,822 days, with a weighted average maturity of 1,060 days. The average yield on investments was 3.142 percent at June 30, 2008.

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

**Pension and other postemployment benefits.** The City contributes to the California Public Employees Retirement System, an agent multiple-employer public employee defined benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by this funding policy. A discussion of the amortization of the unfunded actuarial liability associated with employee services rendered to date is discussed in Note 9 of the Notes to the 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. As of the end of the current fiscal year, there were 243 retirees eligible to receive these benefits, which are financed on a pay-as-you-go basis. Additional information regarding the City's pension arrangements and post-employment benefits can be found in Note 10 of the Notes to the Basic Financial Statements.

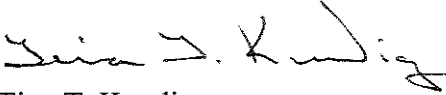
#### Awards and Acknowledgements

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, and 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Tina T. Kundig".

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, 2007

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



*Oliver S. Cox*

President

*Jeffrey R. Emery*

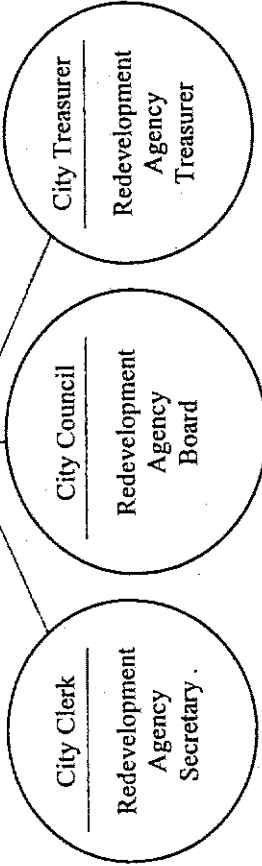
Executive Director

CITY OF REDLANDS  
PRINCIPAL OFFICERS

CITY COUNCIL (Elected)	Jon P. Harrison, Mayor Patricia L. Gilbreath, Mayor Pro Tem Peter R. Aguilar, Councilmember Michael T. Gallagher, Councilmember Jerry Bean, Councilmember
CITY MANAGER	N. Enrique Martinez
CITY CLERK (Elected)	Lorrie C. Poyzer
CITY TREASURER (Elected)	Michael Reynolds
CITY ATTORNEY	Daniel J. McHugh
CHIEF INFORMATION OFFICER	David Hexem
COMMUNITY DEVELOPMENT DIRECTOR	Oscar W. Orci
FINANCE DIRECTOR	Tina T. Kundig
FIRE CHIEF	James J. Drabinski
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
REDEVELOPMENT DIRECTOR	Daniel G. Hobbs

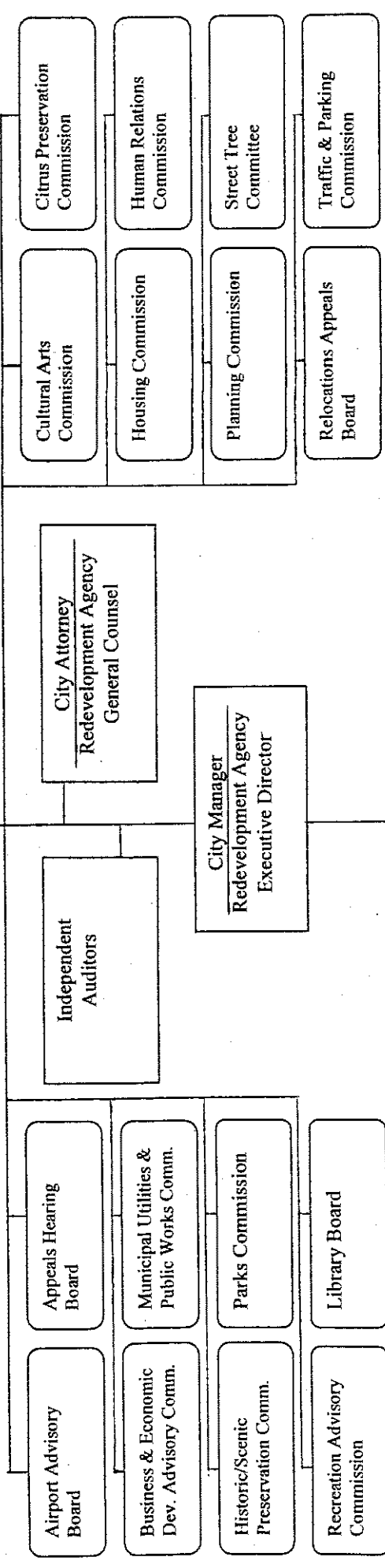
CITY OF REDLANDS, CA  
 ORGANIZATIONAL CHART  
 Approved by  
*N. Enrique Martínez*  
 N. Enrique Martínez, City Manager  
 Effective December, 2008

# VOTERS



**LEGEND**

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



**LIBRARY**  
 Library Services  
 Lincoln Shrine  
 Archives

**COMMUNITY DEVELOPMENT**  
 Building & Safety  
 One Stop Permit Center  
 Planning

**INFORMATION TECHNOLOGY SYSTEMS**  
 Information Management Systems

**FINANCE**  
 Accounting  
 Risk Management  
 Budget  
 Stores  
 Payroll  
 Purchasing  
 Receivables

**REDEVELOPMENT**  
 Downtown Redlands Business Association  
 Economic Development  
 Neighborhood Housing  
 Redevelopment Projects

**FIRE**  
 Emergency Preparedness  
 Fire Prevention  
 Household Hazardous Waste  
 City Wide Training & Safety

**MUNICIPAL UTILITIES & ENGINEERING**  
 Customer Service  
 Engineering  
 Electrical  
 Water  
 Waste Water

**HUMAN RESOURCES**  
 Human Resources  
 Safety  
 Workers Comp

**QUALITY OF LIFE**  
 Airport  
 Building Maintenance  
 Cemetery  
 Citrus Groves  
 Code Enforcement  
 Equipment Maintenance  
 Parks & Trees  
 Solid Waste  
 Street Trees

**PUBLIC INFORMATION OFFICE**  
 Media Unit  
 Public Information

**POLICE**  
 Animal Control  
 Community Policing Stations  
 Crime Intervention  
 Investigations  
 Patrol / Traffic Safety  
 Recreation & Senior Services  
 School Resource Officers  
 U of R Public Safety  
 Volunteer Services

**Relocations Appeals Board**

**Traffic & Parking Commission**

**Street Tree Committee**

**Planning Commission**

**Housing Commission**

**Human Relations Commission**

**Citrus Preservation Commission**

**Cultural Arts Commission**

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**FINANCIAL SECTION**

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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, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Redlands. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Redlands, California, as of June 30, 2008, 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 22, 2008 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 22, 2008



## 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, 2008. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

### Using the Accompanying Financial Statements

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Figure A-1

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

	<b>Fund Statements</b>			
	<b><u>Government-wide Statements</u></b>	<b><u>Governmental Funds</u></b>	<b><u>Proprietary Funds</u></b>	<b><u>Fiduciary Funds</u></b>
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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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, 2008

**Table 1**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other Assets	99,164,002	68,245,276	63,849,954	55,635,021	163,013,956	123,880,297
Capital Assets	558,731,948	435,214,607	148,444,334	139,946,478	707,176,282	575,161,085
Total Assets	<b>657,895,950</b>	<b>503,459,883</b>	<b>212,294,288</b>	<b>195,581,499</b>	<b>870,190,238</b>	<b>699,041,382</b>
Long-term Debt Outstanding	95,381,714	72,321,273	42,289,707	44,840,273	137,671,421	117,161,546
Other Liabilities	6,955,115	5,737,239	3,382,761	3,971,262	10,337,876	9,708,501
Total Liabilities	<b>102,336,829</b>	<b>78,058,512</b>	<b>45,672,468</b>	<b>48,811,535</b>	<b>148,009,297</b>	<b>126,870,047</b>
Net Assets:	555,559,121	425,401,371	166,621,820	146,769,964	722,180,941	572,171,335
Invested in Capital Assets,					-	
Net of Debt	475,848,979	376,161,773	129,384,736	118,629,704	605,233,715	494,791,477
Restricted	19,552,123	19,431,228	-	-	19,552,123	19,431,228
Unrestricted	60,158,019	29,808,370	37,237,084	28,140,260	97,395,103	57,948,630
Total Net Assets	<b>555,559,121</b>	<b>425,401,371</b>	<b>166,621,820</b>	<b>146,769,964</b>	<b>722,180,941</b>	<b>572,171,335</b>

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 \$150,009,606 as indicated in the Changes in Net Assets Table 2 below. Table 1 shows that net assets of the government-wide activities increased by 26.2% from \$572,171,335 in 2007 to \$722,180,941 in 2008. Governmental Activities net assets increased by 30.6% from \$425,401,371 at June 2007 to \$555,559,121 at June 30, 2008. The City's net assets of business-type activities increased by 13.5% from \$146,769,964 in 2007 to \$166,621,820 in 2008.

The increase in the net assets of the Governmental Activities during 2008 was primarily the result of increases in capital assets of \$123,517,341, the majority of which was due to added right-of-way in the amount of \$112,114,379. Infrastructure increased by \$9.9 million and buildings and improvements increased by \$2.5 million, with \$1.8 million for a youth facility for the Boys and Girls Club, \$584,320 for restrooms at the Sports Park, and \$92,660 in additions relating to the One-Stop Permit Center at the Civic Center.

The increase in net assets of the Business Activities resulted, in part, due to an increase of \$8,497,856 in Capital Assets. The net increase in Construction in Progress of \$1.5 million included additions to Construction in Progress of \$3.5 million, including \$1.5 million for Phase

II of the CIP Pipeline Replacement Project, \$757,000 for the Orange Street Well Pipeline Replacement Project, \$449,000 for the Orange Bridge Crossing Project, \$400,000 for the CIP Master Plan, \$170,000 for the CIP Replacement Mains Project and \$155,000 for the Highline Relocation Project. Construction in Progress was reduced by \$2.1 million for completed sewer (\$59,430) and water pipelines (\$2,008,920) and transferred to Infrastructure assets. An additional \$5.9 million in additions to Infrastructure assets were the result of capital contributions from development in the amount of \$4,287,848 and \$1,557,641 for Water and Sewer, respectively. Machinery, Equipment and Vehicles increased by \$1.9 million, with \$1.4 million in rolling stock additions in the Solid Waste Fund, offset by \$754,941 in rolling stock retirements. Additions of machinery and equipment in the Sewer Fund were \$1,031,315 for the SCADA system, and \$409,586 in the Water Fund for two pumps at the Mentone Acres Well and for a computer and computer upgrade of the Enquesta system. The Water Fund had rolling stock retirements for a dozer and a two-ton pickup truck in the amount of \$227,000. Rolling stock additions of \$39,329 occurred in the Aviation Fund as a result of a transfer of a Suburban from the Police department. Land in the Groves Fund increased by \$1,673,051 for the Mountain View Grove and was reduced in the Sewer Fund by the book value, \$1,252,193, of land sold between Nevada and Alabama Streets, North of Palmetto. These changes were offset by a net accumulated depreciation of \$3.4 million for all capital assets of the business-type activities.

Current and other assets of the Business Activities increased by \$8.2 million. Cash and investments increased by \$3 million in the Water Fund, as a result of increased charges to customers of over \$1 million, in part from a 7% rate increase in January of 2006, 2007, and again in 2008, and an overall reduction in liabilities of over \$2 million. Cash and investments in the Sewer Fund increased by approximately \$2.3 million primarily due to an increase in land sale proceeds of \$1,463,624 for its half-share of the sale of property between Nevada and Alabama Streets, North of Palmetto, as well as a decrease in cost of capital acquisitions compared to prior year. In the Disposal Fund, cash and investments increased by approximately \$2.4 million with land sale proceeds of \$1,463,624 for the half-share of the property between Nevada and Alabama, as well as a reduction of over \$900,000 in debt service payments as a result of the 1992 Solid Waste Facilities Certificates of Participation having matured in the prior year. Cash and investments in the Nonmajor Funds increased by approximately \$223,000 primarily due to donations of \$126,600 in the Groves Fund from Bixby Land Company for the cultural care and management of the donated Mountain View Grove and various miscellaneous receipts in the Cemetery Fund.

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

## Change in Net Assets – Year Ended June 30, 2008

**Table 2**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
<b>Program Revenues:</b>						
Charges for Services	9,236,616	9,487,041	35,473,287	34,805,661	44,709,903	44,292,702
Operating Grants & Contributions	14,314,045	18,206,757	4,313,798	617,206	18,627,843	18,823,963
Capital Grants & Contributions	125,567,546	36,180,849	10,917,476	7,512,629	136,485,022	43,693,478
<b>General Revenues:</b>						
Property Taxes	29,165,961	27,036,122	51,398	52,655	29,217,359	27,088,777
Sales Taxes	13,986,798	14,762,456	-	-	13,986,798	14,762,456
Franchises	4,044,161	3,659,356	-	-	4,044,161	3,659,356
Other Taxes	1,726,102	1,543,302	-	-	1,726,102	1,543,302
Investment Income	2,763,654	2,421,829	2,478,925	2,714,291	5,242,579	5,136,120
Intergovernmental	496,302	654,950	-	-	496,302	654,950
<b>Total Revenues</b>	<b>201,301,185</b>	<b>113,952,662</b>	<b>53,234,884</b>	<b>45,702,442</b>	<b>254,536,069</b>	<b>159,655,104</b>
<b>Program Expenses:</b>						
General Government	15,161,802	13,987,953	-	-	15,161,802	13,987,953
Public Safety	37,623,861	36,805,550	-	-	37,623,861	36,805,550
Highways and Streets	8,341,455	8,492,440	-	-	8,341,455	8,492,440
Culture and Recreation	4,129,747	3,668,992	-	-	4,129,747	3,668,992
Library	1,955,443	1,845,482	-	-	1,955,443	1,845,482
Interest and Fiscal Charges	5,035,588	2,883,874	-	-	5,035,588	2,883,874
Water	-	-	14,112,424	14,926,296	14,112,424	14,926,296
Disposal	-	-	8,956,968	8,753,717	8,956,968	8,753,717
Sewer	-	-	7,650,890	7,458,724	7,650,890	7,458,724
Aviation	-	-	400,298	268,309	400,298	268,309
Cemetery	-	-	552,989	541,946	552,989	541,946
Groves	-	-	604,998	708,779	604,998	708,779
<b>Total Expenses</b>	<b>72,247,896</b>	<b>67,684,291</b>	<b>32,278,567</b>	<b>32,657,771</b>	<b>104,526,463</b>	<b>100,342,062</b>
Increase in Net Assets before Transfers	129,053,289	46,268,371	20,956,317	13,044,671	150,009,606	59,313,042
Transfers	1,104,461	119,606	(1,104,461)	(119,606)	-	-
<b>Increase (decrease) Net Assets</b>	<b>130,157,750</b>	<b>46,387,977</b>	<b>19,851,856</b>	<b>12,925,065</b>	<b>150,009,606</b>	<b>59,313,042</b>
Beginning Net Assets	425,401,371	379,013,394	146,769,964	133,844,899	572,171,335	512,858,293
<b>Ending Net Assets</b>	<b>555,559,121</b>	<b>425,401,371</b>	<b>166,621,820</b>	<b>146,769,964</b>	<b>722,180,941</b>	<b>572,171,335</b>

### Governmental Activities

Revenues for the City's governmental activities increased 76.7% from \$113,952,662 in 2007 to \$201,301,185 in 2008. Total governmental activity expenses increased by 6.7% from \$67,684,291 in 2007 to \$72,247,896 in 2008. The cost of all *government-wide* activities increased by 4.2% from \$100,342,062 in 2007 to \$104,526,463 in 2008. As shown in the Statement of Activities on pages 19 and 20 of the CAFR, the amount that taxpayers financed for these activities through City taxes was 44,088,187, except for Highways and Streets, where capital contributions exceeded expenses, resulting in a net increase of revenues over expenses for governmental activities of \$76,870,311. Other costs were paid by those who directly benefited from the programs (\$9,236,616), by other governments and organizations that subsidized certain programs with operating grants and contributions (\$14,314,045), or capital grants and contributions (\$125,567,546). Overall, the City's governmental program revenues were \$149,118,207 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 \$250,425, or 2.6% in 2008 with the most notable decrease in General Government of \$567,150, primarily resulting from a decrease in development activity, especially for building permits, plan checks and pre-annexation agreements. This decrease was offset with an increase of \$268,328 in Highways and Streets, primarily due to increases for street permits and NPDES permits.

Operating Grants and Contributions decreased by a total of \$3,892,712, or 21.4% from prior year. General Government had a net increase of approximately \$440,000, due to the Boys and Girls Club versus a senior housing project known as Vista Del Sol in the prior year. Reductions of approximately \$1.3 million in Public Safety and \$700,000 in Highways and Streets resulted from decreased grant activities and the completion of the bridge projects. Culture and Recreation decreased by approximately \$2.2 million primarily as a result of state grants received in the prior year for the Sports Park. A decrease for the Library was a result of a state grant reduction of \$20,000 from prior year.

Capital Grants and Contributions increased by approximately \$89,386,697 or 247.1%. This is primarily the result of right-of-way contributions in Highways and Streets valued at \$112,114,379.

Property Taxes increased by \$2,129,839 or 7.9%, over prior year due to growth in the assessed value of residential and commercial properties. Growth in assessed value increased by \$876.2 million with a net taxable value increase of 13.8%, compared to a countywide growth of 15.8%. The largest assessed value increase in the City was attributable to an industrial property at 1895 Marigold Avenue which had an increase in taxable value of \$44.5 million. A re-appraisal of a residential site at 1125 Pine Street resulted in an increase of \$11.6 million. In addition, residential parcel subdivision activity added 399 new parcels between tax years for an increase of \$146 million.

Sales Taxes decreased by \$775,658 or 5.3%, primarily due to decreases in automobile sales and declines in the building and construction industry. These two categories of sales taxes represent more than 40% of the City's tax base.

Franchise Fees increased by \$384,805 or 10.5%, primarily due to increased fees paid by the Gas Company as a result of increased gas usage by a local utility.

Other taxes increased by \$182,800 or 11.8%, primarily as a result of an increase in Mining Taxes, which increased approximately \$266,000. This increase was offset by a decrease in Transient Occupancy Taxes of approximately \$84,000.

Investment income increased by \$341,825 or 14.1%, due to increased rates of return on investments held in the City's portfolio.

Intergovernmental revenues decreased by \$158,648 or 24.2%, with reductions of approximately \$104,000 in state mandated cost reimbursements, \$43,000 in motor vehicle license fees, \$9,000 in Public Safety donations, as well as minor reductions in other reimbursements.

General Government expenses increased by \$1,173,849 or 8.4%. Nonmajor Funds general government expenses increased by \$914,000, with the largest increase, approximately \$552,000, occurring in the Redevelopment Agency Projects Fund. Other professional services associated with increased activity in the Redevelopment Agency, including development of a new project area, the North Redlands Revitalization Project Area, increased by almost \$572,000, and were the major reason for the overall increase in expenses in this fund. Other Nonmajor Funds with the largest increases included Designated Receipts at \$112,000, General Capital Improvement at

\$78,000 and Public Facilities Development at \$66,000. General Government expenses in the General Fund increased by a little over \$418,000.

Public Safety expenses increased by \$818,311 or 2.2%. Overall Public Safety operating expenditures, excluding debt service, increased by \$454,031, due to an increase in the General Fund of \$715,896 and a net reduction in the Nonmajor Funds of \$261,865, primarily resulting from an increase in the Paramedic Fund of approximately \$267,000 and a decrease in Police Grants of approximately \$544,000. The difference between these increases and the overall increase on the Statement of Activities results from GASB 34 adjustments to increase expenses for accumulated depreciation, compensated absences and internal fund balances, and to reduce expenses to eliminate operating income of the internal service funds.

Highways and Streets decreased by \$150,985 or 1.8%. Increases of approximately \$177,000 in the General Fund resulted primarily from increased salaries and benefits in the Quality of Life Department, offset by some reduction in special contractual services and other professional services. Decreases of \$784,000 in the Nonmajor Funds resulted primarily from reductions of approximately \$311,000 in the CDBG Fund and \$418,000 in the Local Transportation Fund. These reductions were the result of decreases in other professional services no longer needed as a result of completion of the Civic Center ADA Improvements Project in the CDBG Fund and completion of the Orange and Alabama Street Bridges in the Local Transportation Fund. The difference between the net reductions in Highways and Streets of \$607,000 and the overall increase of \$150,985 on the Statement of Activities results from GASB 34 adjustments to increase expenses for accumulated depreciation, compensated absences and internal fund balances, and to reduce expenses to eliminate operating income of the internal service funds and to reclass capital asset additions of \$108,274.

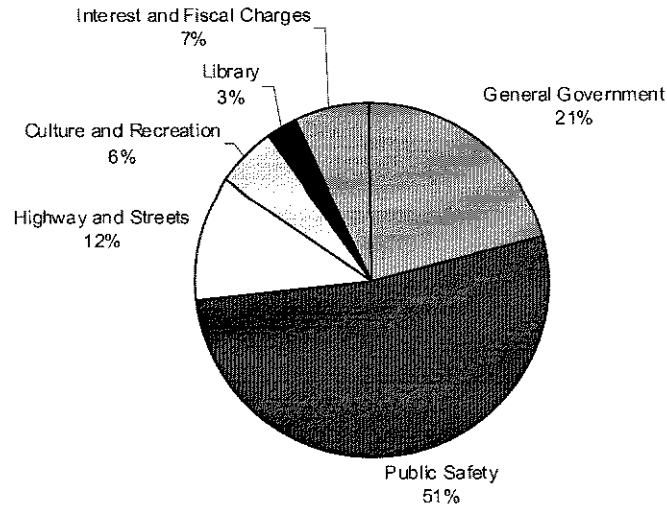
Culture and Recreation expenses increased by \$460,755 or 12.6%. Expenses in the General Fund increased by approximately \$624,000, with increases of \$447,000 in Parks and \$177,000 in Community Services. In the Nonmajor Funds, Culture and Recreation expenses decreased by \$113,830. The greatest decrease occurring in the Nonmajor Funds was \$125,000 in the Neighborhood Initiative Program. In addition, GASB 34 adjustments were made to increase expenses for accumulated depreciation, compensated absences and internal fund balances, and to reduce expenses to eliminate operating income of the internal service funds.

Library expenses increased by \$109,961 or 6%, primarily as a result of a new expense for information technology service charges. In addition, GASB 34 adjustments were made to increase expenses for compensated absences and for internal fund balances, and to reduce expenses to eliminate operating income of the internal service funds.

Interest and fiscal charges increased by \$2,151,714 or 74.6%. Increases of \$985,127 in interest and fiscal charges in the City of Redlands Debt Service Fund related primarily to the issuance of the 2007 Taxable Pension Funding Bonds and the costs associated with an actuarial performed in connection with the bond issue. Other increases in interest and fiscal charges were \$181,984 for various leased equipment and other existing debt. The additional increase in expenses reflected on the Statement of Activities results from GASB 34 adjustments of \$602,528 for interest payable and \$367,122 in fiscal charges, plus the prior year adjustment of \$14,953 for accrued interest.



### Expenses by Functions Governmental Activity



### Business-Type Activities

Revenues of the City's Business-Type Activities (See Table 2) increased by 16.5% from \$45,702,442 in 2007 to \$53,234,884 in 2008 and expenses decreased by 1.2% from \$32,657,771 in 2007 to \$32,278,567 in 2008.

Charges for Services in the Water Fund increased by \$1.1 million or 6.4%, primarily as a result of rate increases of 7% in January, 2006, 2007 and 2008, increased demand for water, and continued growth in the customer base.

Charges for Services in the Disposal Fund increased by \$244,680 or 2.7%, due to growth in the customer base.

Charges for Services in the Sewer Fund increased by \$260,063 or 3.9%, primarily due to a rate increase of 4% in January 2007 and 2008 and because the increased service demands on water has a corresponding impact on sewer usage.

Charges for services in the Cemetery Fund increased by \$32,902 or 8.9% and decreased in the Groves Fund by \$39,918 or 7.2%.

Other Revenues included in Charges for Services on the Statement of Activities included a decrease in miscellaneous revenues in the Groves Fund of \$80,340 or 47.8% and an increase in miscellaneous revenues in the Aviation Fund of \$20,401 or 9.7%.

Operating Grants and Contributions increased by \$3,696,592 or 599%. Major components of this increase include land sale proceeds in the Solid Waste and Sewer Funds of \$1.5 million each for the land at Nevada and Alabama Streets, with proceeds in the Sewer Fund offset by \$1.3 million for retired property. In addition, \$1.8 million in donations from Bixby Land Company for the Mountain View Grove and the cultural care and maintenance of the grove. Also, a small \$100,000 grant was received by Solid Waste from the South Coast Air Quality Management District's Mobile Source Air Pollution Reduction Review Committee.

Capital Grants and Contributions increased by approximately \$3,404,847 or 45.3%. Capital contributions of infrastructure in the Water and Sewer Funds of \$4,287,848 and \$1,557,640, respectively, were offset by decreases in impact fees of \$315,758 in the Water Fund, \$696,958 in the Disposal Fund, and \$1,467,254 in the Sewer Fund, as a result of slowed development. Capital contributions in the Aviation Fund increased by \$39,329.

Investment income decreased by \$235,366 or 8.7%. This difference is due to prior year final payments of interest on internal loans in the Water Enterprise totaling \$318,945.

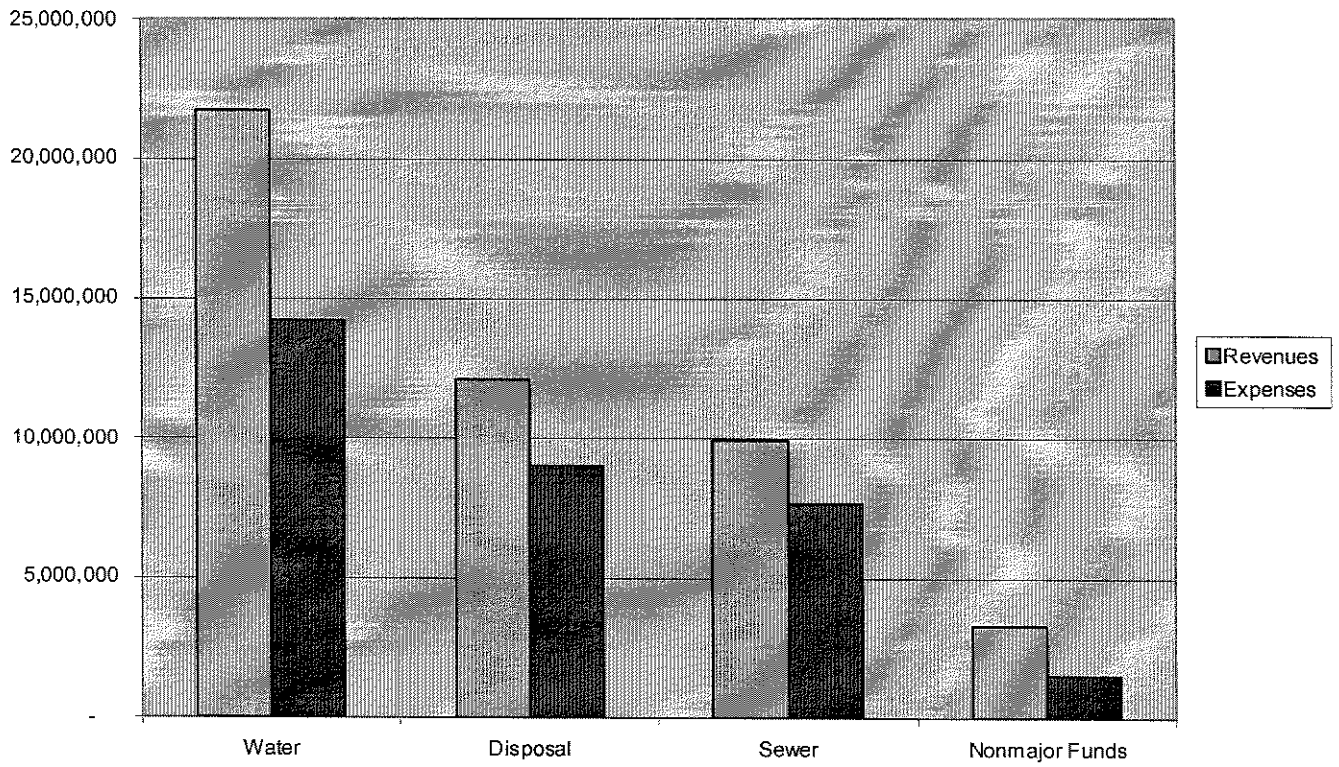
Operating expenses of the City's Business Activities grew moderately for the Disposal and Sewer Utilities, with Disposal increasing by \$203,251 or 2.3% and Sewer increasing by \$192,166 or 2.6%. The biggest increases in the Disposal Fund were in special contractual services of approximately \$195,000 and city garage charges of \$181,000, while the landfill closure expense decreased by approximately \$105,000. An adjustment to reduce Disposal expenses by \$86,336 for consolidation of internal service fund activities was reflected on the Change in Net Assets schedule. Expenses in the Sewer Fund increased for other professional services by approximately \$124,000, for architecture and engineering by approximately \$86,000 and for city garage charges by more than \$25,000. An adjustment to reduce Sewer expenses by \$40,677 for consolidation of internal service fund activities was reflected on the Change in Net Assets schedule. The Water Utility's expenses decreased by \$813,872 or 5.5%. Architecture and Engineering expenses in the Water Fund decreased by \$292,000 and interest expense decreased by \$379,000. An adjustment to reduce Water Fund expenses by \$136,027 for consolidation of internal service fund activities was reflected on the Change in Net Assets schedule.

In the Aviation Fund, operating expenses increased by \$131,989 or 49.2% primarily due to an increase of approximately \$93,000 in Architecture & Engineering expenses for the Airport Master Plan and an increase of approximately \$36,000 in depreciation relating to 2006 building and improvement additions for a hangar and rehabilitation of taxiways.

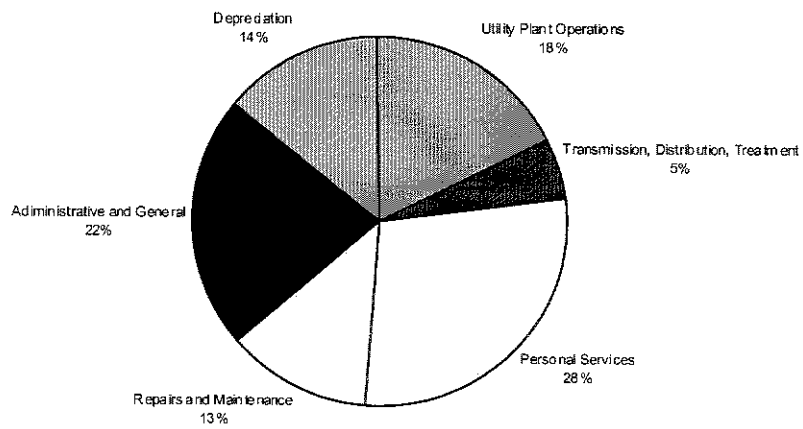
Cemetery operating expenses increased by only \$11,043 or 2%, with a notable increase in cemetery resale materials from approximately \$2,800 to \$16,000.

Operating expenses of the Groves Fund decreased by \$103,781 or 14.6% primarily as a result of a reduction of approximately \$112,000 for special contractual farming services. An increase in stock assessments of approximately \$6,000 and other minor increases and decreases in expenses accounted for the remainder of the difference.

**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 2008, total fund balance of the general fund was \$15,128,551, an increase of \$1,880,827 or 14.2% from the prior year fund balance of \$13,247,724. 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 28.6% of general fund expenditures, however only \$4.96 million of the \$15.1 million fund balance is unreserved. The unreserved fund balance of \$4.96 million, together with the \$5.78 million fund balance reserved for contingency and capital, the only portion of the reserved fund balance readily available for spending, represents 20.3% of general fund expenditures. Total general fund expenditures this year were \$489,662 more than prior year and total general fund revenue this year was \$2,406,474 more than prior year.

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

- Sales Taxes decreased \$775,658 from prior year due to a State adjustment in the compensation amount and reduced sales and use tax receipts;
- Property Taxes increased by \$1,998,243 (includes amount previously shown in Motor Vehicle In-Lieu Revenue) largely due to additional secured property valuations.
- Franchise Fees increased \$384,805 due to increased capacity of gas powered electrical generators of a local utility;
- "Other" Taxes decreased \$36,454, mainly due to additional Transient Occupancy Taxes;
- Licenses, Permits and Fines decreased \$514,640, mostly due to decreases in building permits and plan checks;
- Intergovernmental decreased \$110,774 (included Motor Vehicle In-Lieu Revenue in prior years) due to variations in VLF and State grants;
- Charges for services increased \$321,956, mainly due to an increase in Mutual Aid Reimbursement and Inspections;
- Charges for Services to other City funds increased by \$82,042 as a result of applying a Consumer Price Index increase to the cost allocation plan;
- Investment Income increased \$428,619;
- Proceeds from land sales increased \$954,000;
- "Other" Revenue decreased by \$325,667.

The **Public Facilities Development** fund accounts for the collection and related expenditure of development impact fees designated for constructing new and upgrading existing public facilities. This fund holds an Advance Payable to the General Fund in the amount of \$3,712,387. This is a decrease from last year of \$38,991 due to a payment on the advance. The decrease in fund balance/net assets results primarily from a decrease of approximately \$200,000 in fees, and a transfer to the General Fund of \$150,040 for Fire equipment lease payments, not made in the prior year.

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.

**Major Enterprise Funds.** The **Water Fund** has total net assets of \$88,233,623 at the end of the fiscal year; \$14,260,415 is unrestricted. The **Disposal Fund** has total net assets of \$19,976,199 at the end of the fiscal year; \$13,294,574 is unrestricted. The **Sewer Fund** has total net assets of \$39,799,596 at the end of the fiscal year; \$6,306,724 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 2007-2008 budget and the final amended 2007-2008 budget of the General Fund can be briefly summarized as follows:

- Total Revenues - \$1,174,510 decrease in the budget.
- General Government - \$1,230 decrease in the budget
- Public Safety - \$1,041,525 increase in the budget.
- Highways and Streets - \$71,680 increase in the budget.
- Culture and Recreation - \$148,953 increase in the budget.
- Library – \$9,522 decrease in the budget.
- Capital Outlay - \$44,085 increase in the budget.
- Debt Service –\$47,868 increase 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
<b>Total Revenues</b>	\$ 55,488,775	\$ 56,249,471	\$ 760,696
General Government	9,191,299	8,848,782	342,517
Public Safety	32,090,001	32,147,504	(57,503)
Highways and Streets	4,020,157	4,223,696	(203,539)
Culture and Recreation	3,681,160	3,719,720	(38,560)
Library	1,968,870	1,966,965	1,905
Capital Outlay	834,625	1,208,900	(374,275)
Debt Service	660,593	705,006	(44,413)
<b>Total Expenditures</b>	\$ 52,446,705	\$ 52,820,573	\$ (373,868)

Revenues were over budget estimates due to higher than expected receipts in all categories offsetting a decrease in license and permit revenues. The two major increases were for Secured Property Taxes, \$425,903, and Investment Income, \$610,378.

General Government Expenditures were generally maintained in all categories and departments. This, along with the deferral of expenditures into the next fiscal year through encumbrances and carryovers, primarily of contractual services, was enough to net a 3.7% difference. The most significant differences were in Professional Services in the City Manager’s office, \$76,427, and Retiree Health Insurance, \$158,923.

As a whole, Public Safety expenditures were over budget due to salaries and benefits in the Fire Department, offset by services and supplies savings in the Police Department. These, combined with the deferral of expenditures into the next fiscal year through encumbrances and carryovers, primarily of contractual services, have allowed a 0.2% difference in this function.

Highways and Streets were over budget primarily due to unexpected garage charges. Expenditures were generally maintained in all other categories and with encumbrances and carryovers deferring contractual and other professional services, this led to a 5.1% increase.

Culture and Recreation was over budget primarily as a result garage charges in the Parks Division. Together with offsets in all categories in the Community Services Divisions, the net at the end of the year is a 1.1% increase.

Library expenditures were under budget due to savings in all categories. This department ends the year with only a 0.1% difference.

Capital expenditures ended the year over budget by 44.8%. This is largely due to the lease value of safety vehicles and equipment in the amount of \$236,136. In addition to this amount, there were unexpected vehicle transfers from the Equipment Maintenance Internal Service fund for \$113,028.

Debt Service expenditures were over budget by 6.7%. This was due to a \$44,533 interest payment by the General Fund on the loan from the Solid Waste Enterprise Fund.

The unfavorable variance of \$373,868, 0.7%, of expenditures over budget was kept at a minimum with the careful review of vacant positions and a concerted effort by management and staff to maintain expenditure levels to preserve the unreserved fund balance in the last months of the fiscal year.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital assets**

The City's equity investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounted to \$707,176,282 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, water stock, rights of way and construction in progress.

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

The City completed work on the Boys and Girls Club located on the corner of Clay and Lugonia. The City spent \$1,834,997 this year to bring the total for this project to \$4.1 million. The City spent \$1,492,680 on further development of the Sports Park project bringing total costs for that project to almost \$10.2 million. There were significant land acquisitions this year totaling \$3,013,966 for Open Space, Groves and RDA Housing. Completed street improvement projects included the widening of San Bernardino Avenue, east of Mountain View, \$540,000, and the intersection of Brockton and University, \$484,197. The City also spent \$1,736,672 this year on various street improvement projects. Other expenditures included vehicle and equipment

replacement purchases totaling \$349,572 and \$375,520 for building projects, and \$128,115 for computer and equipment improvements.

The Water Utility continued infrastructure improvements to the North Orange Well Project in the amount of \$761,127. The Utility also continued construction of security and treatment improvements and upgrades totaling \$662,168. The focus, however, was on the Capital Improvement Program where expenditures totaled \$1,911,339.

The Wastewater (Sewer) Utility incurred \$1,209,082 in expenditures for its Capital Improvement Program. This year, a large portion of this amount was for software and monitoring upgrades.

There are many emission standards that will have an impact on vehicle costs in the future and the division was focusing on preparing for implementation of these regulations. As a result, the City's Disposal Utility spent \$1,411,673 this year with for new vehicle and emission equipment.

Overall, the City's net capital assets increased by \$132,015,197 for the fiscal year ended June 30, 2008, or 23% over prior year. The Infrastructure, Rights of Way and Construction in Progress categories increased by a net of \$127,123,452, representing 96.3% 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)
	2008	2007	2008	2007	2008	2007	Percent of Change
Land	\$ 28,840,957	\$ 27,550,939	\$ 28,262,193	\$ 27,840,335	\$ 57,103,150	\$ 55,391,274	3.09%
Buildings & Improvements	18,144,559	15,632,582	77,192,909	77,000,030	95,337,468	92,632,612	2.92%
Machinery/Equip./Vehicles	18,417,817	17,321,363	13,480,837	11,570,873	31,898,454	28,892,236	10.40%
Infrastructure	165,693,521	155,773,433	123,203,372	115,338,089	288,896,893	271,111,522	6.56%
Water Stock	-	-	9,270,584	9,264,712	9,270,584	9,264,712	0.06%
Rights of Way	398,973,026	286,858,647	-	-	398,973,026	286,858,647	
Construction in Progress	9,820,854	8,571,341	11,488,606	10,013,101	21,309,460	18,584,442	14.66%
Accum. Depreciation	(81,158,586)	(76,493,698)	(114,454,167)	(111,080,662)	(195,612,753)	(187,574,360)	4.29%
<b>Total</b>	<b>\$ 558,731,948</b>	<b>\$ 435,214,607</b>	<b>\$ 148,444,334</b>	<b>\$ 139,946,478</b>	<b>\$ 707,176,282</b>	<b>\$ 575,161,085</b>	<b>22.95%</b>

Internal Service Fund capital assets, in the net amount of \$142.513 are included in Governmental Activities.

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

Additional information on the City's Capital Assets can be found in Note 4 of the Notes to the Basic Financial Statements.

## LONG-TERM DEBT

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

- Leased five Police vehicles valued at \$126,136.
- Leased two Fire command vehicles and equipment valued at \$110,000.
- Entered a lease for \$39,000 to complete an upgrade to computer and video equipment for the community access channel run by City staff.

- Issued \$25,907,621 in Taxable Pension Obligation Bonds to refund the City's unfunded accrued actuarial liability obligation under the PERS contract.
- Defeased \$4,300,000 of the 2003 Tax Allocation Bonds & issued \$4,640,000 in taxable Tax Allocation Bonds for the RDA Project Area.
- Amortized bond issue costs totaling \$53,338.
- Paid \$7,056,575 scheduled principal and \$4,856,878 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
	2008	2007	2008	2007	2008	2007	
Capital Lease Obligations	\$ 1,998,890	\$ 2,283,200	\$ -	\$ -	\$ 1,998,890	\$ 2,283,200	-12.45%
General Obligation Bonds	3,170,000	3,625,000	-	-	3,170,000	3,625,000	-12.55%
Taxable Pension Bonds	25,907,621	-	-	-	25,907,621	-	-
Tax Allocation Bonds	37,930,000	39,375,000	-	-	37,930,000	39,375,000	-3.67%
Certificates of Participation	13,955,000	15,310,000	-	-	13,955,000	15,310,000	-8.85%
Add: Issuance Premium	480,042	533,380	-	-	480,042	533,380	-10.00%
Revenue Bonds	-	-	25,265,000	27,550,000	25,265,000	27,550,000	-8.29%
Notes Payable	1,965,577	2,048,891	11,496,989	12,069,804	13,462,566	14,118,695	-4.65%
Claims Payable	3,202,000	2,321,085	-	-	3,202,000	2,321,085	37.95%
Compensated Absences	6,772,584	6,824,717	777,035	734,205	7,549,619	7,558,922	-0.12%
Landfill Closure Liability	-	-	4,750,683	4,486,264	4,750,683	4,486,264	5.89%
Total	\$ 95,381,714	\$ 72,321,273	\$ 42,289,707	\$ 44,840,273	\$ 137,671,421	\$ 117,161,546	17.51%

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



**BASIC FINANCIAL STATEMENTS**

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CITY OF REDLANDS  
Statement of Net Assets  
June 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and investments (note 2)	\$ 63,422,791	49,808,477	113,231,268
Cash and investments with fiscal agent (note 2)	4,607,906	6,205,402	10,813,308
<b>Receivables:</b>			
Accounts	956,811	5,027,116	5,983,927
Taxes	4,281,291	594	4,281,885
Interest	270,313	116,254	386,567
Due from other governments	960,170	51,669	1,011,839
Deferred charges	727,447	-	727,447
Internal balances	(1,858,869)	1,858,869	-
Inventory	500,802	-	500,802
Other assets	3,150	7,146	10,296
Prepaid pension contributions	25,292,190	-	25,292,190
Capital assets, not depreciated (note 4)	437,634,837	49,021,383	486,656,220
Capital assets, net of accumulated depreciation (note 4)	121,097,111	99,422,951	220,520,062
Unamortized bond issuance costs	-	774,427	774,427
	<u>657,895,950</u>	<u>212,294,288</u>	<u>870,190,238</u>
<b>Liabilities:</b>			
Accounts payable	3,514,717	1,222,496	4,737,213
Accrued payroll	1,797,065	400,138	2,197,203
Interest payable	1,605,158	492,642	2,097,800
Deposits	38,175	1,168,551	1,206,726
Unearned revenue	-	98,934	98,934
<b>Long-term liabilities (note 5, 6, 7 and 14):</b>			
Due within one year	11,047,556	3,627,883	14,675,439
Due in more than one year	84,334,158	38,661,824	122,995,982
	<u>102,336,829</u>	<u>45,672,468</u>	<u>148,009,297</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	475,848,979	129,384,736	605,233,715
<b>Restricted for:</b>			
Endowment - nonexpendable	1,656,103	-	1,656,103
Low and moderate income housing	9,261,576	-	9,261,576
Debt service	8,634,444	4,074,115	12,708,559
Unrestricted	60,158,019	33,162,969	93,320,988
	<u>\$ 555,559,121</u>	<u>166,621,820</u>	<u>722,180,941</u>

See accompanying notes to the basic financial statements.

CITY OF REDLANDS  
Statement of Activities  
Year ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Functions/Programs			
Primary government:			
Governmental activities:			
General government	\$ 15,161,802	5,826,011	5,365,275
Public safety	37,623,861	1,229,744	2,073,544
Highway and streets	8,341,455	1,891,618	4,487,804
Culture and recreation	4,129,747	237,357	2,360,004
Library	1,955,443	51,886	27,418
Interest and fiscal charges	<u>5,035,588</u>	-	-
Total governmental activities	<u>72,247,896</u>	<u>9,236,616</u>	<u>14,314,045</u>
Business-type activities:			
Water	14,112,424	18,074,421	205,428
Disposal	8,956,968	9,297,234	1,896,041
Sewer	7,650,890	6,868,701	218,551
Aviation	400,298	230,835	92,540
Cemetery	552,989	401,733	101,588
Groves	<u>604,998</u>	<u>600,363</u>	<u>1,799,650</u>
Total business-type activities	<u>32,278,567</u>	<u>35,473,287</u>	<u>4,313,798</u>
Total primary government	<u>\$ 104,526,463</u>	<u>44,709,903</u>	<u>18,627,843</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	
583,867	(3,386,649)	(3,386,649)	-	(3,386,649)
829,912	(33,490,661)	(33,490,661)	-	(33,490,661)
122,920,531	120,958,498	120,958,498	-	120,958,498
1,233,236	(299,150)	(299,150)	-	(299,150)
-	(1,876,139)	(1,876,139)	-	(1,876,139)
-	(5,035,588)	(5,035,588)	-	(5,035,588)
<u>125,567,546</u>	<u>76,870,311</u>	<u>76,870,311</u>	<u>-</u>	<u>76,870,311</u>
6,768,817	10,936,242	-	10,936,242	10,936,242
365,640	2,601,947	-	2,601,947	2,601,947
3,743,690	3,180,052	-	3,180,052	3,180,052
39,329	(37,594)	-	(37,594)	(37,594)
-	(49,668)	-	(49,668)	(49,668)
-	1,795,015	-	1,795,015	1,795,015
<u>10,917,476</u>	<u>18,425,994</u>	<u>-</u>	<u>18,425,994</u>	<u>18,425,994</u>
<u>136,485,022</u>	<u>95,296,305</u>	<u>76,870,311</u>	<u>18,425,994</u>	<u>95,296,305</u>
General revenues:				
Taxes:				
Property taxes		29,165,961	51,398	29,217,359
Sales taxes		13,986,798	-	13,986,798
Franchise taxes		4,044,161	-	4,044,161
Other taxes		1,726,102	-	1,726,102
Investment income		2,763,654	2,478,925	5,242,579
Intergovernmental (unrestricted)		496,302	-	496,302
Transfers		1,104,461	(1,104,461)	-
Total general revenues		<u>53,287,439</u>	<u>1,425,862</u>	<u>54,713,301</u>
Change in net assets		130,157,750	19,851,856	150,009,606
Net assets at beginning of year		<u>425,401,371</u>	<u>146,769,964</u>	<u>572,171,335</u>
Net assets at end of year		<u>\$ 555,559,121</u>	<u>166,621,820</u>	<u>722,180,941</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 FUND**

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.

CITY OF REDLANDS  
Governmental Funds  
Balance Sheet  
June 30, 2008

	Special Revenue Fund		Debt Service Fund		Totals
	General Fund	Public Facilities Development	City of Redlands	Nonmajor Governmental Funds	
<b>Assets:</b>					
Cash and investments	\$ 8,428,588	1,738,650	1,361,807	43,861,113	55,390,158
Cash and investments with fiscal agent	-	-	908,916	3,698,990	4,607,906
<b>Receivables:</b>					
Accounts	253,420	-	-	696,218	949,638
Taxes	3,359,814	-	19,080	902,397	4,281,291
Interest	54,574	-	1,042	187,738	243,354
Inventory	324,307	-	-	-	324,307
Due from other funds (note 3)	1,021,377	-	-	-	1,021,377
Due from other governments	43,670	-	-	916,500	960,170
Advances receivable from other funds (note 3)	3,712,387	-	-	-	3,712,387
<b>Total assets</b>	<b>\$ 17,198,137</b>	<b>1,738,650</b>	<b>2,290,845</b>	<b>50,262,956</b>	<b>71,490,588</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 575,362	-	-	1,954,992	2,530,354
Accrued payroll	1,479,933	223	-	180,649	1,660,805
Advances payable to other funds (note 3)	11,533	3,712,387	-	-	3,723,920
Deferred revenue	1,101	-	-	1,315,459	1,316,560
Due to other funds (note 3)	-	-	-	1,021,377	1,021,377
Deposits	1,657	-	-	36,518	38,175
<b>Total liabilities</b>	<b>2,069,586</b>	<b>3,712,610</b>	<b>-</b>	<b>4,508,995</b>	<b>10,291,191</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Encumbrances	348,382	558,430	-	2,060,245	2,967,057
Inventory	324,307	-	-	-	324,307
Advances receivable	3,712,387	-	-	-	3,712,387
Contingencies	5,512,396	-	-	-	5,512,396
Capital projects	272,198	-	-	-	272,198
Endowment	-	-	-	1,656,103	1,656,103
<b>Unreserved:</b>					
<b>Reported in:</b>					
General fund	4,958,881	-	-	-	4,958,881
Special revenue fund	-	(2,532,390)	-	26,061,294	23,528,904
Debt service fund	-	-	2,290,845	6,343,599	8,634,444
Capital projects fund	-	-	-	9,632,720	9,632,720
<b>Total fund balances (deficit)</b>	<b>15,128,551</b>	<b>(1,973,960)</b>	<b>2,290,845</b>	<b>45,753,961</b>	<b>61,199,397</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,198,137</b>	<b>1,738,650</b>	<b>2,290,845</b>	<b>50,262,956</b>	<b>71,490,588</b>

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, 2008

Fund balances of governmental funds	\$ 61,199,397
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation of \$80,987,739 have not been included as financial resources in governmental fund activity. Amount excludes capital assets from internal service funds which are added below.	558,589,435
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.	25,292,190
Long-term liabilities and compensated absences have not been included in the governmental fund activity:	
Capital lease obligation	(1,998,890)
Taxable pension funding bonds	(25,907,621)
General obligation bonds	(3,170,000)
Tax allocation bonds	(37,930,000)
Certificates of participation payable	(14,435,042)
Notes payable	(1,965,577)
Compensated absences	(6,405,112)
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.	727,447
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(1,605,158)
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.	1,316,560
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, workers' compensation, compensated absences, retiree insurance and fleet management, to individual funds. The assets (including capital assets) and liabilities of the internal service funds must be added to the statement of net assets.	3,698,828
Internal balances created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.	<u>(1,847,336)</u>
Net assets of governmental activities.	<u>\$ 555,559,121</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, 2008

	Special Revenue Fund		Debt Service Fund	Nonmajor Governmental Funds	Totals
	General Fund	Public Facilities Development	City of Redlands		
<b>Revenues:</b>					
Taxes	\$ 40,951,439	-	683,523	7,439,554	49,074,516
Licenses, permits and fines	9,747,210	1,580,780	-	3,077,559	14,405,549
Intergovernmental	482,543	-	-	9,259,226	9,741,769
Charges for services	2,007,078	-	-	801,696	2,808,774
Investment income	2,653,774	-	11,486	2,671,052	5,336,312
Other	407,427	-	-	1,831,163	2,238,590
<b>Total revenues</b>	<b>56,249,471</b>	<b>1,580,780</b>	<b>695,009</b>	<b>25,080,250</b>	<b>83,605,510</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	8,848,782	66,428	4,607,647	6,115,180	19,638,037
Public safety	32,147,504	-	20,716,485	4,315,025	57,179,014
Highway and streets	4,223,696	-	-	602,931	4,826,627
Culture and recreation	3,719,720	-	-	101,486	3,821,206
Library	1,966,965	-	-	-	1,966,965
Capital outlay	1,208,900	-	-	7,176,095	8,384,995
<b>Debt service:</b>					
Principal	563,041	-	455,000	3,180,719	4,198,760
Interest	141,965	-	829,529	2,361,454	3,332,948
Fiscal charges	-	-	308,367	424,623	732,990
<b>Total expenditures</b>	<b>52,820,573</b>	<b>66,428</b>	<b>26,917,028</b>	<b>24,277,513</b>	<b>104,081,542</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3,428,898</b>	<b>1,514,352</b>	<b>(26,222,019)</b>	<b>802,737</b>	<b>(20,476,032)</b>
<b>Other financing sources (uses):</b>					
Issuance of debt	236,136	-	-	-	236,136
Bond proceeds	-	-	25,862,392	4,640,000	30,502,392
Bond discount	-	-	(232,762)	(64,960)	(297,722)
Payment to escrow agent	-	-	-	(4,292,229)	(4,292,229)
Transfers in (note 3)	3,383,079	-	1,589,567	13,636,273	18,608,919
Transfers out (note 3)	(5,167,286)	(1,116,467)	-	(10,985,785)	(17,269,538)
<b>Total other financing sources (uses)</b>	<b>(1,548,071)</b>	<b>(1,116,467)</b>	<b>27,219,197</b>	<b>2,933,299</b>	<b>27,487,958</b>
<b>Net change in fund balances</b>	<b>1,880,827</b>	<b>397,885</b>	<b>997,178</b>	<b>3,736,036</b>	<b>7,011,926</b>
<b>Fund balances (deficit) at beginning of year</b>	<b>13,247,724</b>	<b>(2,371,845)</b>	<b>1,293,667</b>	<b>42,017,925</b>	<b>54,187,471</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 15,128,551</b>	<b>(1,973,960)</b>	<b>2,290,845</b>	<b>45,753,961</b>	<b>61,199,397</b>

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, 2008

Net change in fund balances - total governmental funds \$ 7,011,926

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

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

Capital outlay, net	8,384,995
Contributed capital - rights of way	120,797,081
Depreciation expense	(5,602,235)

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. 25,292,190

Issuance of long term debt is reported as an other financing source in governmental funds; whereas in the government-wide financial statements, the issuance is reported as a liability. Governmental funds report the effect of underwriter's fees and cost of issuance as expenditures; whereas these amounts are deferred and amortized in the statement of activities. (26,483,757)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets. 4,198,760

To record as an expense the net change in compensated absences in the statement of activities. (9,368)

Accrued interest for debt service. This is the net change in accrued interest for the current period. (602,528)

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. (3,121,931)

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. 555,657

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. (263,040)

Change in net assets of governmental activities \$ 130,157,750

See accompanying notes to the basic financial statements.

CITY OF REDLANDS  
Proprietary Funds

Statement of Net Assets

June 30, 2008

	<u>Business-Type Activities - Enterprise Funds</u>				Totals	<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor Funds</u>		<u>Funds</u>
<b>Assets:</b>						
<b>Current assets:</b>						
Cash and investments	\$ 20,521,057	15,619,999	12,464,418	1,203,003	49,808,477	8,032,633
Accounts receivable	2,770,085	1,235,522	943,581	77,928	5,027,116	7,173
Taxes receivable	-	-	-	594	594	-
Interest receivable	-	-	-	-	-	26,959
Due from other governments	-	-	-	51,669	51,669	-
Advances receivable from other funds (note 3)	1,376,020	1,705,827	11,533	-	3,093,380	-
Inventory	-	-	-	-	-	176,495
Other assets	-	-	-	7,146	7,146	3,150
<b>Total current assets</b>	<u>24,667,162</u>	<u>18,561,348</u>	<u>13,419,532</u>	<u>1,340,340</u>	<u>57,988,382</u>	<u>8,246,410</u>
<b>Noncurrent assets:</b>						
<b>Restricted assets:</b>						
Cash and investments with fiscal agent	3,665,842	-	2,539,560	-	6,205,402	-
Interest receivable	61,517	-	42,315	12,422	116,254	-
<b>Total restricted assets</b>	<u>3,727,359</u>	<u>-</u>	<u>2,581,875</u>	<u>12,422</u>	<u>6,321,656</u>	<u>-</u>
<b>Capital assets:</b>						
Land and water rights	15,295,419	1,285,410	4,227,522	16,724,426	37,532,777	-
Buildings and improvements	27,285,890	2,939,848	44,158,057	2,809,114	77,192,909	-
Machinery and equipment	3,264,033	7,460,972	2,244,812	511,020	13,480,837	211,231
Infrastructure	98,790,557	-	24,412,815	-	123,203,372	-
Construction in progress	10,451,258	-	1,037,348	-	11,488,606	-
Less accumulated depreciation	<u>(73,510,396)</u>	<u>(5,004,605)</u>	<u>(35,205,752)</u>	<u>(733,414)</u>	<u>(114,454,167)</u>	<u>(68,718)</u>
<b>Total capital assets</b>	<u>81,576,761</u>	<u>6,681,625</u>	<u>40,874,802</u>	<u>19,311,146</u>	<u>148,444,334</u>	<u>142,513</u>
Unamortized bond issuance costs	389,887	-	384,540	-	774,427	-
<b>Total noncurrent assets</b>	<u>85,694,007</u>	<u>6,681,625</u>	<u>43,841,217</u>	<u>19,323,568</u>	<u>155,540,417</u>	<u>142,513</u>
<b>Total assets</b>	<u>110,361,169</u>	<u>25,242,973</u>	<u>57,260,749</u>	<u>20,663,908</u>	<u>213,528,799</u>	<u>8,388,923</u>

(Continued)

See accompanying notes to the basic financial statements.

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

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Totals</u>	<u>Governmental</u> <u>Activities -</u> <u>Internal</u> <u>Service</u> <u>Funds</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor</u> <u>Funds</u>		
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	702,431	121,025	332,894	66,146	1,222,496	984,363
Accrued payroll	169,948	124,966	91,921	13,303	400,138	136,260
Deferred revenue	-	-	-	98,934	98,934	-
Compensated absences (note 6)	147,107	135,050	102,993	3,368	388,518	367,472
Deposits	536,674	-	-	631,877	1,168,551	-
Notes payable (note 6)	347,905	-	239,902	-	587,807	-
Claims payable (note 5)	-	-	-	-	-	3,202,000
Landfill closure liability - current (note 6 and 14)	-	271,558	-	-	271,558	-
Revenue bonds - current (note 6)	1,450,000	-	930,000	-	2,380,000	-
Interest payable	232,776	-	259,866	-	492,642	-
	<u>3,586,841</u>	<u>652,599</u>	<u>1,957,576</u>	<u>813,628</u>	<u>7,010,644</u>	<u>4,690,095</u>
Total current liabilities						
Noncurrent liabilities:						
Notes payable (note 6)	6,143,598	-	4,765,584	-	10,909,182	-
Compensated absences (note 6)	147,107	135,050	102,993	3,367	388,517	-
Advances payable to other funds (note 3)	-	-	-	3,081,847	3,081,847	-
Landfill closure liability (note 6 and 14)	-	4,479,125	-	-	4,479,125	-
Revenue bonds (note 6)	12,250,000	-	10,635,000	-	22,885,000	-
	<u>18,540,705</u>	<u>4,614,175</u>	<u>15,503,577</u>	<u>3,085,214</u>	<u>41,743,671</u>	<u>-</u>
Total long-term liabilities						
Total liabilities	<u>22,127,546</u>	<u>5,266,774</u>	<u>17,461,153</u>	<u>3,898,842</u>	<u>48,754,315</u>	<u>4,690,095</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debts	71,542,603	6,681,625	31,849,362	19,311,146	129,384,736	142,513
Restricted for:						
Debt service	2,430,605	-	1,643,510	-	4,074,115	-
Unrestricted	14,260,415	13,294,574	6,306,724	(2,546,080)	31,315,633	3,556,315
	<u>\$ 88,233,623</u>	<u>19,976,199</u>	<u>39,799,596</u>	<u>16,765,066</u>	<u>164,774,484</u>	<u>3,698,828</u>
Total net assets						
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,847,336	
					<u>\$ 166,621,820</u>	

See accompanying notes to the basic financial statements.

CITY OF REDLANDS  
Proprietary Fund  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Year ended June 30, 2008

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor Funds</u>	<u>Totals</u>	
Operating revenues:						
Charges for services	\$ 18,074,421	9,297,234	6,868,701	914,289	35,154,645	11,306,804
Impact fees	2,480,969	365,640	2,186,050	-	5,032,659	-
Other	-	-	-	318,642	318,642	580,703
Total operating revenues	<u>20,555,390</u>	<u>9,662,874</u>	<u>9,054,751</u>	<u>1,232,931</u>	<u>40,505,946</u>	<u>11,887,507</u>
Operating expenses:						
Utility plant operations	3,761,683	-	1,703,462	-	5,465,145	-
Transmission, distribution and treatment	1,659,773	-	-	-	1,659,773	-
Personnel services	3,299,558	3,310,068	1,581,482	352,083	8,543,191	3,507,831
Repairs and maintenance	114,535	2,838,591	884,691	49,529	3,887,346	2,628,412
Administrative and general	2,425,899	2,002,765	1,476,040	919,301	6,824,005	4,691,033
Depreciation	2,075,319	891,880	1,289,619	98,628	4,355,446	12,714
Premiums paid out	-	-	-	-	-	385,739
Total operating expenses	<u>13,336,767</u>	<u>9,043,304</u>	<u>6,935,294</u>	<u>1,419,541</u>	<u>30,734,906</u>	<u>11,225,729</u>
Operating income (loss)	<u>7,218,623</u>	<u>619,570</u>	<u>2,119,457</u>	<u>(186,610)</u>	<u>9,771,040</u>	<u>661,778</u>
Non-operating revenues (expenses):						
Property taxes	-	-	-	51,398	51,398	-
Investment income	980,573	682,004	708,794	107,554	2,478,925	128,799
Amortization of bond issuance costs	(62,382)	-	(61,526)	-	(123,908)	-
Interest expense	(849,302)	-	(694,747)	(138,744)	(1,682,793)	-
Miscellaneous income (expense)	205,428	1,796,041	218,551	1,901,238	4,121,258	-
Total non-operating revenues (expenses)	<u>274,317</u>	<u>2,478,045</u>	<u>171,072</u>	<u>1,921,446</u>	<u>4,844,880</u>	<u>128,799</u>
Income (loss) before grants and transfers	<u>7,492,940</u>	<u>3,097,615</u>	<u>2,290,529</u>	<u>1,734,836</u>	<u>14,615,920</u>	<u>790,577</u>
Grants	-	100,000	-	92,540	192,540	-
Transfers in (note 3)	66,847	-	67,330	-	134,177	2,107,963
Transfers out (note 3)	(408,394)	(369,600)	(460,644)	-	(1,238,638)	(2,342,883)
Capital contributions	4,287,848	-	1,557,640	39,329	5,884,817	-
Change in net assets	<u>11,439,241</u>	<u>2,828,015</u>	<u>3,454,855</u>	<u>1,866,705</u>	<u>19,588,816</u>	<u>555,657</u>
Net assets at beginning of year	<u>76,794,382</u>	<u>17,148,184</u>	<u>36,344,741</u>	<u>14,898,361</u>		<u>3,143,171</u>
Net assets at end of year	<u>\$ 88,233,623</u>	<u>19,976,199</u>	<u>39,799,596</u>	<u>16,765,066</u>		<u>3,698,828</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds - change in net assets of business-type activities					<u>263,040</u>	
					<u>\$ 19,851,856</u>	

See accompanying notes to the basic financial statements.

CITY OF REDLANDS  
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2008

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Totals</u>	<u>Activities -</u> <u>Internal</u> <u>Service</u> <u>Funds</u>
Cash flows from operating activities:						
Cash received from customers/user departments	\$ 20,454,536	9,914,163	9,004,249	1,195,813	40,568,761	11,870,430
Cash payments to suppliers for goods and services	(8,724,111)	(4,838,771)	(3,990,617)	(968,674)	(18,522,173)	(7,596,371)
Cash payments for claims	-	-	-	-	-	495,176
Cash payments for employees for services	(3,290,029)	(3,246,669)	(1,538,387)	(352,429)	(8,427,514)	(3,515,040)
Cash received for other activities	205,428	332,417	19,033	419,236	976,114	-
Net cash provided by (used for) operating activities	<u>8,645,824</u>	<u>2,161,140</u>	<u>3,494,278</u>	<u>293,946</u>	<u>14,595,188</u>	<u>1,254,195</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	166,847	130,000	150,329	-	447,176	2,107,963
Cash paid to other funds	(408,394)	(369,600)	(460,644)	(230,000)	(1,468,638)	(2,285,672)
Net cash provided by noncapital financing activities	<u>(241,547)</u>	<u>(239,600)</u>	<u>(310,315)</u>	<u>(230,000)</u>	<u>(1,021,462)</u>	<u>(177,709)</u>
Cash flows from capital and related financing activities:						
Cost paid for acquisition of capital assets	(3,753,330)	(1,604,551)	(1,201,657)	(139,651)	(6,699,189)	(7,425)
Cash received from sale of land	-	1,463,624	1,463,624	-	2,927,248	-
Interest paid on long-term debt	(835,105)	-	(694,747)	-	(1,529,852)	-
Principal payments on long-term debt	(1,728,765)	-	(1,129,050)	-	(2,857,815)	-
Grants received	-	100,000	-	191,474	291,474	-
Net cash provided by (used for) capital and related financing activities	<u>(6,317,200)</u>	<u>(40,927)</u>	<u>(1,561,830)</u>	<u>51,823</u>	<u>(7,868,134)</u>	<u>(7,425)</u>
Cash flows from investing activities:						
Interest received	904,541	605,095	664,260	107,554	2,281,450	128,799
Net cash provided by investing activities	<u>904,541</u>	<u>605,095</u>	<u>664,260</u>	<u>107,554</u>	<u>2,281,450</u>	<u>128,799</u>
Net increase (decrease) in cash and cash equivalents	2,991,618	2,485,708	2,286,393	223,323	7,987,042	1,197,860
Cash and cash equivalents at beginning of year	<u>21,195,281</u>	<u>13,134,291</u>	<u>12,717,585</u>	<u>979,680</u>	<u>48,026,837</u>	<u>6,834,773</u>
Cash and cash equivalents at end of year	<u>\$ 24,186,899</u>	<u>15,619,999</u>	<u>15,003,978</u>	<u>1,203,003</u>	<u>56,013,879</u>	<u>8,032,633</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF REDLANDS  
Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2008

	<u>Business-Type Activities - Enterprise Funds</u>					<u>Governmental</u>
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>	<u>Nonmajor</u>	<u>Totals</u>	<u>Activities -</u> <u>Internal</u> <u>Service</u> <u>Funds</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	<u>\$ 7,218,623</u>	<u>619,570</u>	<u>2,119,457</u>	<u>(186,610)</u>	<u>9,771,040</u>	<u>661,778</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	2,075,319	891,880	1,289,619	98,628	4,355,446	12,714
Miscellaneous income	205,428	332,417	19,033	419,236	976,114	-
(Increase) decrease in accounts receivable	(12,254)	(13,130)	(47,110)	5,459	(67,035)	9,882
(Increase) decrease in inventory	-	-	-	-	-	3,024
(Increase) decrease due from other governments	-	-	-	(51,669)	(51,669)	-
(Increase) decrease in taxes receivable	-	-	-	(538)	(538)	-
(Increase) decrease in interest receivable	(5,236)	-	(3,392)	7,790	(838)	(26,959)
(Increase) decrease in other assets	-	-	-	(7,146)	(7,146)	(3,150)
Increase (decrease) in accounts payable	(740,150)	2,585	90,117	7,302	(640,146)	(276,800)
Increase (decrease) in accrued payroll	34,781	22,593	14,827	646	72,847	54,292
Increase (decrease) in claims payable	-	-	-	-	-	880,915
Increase (decrease) in deposits	(83,364)	-	-	1,840	(81,524)	-
Increase (decrease) in compensated absences	(25,252)	40,806	28,268	(992)	42,830	(61,501)
Increase (decrease) in interest payable	(22,071)	-	(16,541)	-	(38,612)	-
Increase (decrease) in landfill closure liability	-	264,419	-	-	264,419	-
	<u>1,427,201</u>	<u>1,541,570</u>	<u>1,374,821</u>	<u>480,556</u>	<u>4,824,148</u>	<u>592,417</u>
Total adjustments						
Net cash provided by (used for) operating activities	<u>\$ 8,645,824</u>	<u>2,161,140</u>	<u>3,494,278</u>	<u>293,946</u>	<u>14,595,188</u>	<u>1,254,195</u>

Noncash investing, capital and financing activities:

During the year ended June 30, 2008, there were \$5,884,817 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, 2008

Assets:	
Cash and investments (note 2)	\$ 4,810,705
Cash and investments with fiscal agent (note 2)	2,607,902
Interest receivable	<u>932,849</u>
Total assets	<u>\$ 8,351,456</u>
Liabilities:	
Accounts payable	\$ 13,809
Deposits	<u>8,337,647</u>
Total liabilities	<u>\$ 8,351,456</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, 2008

### (1) Summary of Significant Accounting Policies

#### (a) Reporting Entity

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

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

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

## CITY OF REDLANDS

### Notes to the Basic Financial Statements

(Continued)

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

##### (b) Basis of Accounting and Measurement Focus

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

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

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

##### Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including the blended component units), as well as discretely presented financial statements. The City of Redlands has no discretely presented component units. Eliminations have been made in the Statement 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.

*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.

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 \$59,785 for the year ended June 30, 2008 to the cemetery enterprise fund for maintaining the cemetery's operations. No expenditures are incurred until the cemetery is closed.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

(c) Fund Classifications, (Continued)

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

(d) Investments

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

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

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

(e) Cash Equivalents

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

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

(f) Capital Assets

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

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

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

Structures	25 years
Equipment	10 years
Infrastructure	40 years

(g) Encumbrances

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

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

(h) Inventory of Supplies

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

(i) Compensated Absences

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

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

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

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

# CITY OF REDLANDS

## Notes to the Basic Financial Statements

(Continued)

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

#### (j) Cash and Investments with Fiscal Agent

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

#### (k) Property Taxes

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

#### (l) Bond Discounts/Issuance Costs

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

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

(m) 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, 2008 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$113,231,268
Cash and investments held by fiscal agent	10,813,308
Fiduciary funds:	
Cash and investments	4,810,705
Cash and investments held by fiscal agent	<u>2,607,902</u>
Total cash and investments	<u>\$131,463,183</u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 5,000
Deposits with financial institutions	(103,077)
Investments	<u>131,561,260</u>
Total cash and investments	<u>\$131,463,183</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

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

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

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

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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



CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
Federal agency securities	\$ 42,394,965	4,020,890	8,191,090	30,182,985	-
Corporate Bonds	8,964,989	-	5,917,829	3,047,160	-
Mutual funds	10,690,040	10,690,040	-	-	-
Money market funds	26,330	26,330	-	-	-
LAIF	56,063,726	56,063,726	-	-	-
Held by fiscal agent:					
U.S. Treasury notes	2,024,912	2,024,912	-	-	-
Money market funds	4,659,082	4,659,082	-	-	-
Investment contracts	<u>6,737,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,737,216</u>
<b>Total</b>	<b><u>\$131,561,260</u></b>	<b><u>77,484,980</u></b>	<b><u>14,108,919</u></b>	<b><u>33,230,145</u></b>	<b><u>6,737,216</u></b>

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 \$42,394,965.

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	\$ 42,394,965	N/A	-	42,394,965	-
Corporate Bonds	8,964,989	A	-	8,964,989	-
Mutual funds	10,690,040	A	-	10,690,040	-
Money market funds	26,330	A	-	26,330	-
LAIF	56,063,726	N/A	-	-	56,063,726
Held by bond trustee:					
U.S. Treasury notes	2,024,912	N/A	2,024,912	-	-
Federal agency securities	-	N/A	-	-	-
Money market funds	4,659,082	A	-	4,659,082	-
Investment contracts	<u>6,737,216</u>	N/A	<u>-</u>	<u>-</u>	<u>6,737,216</u>
<b>Total</b>	<b>\$131,561,260</b>		<b>2,024,912</b>	<b>66,735,406</b>	<b>62,800,942</b>

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	12,047,500
Federal Home Loan Mortgage Corporation	Federal agency securities	16,034,340
Federal National Mortgage Association	Federal agency securities	8,164,375

## 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.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(3) Interfund Receivables, Payables and Transfers

Current interfund receivables and payables as of June 30, 2008 are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	<u>\$1,021,377 (A)</u>

Noncurrent interfund receivables and payables as of June 30, 2008 are as follows:

<u>Advances receivable</u>	<u>Advances payable</u>	<u>Amount</u>
General Fund	Public Facilities Development Special Revenue Fund	<u>\$3,712,387 (B)</u> <u>3,712,387</u>
Sewer Enterprise Fund	General Fund	<u>11,533 (B)</u> <u>11,533</u>
Water Enterprise Fund	Nonmajor proprietary funds	<u>1,376,020 (B)</u> <u>1,376,020</u>
Disposal Enterprise Fund	Nonmajor proprietary funds	<u>1,705,827 (B)</u> <u>1,705,827</u>
		<u>\$6,805,767</u>

(A) Short-term borrowing for temporary cash shortfalls.

(B) To provide funding for capital expenditures.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

Transfers in and out for the year ended June 30, 2008 were as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>						<u>Total</u>
	<u>General Fund</u>	<u>General Debt Service</u>	<u>Nonmajor Government Funds</u>	<u>Internal Service Funds</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	
General Fund	\$ -	-	3,324,193	1,843,093	-	-	5,167,286
Public Facilities Development Nonmajor	150,040	-	966,427	-	-	-	1,116,467
Governmental Internal Service Funds	1,736,932	-	9,248,853	-	-	-	10,985,785
	753,316	1,589,567	-	-	-	-	2,342,883
Water Fund	79,393	-	96,800	164,871	-	67,330	408,394
Disposal Fund	347,977	-	-	21,623	-	-	369,600
Sewer Fund	315,421	-	-	78,376	66,847	-	460,644
	<u>\$3,383,079</u>	<u>1,589,567</u>	<u>13,636,273</u>	<u>2,107,963</u>	<u>66,847</u>	<u>67,330</u>	<u>20,851,059</u>

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

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and water rights	\$ 27,550,939	1,344,040	(54,022)	28,840,957
Rights of way	286,858,647	112,114,379	-	398,973,026
Construction in progress	<u>8,571,341</u>	<u>2,670,683</u>	<u>(1,421,170)</u>	<u>9,820,854</u>
Total capital assets not being depreciated	<u>322,980,927</u>	<u>116,129,102</u>	<u>(1,475,192)</u>	<u>437,634,837</u>
Capital assets being depreciated:				
Infrastructure	155,773,433	10,163,920	(243,832)	165,693,521
Buildings and improvements	15,632,582	2,511,977	-	18,144,559
Machinery, equipment and vehicles	<u>17,321,363</u>	<u>1,973,998</u>	<u>(877,744)</u>	<u>18,417,617</u>
Total capital assets being depreciated	<u>188,727,378</u>	<u>14,649,895</u>	<u>(1,121,576)</u>	<u>202,255,697</u>
Less accumulated depreciation for:				
Infrastructure	(58,266,228)	(3,557,757)	158,450	(61,665,535)
Buildings and improvements	(6,794,260)	(369,442)	-	(7,163,702)
Machinery, equipment and vehicles	<u>(11,433,210)</u>	<u>(1,687,749)</u>	<u>791,610</u>	<u>(12,329,349)</u>
Total accumulated depreciation	<u>(76,493,698)</u>	<u>(5,614,948)</u>	<u>950,060</u>	<u>(81,158,586)</u>
Total capital assets being depreciated, net	<u>112,233,680</u>	<u>9,034,947</u>	<u>(171,516)</u>	<u>121,097,111</u>
Governmental activities Capital assets, net	<u>\$435,214,607</u>	<u>125,164,049</u>	<u>(1,646,708)</u>	<u>558,731,948</u>

\*\*\*Certain amounts at June 30, 2007 have been reclassified among categories.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets, (Continued)

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 27,840,335	1,673,051	(1,251,193)	28,262,193
Water rights	9,264,712	9,000	(3,128)	9,270,584
Construction in progress	<u>10,013,101</u>	<u>3,543,855</u>	<u>(2,068,350)</u>	<u>11,488,606</u>
Total capital assets not being depreciated	<u>47,118,148</u>	<u>5,225,906</u>	<u>(3,322,671)</u>	<u>49,021,383</u>
Capital assets being depreciated:				
Infrastructure	115,338,089	7,913,839	(48,556)	123,203,372
Buildings and improvements	77,000,030	192,879	-	77,192,909
Machinery, equipment and vehicles	<u>11,570,873</u>	<u>2,891,905</u>	<u>(981,941)</u>	<u>13,480,837</u>
Total capital assets being depreciated	<u>203,908,992</u>	<u>10,998,623</u>	<u>(1,030,497)</u>	<u>213,877,118</u>
Less accumulated depreciation for:				
Infrastructure	(50,595,817)	(2,102,009)	-	(52,697,826)
Buildings and improvements	(52,508,479)	(1,090,746)	-	(53,599,225)
Machinery, equipment and Vehicles	<u>(7,976,366)</u>	<u>(1,162,691)</u>	<u>981,941</u>	<u>(8,157,116)</u>
Total accumulated depreciation	<u>(111,080,662)</u>	<u>(4,355,446)</u>	<u>981,941</u>	<u>(114,454,167)</u>
Total capital assets being depreciated, net	<u>92,828,330</u>	<u>6,643,177</u>	<u>(48,556)</u>	<u>99,422,951</u>
Business-type activities Capital assets, net	<u>\$139,946,478</u>	<u>11,869,083</u>	<u>(3,371,227)</u>	<u>148,444,334</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets, (Continued)

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General government	\$ 209,980	-
Public safety	1,401,185	-
Highway and streets	3,658,715	-
Culture and recreation	332,354	-
Water	-	2,075,319
Disposal	-	891,880
Sewer	-	1,289,619
Others	-	98,628
Internal service	<u>12,714</u>	<u>-</u>
Total	<u>\$5,614,948</u>	<u>4,355,446</u>

(5) Long-Term Liabilities – Governmental Activities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008:

	<u>Balance at June 30, 2007</u>	<u>Additions/ Accretion</u>	<u>Retirements</u>	<u>Balance at June 30, 2008</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 6,824,717	4,955,109	(5,007,242)	6,772,584	3,250,840
Capital leases payable	2,283,200	236,136	(520,446)	1,998,890	443,080
Claims payable	2,321,085	2,104,597	(1,223,682)	3,202,000	3,202,000
General obligation bonds:					
2003 Refunding	3,625,000	-	(455,000)	3,170,000	475,000
Taxable pension funding bonds:					
2007 Series	-	25,907,621	-	25,907,621	330,000
Tax allocation bonds:					
1998A Refunding	24,120,000	-	(1,065,000)	23,055,000	1,105,000
2003A Series	15,255,000	-	(5,020,000)	10,235,000	520,000
2007A Refunding	-	4,640,000	-	4,640,000	225,000



CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2008</u>	<u>Amount Due Within One Year</u>
Certificate of participation:					
2003 lease revenue refunding	\$15,310,000	-	(1,355,000)	13,955,000	1,380,000
Add: issuance premium	533,380	-	(53,338)	480,042	53,338
Note payable:					
F.M. Thomas Air					
Conditioning, Inc.	63,891	-	(42,595)	21,296	21,296
I-Bank Sports Park	<u>1,985,000</u>	<u>-</u>	<u>(40,719)</u>	<u>1,944,281</u>	<u>42,002</u>
Total governmental activities long-term liabilities	<u>\$72,321,273</u>	<u>33,498,234</u>	<u>(10,483,022)</u>	<u>95,381,714</u>	<u>11,047,556</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, \$367,471 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, 2008

Capital Leases Payable

The City has entered into several lease agreements for various equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. The assets acquired under capital leases are machinery, equipment and vehicles. The total cost was \$3,248,732.

\$1,998,890

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

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

<u>Year ending June 30</u>	<u>Amount</u>
2009	\$ 528,849
2010	460,938
2011	355,205
2012	255,042
2013	226,687
2014-2015	<u>486,741</u>
Total minimum lease payments	2,313,462
Less: amount representing interest	<u>(314,572)</u>
Present value of minimum lease payments	<u>\$1,998,890</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. 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, 2008 is \$3,170,000.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 475,000	128,788
2010	500,000	109,788
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>\$3,170,000</u>	<u>482,314</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 accreted value commencing February 1, 2008. The amount outstanding at June 30, 2008 is \$25,907,621.

The annual requirements to amortize pension funding bonds outstanding as of June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 330,000	1,413,124
2010	905,000	1,427,972
2011	1,040,000	1,376,839
2012	1,180,000	1,318,079
2013	1,330,000	1,251,409
2014-2018	9,370,000	4,932,686
2019-2023	8,180,000	2,257,220
2024-2028	1,080,000	1,037,277
2029-2033	1,630,000	906,547
2034-2037	<u>2,060,000</u>	<u>318,708</u>
	27,105,000	
Less unaccreted discount	<u>(1,197,379)</u>	
Outstanding balance	<u>\$25,907,621</u>	<u>16,239,861</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(5) 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. This debt is secured by the tax increment revenue of the Redevelopment Agency. The amount outstanding at June 30, 2008 is \$23,055,000.

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, 2008, the outstanding principal was \$10,235,000.

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, 2008, the outstanding principal was \$4,640,000.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

The annual requirements to amortize tax allocation bonds outstanding as of June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,850,000	1,714,874
2010	1,895,000	1,664,425
2011	1,975,000	1,583,224
2012	2,060,000	1,495,144
2013	2,160,000	1,399,587
2014-2018	12,375,000	5,366,273
2019-2023	<u>15,615,000</u>	<u>2,042,940</u>
	<u>\$37,930,000</u>	<u>15,266,467</u>

Certificate of Participation

2003 Lease Revenue Refunding Certificate of Participation

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

The Certificates mature on September 1 of each year, beginning September 1, 2006 through September 1, 2017, in amounts ranging from \$595,000 to \$1,785,000. The interest will be calculated from September 1, 2003 at the rates per annum set forth in the bond documents and will represent the sum of the portions of the lease payments coming due during the six months preceding each interest payment date. The interest rates will range from 2.2% to 5%. The outstanding balance at June 30, 2008 was \$13,955,000 with premium in the amount of \$480,042.

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>
2009	\$ 1,380,000	542,286
2010	1,415,000	498,806
2011	1,475,000	446,537
2012	1,525,000	384,443
2013	1,600,000	306,318
2014-2018	<u>6,560,000</u>	<u>603,135</u>
	<u>\$13,955,000</u>	<u>2,781,525</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

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

On January 20, 2004, the City purchased a heating and air conditioning system in the amount of \$212,973 and agreed to pay the amount over five years commencing on the date of the note, which carries no interest with principal payments due every month and payable in full on January 20, 2009. At June 30, 2008, the outstanding balance of the F.M. Thomas Air Conditioning, Inc. note payable balance was \$21,296.

The annual retirements to amortize notes payable outstanding as of June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2009	<u>\$ 21,296</u>

I-Bank Sports Park – Note Payable

On December 1, 2006 the City entered into this agreement for the purpose of obtaining additional funds to complete the Sports Park project. The City has agreed to pay the amount over thirty years commencing on the date of the note, which carries an annual interest rate of 3.15% with principal and interest payments due every six months starting August 1, 2007 and payable in full on August 1, 2036. At June 30, 2008, the outstanding balance of the I-Bank Sports Park note payable balance was \$1,944,281.

The annual retirements to amortize notes payable outstanding as of June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 42,002	60,583
2010	43,325	59,240
2011	44,690	57,854
2012	46,097	56,424
2013	47,549	54,949
2014-2018	261,180	250,938
2019-2023	304,991	206,441
2024-2037	<u>1,154,447</u>	<u>272,823</u>
	<u>\$1,944,281</u>	<u>1,019,252</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities – Business-Type

The following is a summary of changes in business-type long-term liabilities, including landfill closure liability, for the year ended June 30, 2008:

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008	Amount Due Within One Year
<b>Enterprise Funds:</b>					
Compensated absences	\$ 734,205	619,161	(576,331)	777,035	388,518
Landfill closure liability	<u>4,486,264</u>	<u>264,419</u>	<u>-</u>	<u>4,750,683</u>	<u>271,558</u>
	<u>5,220,469</u>	<u>883,580</u>	<u>(576,331)</u>	<u>5,527,718</u>	<u>660,076</u>
<b>Revenue Bonds:</b>					
1999 Water Refunding	15,090,000	-	(1,390,000)	13,700,000	1,450,000
1999 Wastewater Refunding	<u>12,460,000</u>	<u>-</u>	<u>(895,000)</u>	<u>11,565,000</u>	<u>930,000</u>
	<u>27,550,000</u>	<u>-</u>	<u>(2,285,000)</u>	<u>25,265,000</u>	<u>2,380,000</u>
<b>Notes payable:</b>					
Agricultural drainage water management loan program	849,904	-	(93,561)	756,343	96,929
California recycled water project	5,239,536	-	(234,050)	5,005,486	239,902
Safe drinking water project	<u>5,980,364</u>	<u>-</u>	<u>(245,204)</u>	<u>5,735,160</u>	<u>250,976</u>
	<u>12,069,804</u>	<u>-</u>	<u>(572,815)</u>	<u>11,496,989</u>	<u>587,807</u>
Total business-type activities long-term liabilities	<u>\$44,840,273</u>	<u>883,580</u>	<u>(3,434,146)</u>	<u>42,289,707</u>	<u>3,627,883</u>

Revenue Bonds Payable

1999 Water Refunding Revenue Bonds

The \$23,345,000 of water refunding revenue bonds, issue of 1999, consist of serial bonds with varying interest rates from 3.7% to 5%. Interest is payable semiannually on March 1 and September 1. Serial bonds mature annually on September 1, 1999 through September 1, 2015. The revenues of the Water Fund are pledged as security toward the payment of this debt. The amount outstanding at June 30, 2008 was \$13,700,000.

1999A Wastewater Refunding Revenue Bonds

The \$17,770,000 of wastewater refunding revenue bonds, issue of 1999, Series A, consist of serial bonds with varying interest rates from 3.7% to 4.875%. Interest is payable semiannually on March 1 and September 1. Serial bonds mature semiannually on September 1, 1999 through September 1, 2017. The revenues of the Water Fund are pledged as security toward the payment of this debt. The amount outstanding at June 30, 2008 was \$11,565,000.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

The annual requirements to amortize bonds payable subsequent to June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,380,000	1,164,543
2010	2,495,000	1,054,856
2011	2,600,000	938,919
2012	2,725,000	814,400
2013	2,855,000	680,091
2014-2018	<u>12,210,000</u>	<u>1,279,750</u>
	<u>\$25,265,000</u>	<u>5,932,559</u>

Notes Payable

At June 30, 2008, the City has \$756,343 in outstanding principal relating to a note payable to the Water Resources Control Board through the Agricultural Drainage Water Management Loan Program for the Texas Street Wellhead Treatment Project. The note carries an annual interest rate of 3.6% with principal and interest payments due annually.

On September 2, 2003, the City has a loan made by the California Water Resources Control Board in the amount of \$7,918,234 to assist in financing the construction of advanced wastewater treatment facilities at the existing wastewater treatment plant. The note carries an annual interest rate of 2.5% with principal and interest payments due annually starting November 30, 2005. The amount outstanding at June 30, 2008 is \$5,005,486.

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, 2008, the City has \$5,735,160 in outstanding principal.



CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

The annual requirements to amortize notes payable outstanding as of June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 587,807	285,108
2010	603,200	269,715
2011	619,010	253,905
2012	635,244	237,671
2013	651,918	220,998
2014-2018	3,139,843	852,258
2019-2023	3,274,077	469,712
2024-2026	<u>1,985,890</u>	<u>87,203</u>
	<u>\$11,496,989</u>	<u>2,676,570</u>

(7) Claims Payable

On June 30, 2008 and throughout 2007-2008, the City was self-insured for the first \$500,000 per occurrence for commercial general liability and automobile liability. The City purchased excess liability insurance to provide additional coverage of \$10,000,000 per occurrence with a \$10,000,000 aggregate. The City also purchased airport liability insurance including comprehensive general liability, contractual liability, personal injury, bodily injury and property damage in a single limit liability amount of \$10,000,000 for each occurrence. For worker's compensation and employer's liability, the City was self-insured for \$1,000,000 per occurrence with excess coverage of \$25,000,000 for worker's compensation per occurrence with a \$25,000,000 aggregate, and \$1,000,000 for employer's liability per occurrence.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(7) Claims Payable, (Continued)

At June 30, 2008, \$755,000 and \$2,447,000 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.

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, 2008 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, 2008 is as follows:

<u>2007-2008</u>	<u>Liability Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability End of Year</u>
Liability claims	\$ 574,219	744,167	563,386	755,000
Worker's compensation	<u>1,746,866</u>	<u>1,360,430</u>	<u>660,296</u>	<u>2,447,000</u>
	<u>\$2,321,085</u>	<u>2,104,597</u>	<u>1,223,682</u>	<u>3,202,000</u>

<u>2006-2007</u>	<u>Liability Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability End of Year</u>
Liability claims	\$ 574,219	165,100	165,100	574,219
Worker's compensation	<u>1,746,866</u>	<u>570,080</u>	<u>570,080</u>	<u>1,746,866</u>
	<u>\$2,321,085</u>	<u>735,180</u>	<u>735,180</u>	<u>2,321,085</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

At June 30, 2008, the following governmental funds have fund deficits:

	<u>Deficit Amount</u>
Special Revenue Funds:	
Public Facilities Development	\$1,973,960 (a)
Community Development Block Grant	10,685
Street Lighting District #1	879
Disaster Recovery	57,839
General Capital Improvement	383,787 (b)
Police Grants	129,614
Enterprise Fund:	
Cemetery	623,625
Internal Service Fund:	
Information Technology	53,767
Payroll Clearing	130
Vehicle Pool and Maintenance	100,059

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

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

Expenditures for the year ended June 30, 2008 exceeded the appropriations of the following funds/departments:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General:			
City council	\$ 179,730	185,508	(5,778)
City treasurer	808,950	810,160	(1,210)
City attorney	555,997	576,629	(20,632)
Fire	10,280,951	10,463,791	(182,840)
Highway and streets	4,020,157	4,223,696	(203,539)
Parks	2,005,319	2,077,003	(71,684)
Capital outlay	834,625	1,208,900	(374,275)
Interest	97,432	141,965	(44,533)
Special Revenue:			
Emergency Service	3,322,130	3,344,048	(21,918)
Street Construction	-	24,176	(24,176)
Designated receipts	-	1,137,323	(1,137,323)
Open Space	74,875	402,014	(327,139)
Park Development	115,060	122,098	(7,038)
Traffic Signals	-	9,379	(9,379)
Drug Confiscation	38,475	76,222	(37,747)
CFD 2004-1	28,462	41,410	(12,948)
Freeway Interchanges	-	2,722	(2,722)
Debt Service			
General Debt Service	26,886,206	26,917,028	(30,822)

## CITY OF REDLANDS

### Notes to the Basic Financial Statements

(Continued)

#### (9) Defined Benefit Pension Plan

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

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

Under GASB No. 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. The contribution rate for the indicated period is 10.500%, 30.129% and 33.932% 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, 2008, 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, 2007 to June 30, 2008.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan, (Continued)

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

Miscellaneous

Valuation Date	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	22 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

Miscellaneous

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 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.

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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(9) Defined Benefit Pension Plan, (Continued)

Required Supplementary Information – Miscellaneous:

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability as a % of Covered Payroll</u>
6/30/04	\$73,067,357	68,950,101	4,117,256	94.4%	14,929,805	27.6%
6/30/05	79,179,634	73,458,081	5,721,553	92.8%	16,462,866	34.8%
6/30/06	85,914,510	79,046,879	6,867,631	92.0%	17,263,107	39.8%

Three Year Trend Information:

<u>Fiscal Year</u>	<u>Annual Pension Cost (Employer Contribution)</u>				<u>Net Pension Obligation</u>
	<u>Miscellaneous</u>	<u>Safety Police</u>	<u>Safety Fire</u>	<u>Percentage of APC Contributed</u>	
6/30/06	\$1,776,416	2,741,792	2,339,943	100%	-
6/30/07	1,701,726	2,758,854	2,294,963	100%	-
6/30/08	1,997,432	2,785,734	2,274,468	100%	-

## CITY OF REDLANDS

### Notes to the Basic Financial Statements

(Continued)

#### (10) Other Post-Employment Benefits

In addition to the pension benefits described in Note 9, the City of Redlands provides post-retirement health care benefits, in accordance with applicable Memoranda of Understanding and the California Government Code, to all employees who retire from the City of Redlands.

Currently, 243 retirees meet those eligibility requirements. The City of Redlands contributes a flat monthly rate of \$377 for those employees who retire under the PERS retirement system and subscribe to the PERS Health Insurance System, in accordance with the Government Code. This is a perpetual benefit which is available to all PERS retirees including eligible dependents of deceased retirees. Annual increases in the monthly rate are limited to \$20 and based upon the annual increase in PERS Health Net family premiums. In addition, the City of Redlands also contributed the entire monthly premium for health insurance for all employees who retire with the City of Redlands and have a minimum of 15 years of continuous service with the City of Redlands, or 20 years depending on the particular bargaining units. These post-employment benefits are funded by the City on a pay-as-you-go basis. Upon retirement, City of Redlands employees who are not eligible for fully paid medical benefits based on service may elect to convert the value of their sick leave for payment of the balance of the premiums which are not paid by the City of Redlands. During the year ended June 30, 2008, the City expended \$1,754,963 for these post-employment benefits.

#### (11) Contingencies

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

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(12) Commitments – Contract with County of San Bernardino

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

(13) Construction Commitments

The following material construction commitments existed at June 30, 2008:

<u>Project Name</u>	<u>Remaining Commitments</u>
Safety Hall Improvements	\$556,000
Landfill Composite Liner Installation	371,267
Water Pipeline Master Plan & Replacement	248,483
Sports Park Parking Lot	131,250
Redlands/Alabama Street Improvements	196,515
Core Block Parking Structure	176,590
Stuart Street Storm Drain	125,086
Sports Park Restroom	117,198



## CITY OF REDLANDS

### Notes to the Basic Financial Statements

(Continued)

#### (14) Solid Waste Landfill

State and federal laws and regulations require the City to provide financial assurance for closure and postclosure costs of the California Street Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for fifteen years after closure. Although closure and postclosure activities will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4,750,683 reported as landfill closure and postclosure liability at June 30, 2008 represents the cumulative amount reported to date based on the use of 42.51 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 2008 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, with a subsidiary mechanism of certificates of participation. For postclosure costs, the City has entered into a Pledge of Revenue Agreement with the California Integrated Waste Management Board. The City is in compliance with these requirements. At June 30, 2008, \$5,801,777 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.

#### (15) Debt Without Government Commitment

##### Assessment District Bonds

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

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

(15) Debt Without Government Commitment, (Continued)

In September 2001, the City issued for and on behalf of the Community Facilities District No. 2001-1 (Northwest Development Project) \$9,255,000 aggregate principal amount of 2001 Special Tax Bonds to finance the acquisition of certain public improvements with appurtenant work and incidental expenses within the District. The Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from proceeds of annual special tax to be levied on the property within the District. Bonds maturing in the years 2002 to 2015 are serial bonds payable in annual installments of \$170,000 to \$355,000 while bonds maturing in the year 2022 in the amount of \$3,175,000 and bonds maturing in the year 2026 in the amount of \$2,535,000 are term bonds. The interest rates on the bonds range from 3.75% to 6.45%. The outstanding balance at June 30, 2008 was \$8,045,000

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, 2008 was \$9,490,000.

(16) Operating Lease

The City has entered into an operating lease with Xerox Corporation for copier equipment, services and supplies in November 2004. The term calls for a five-year lease with a minimum monthly payment of \$12,627. The minimum future payments as of June 30, 2008 are as follows:

<u>June 30 ending</u>	<u>Amount</u>
2009	\$151,524
2010	<u>50,508</u>
	<u>\$202,032</u>

CITY OF REDLANDS

Notes to the Basic Financial Statements

(Continued)

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

The City of Redlands issues tax and revenue anticipation bonds in advance of property tax collections, depositing the proceeds in its general fund. The series 2007C bonds were issued to provide monies to meet the City's anticipated cash flow needs prior to the receipt of property taxes collected by the City later in the year. The series 2007A-1 bonds are necessary for the City's prepayment of its contribution to PERS at the beginning of the fiscal year rather than in installments throughout the year.

Short-term debt activity for the year ended June 30, 2008, was as follows

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax and revenue anticipation bonds, series C	\$ 0	\$6,620,000	\$(6,620,000)	\$ 0
Tax and revenue anticipation bonds, series A-1 (Pooled)	\$ 0	\$7,545,000	\$(7,545,000)	\$ 0

(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 \$4,300,000.

(19) Subsequent Events

In July 2008, the City of Redlands has issued its series 2008A-1 Taxable California Communities Tax and Revenue Anticipation Bonds amounting to approximately \$5,000,000 for the prepayment of the City's annual PERS obligation.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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## CITY OF REDLANDS

### Notes to Required Supplementary Information

Year ended June 30, 2008

#### (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, 2008, supplemental appropriations in the amount of \$1,343,359 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, 2008

	Budget		Actual	Variance with Final Budget Positive
	Original	Final		(Negative)
<b>Revenues:</b>				
Taxes	\$ 42,800,000	40,483,000	40,951,439	468,439
Licenses, permits and fines	5,974,063	9,888,929	9,747,210	(141,719)
Intergovernmental	-	536,116	482,543	(53,573)
Charges for services	5,880,922	1,915,432	2,007,078	91,646
Investment income	1,915,300	2,263,141	2,653,774	390,633
Other	93,000	402,157	407,427	5,270
Total revenues	<u>56,663,285</u>	<u>55,488,775</u>	<u>56,249,471</u>	<u>760,696</u>
<b>Expenditures:</b>				
<b>General government:</b>				
City council	163,426	179,730	185,508	(5,778)
City clerk	381,973	498,024	486,003	12,021
City manager	379,495	603,346	495,314	108,032
Finance	1,209,577	1,282,475	1,229,214	53,261
City treasurer	643,748	808,950	810,160	(1,210)
City attorney	547,908	555,997	576,629	(20,632)
Community development	2,109,278	1,938,244	1,905,140	33,104
Administrative services	3,222,916	3,324,533	3,160,814	163,719
Management information systems	534,208	-	-	-
Total general government	<u>9,192,529</u>	<u>9,191,299</u>	<u>8,848,782</u>	<u>342,517</u>
<b>Public safety:</b>				
Police	21,288,851	21,809,050	21,683,713	125,337
Fire	9,759,625	10,280,951	10,463,791	(182,840)
Total public safety	<u>31,048,476</u>	<u>32,090,001</u>	<u>32,147,504</u>	<u>(57,503)</u>
Highway and streets	<u>3,948,477</u>	<u>4,020,157</u>	<u>4,223,696</u>	<u>(203,539)</u>
<b>Culture and recreation:</b>				
Community services	1,609,780	1,675,841	1,642,717	33,124
Parks	1,922,427	2,005,319	2,077,003	(71,684)
Total culture and recreation	<u>3,532,207</u>	<u>3,681,160</u>	<u>3,719,720</u>	<u>(38,560)</u>
Library	<u>1,978,392</u>	<u>1,968,870</u>	<u>1,966,965</u>	<u>1,905</u>
Capital outlay	<u>790,540</u>	<u>834,625</u>	<u>1,208,900</u>	<u>(374,275)</u>

(Continued)



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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Debt service:				
Principal	521,217	563,161	563,041	120
Interest	91,508	97,432	141,965	(44,533)
Total debt service	<u>612,725</u>	<u>660,593</u>	<u>705,006</u>	<u>(44,413)</u>
Total expenditures	<u>51,103,346</u>	<u>52,446,705</u>	<u>52,820,573</u>	<u>(373,868)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,559,939</u>	<u>3,042,070</u>	<u>3,428,898</u>	<u>386,828</u>
Other financing sources (uses):				
Issuance of debt	-	-	236,136	236,136
Transfers in	2,210,540	3,095,367	3,383,079	287,712
Transfers out	(4,985,500)	(4,968,201)	(5,167,286)	(199,085)
Total other financing sources (uses)	<u>(2,774,960)</u>	<u>(1,872,834)</u>	<u>(1,548,071)</u>	<u>324,763</u>
Net change in fund balance	2,784,979	1,169,236	1,880,827	711,591
Fund balance at beginning of year	<u>13,247,724</u>	<u>13,247,724</u>	<u>13,247,724</u>	<u>-</u>
Fund balance at end of year	<u>\$ 16,032,703</u>	<u>14,416,960</u>	<u>15,128,551</u>	<u>711,591</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, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fines	\$ 1,942,605	1,942,605	1,580,780	(361,825)
Total revenues	1,942,605	1,942,605	1,580,780	(361,825)
Expenditures:				
Current:				
General government	-	33,000	66,428	(33,428)
Capital outlay	-	556,000	-	556,000
Total expenditures	-	589,000	66,428	522,572
Excess (deficiency) of revenues over (under) expenditures	1,942,605	1,353,605	1,514,352	160,747
Other financing sources:				
Transfers out	(969,796)	(1,116,742)	(1,116,467)	275
Total other financing sources (uses)	(969,796)	(1,116,742)	(1,116,467)	275
Net change in fund balance	972,809	236,863	397,885	161,022
Fund balance (deficit) at beginning of year	(2,371,845)	(2,371,845)	(2,371,845)	-
Fund balance (deficit) at end of year	\$ (1,399,036)	(2,134,982)	(1,973,960)	161,022

**SUPPLEMENTARY SCHEDULES**

CITY OF REDLANDS  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2008

	Special Revenue	Debt Service	Capital Projects	Permanent Fund Cemetery Endowment	Total
<b>Assets:</b>					
Cash and investments	\$ 29,576,956	2,186,897	10,442,877	1,654,383	43,861,113
Cash and investments with fiscal agent	54	3,698,936	-	-	3,698,990
<b>Receivables:</b>					
Accounts	694,498	-	-	1,720	696,218
Taxes	512,809	389,588	-	-	902,397
Interest	62,171	68,178	57,389	-	187,738
Due from other governments	<u>916,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>916,500</u>
Total assets	<u>\$ 31,762,988</u>	<u>6,343,599</u>	<u>10,500,266</u>	<u>1,656,103</u>	<u>50,262,956</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,869,729	-	85,263	-	1,954,992
Accrued payroll	157,088	-	23,561	-	180,649
Deferred revenue	1,315,459	-	-	-	1,315,459
Due to other funds	1,021,377	-	-	-	1,021,377
Deposits	<u>33,518</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>36,518</u>
Total liabilities	<u>4,397,171</u>	<u>-</u>	<u>111,824</u>	<u>-</u>	<u>4,508,995</u>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Encumbrances	1,304,523	-	755,722	-	2,060,245
Endowment	-	-	-	1,656,103	1,656,103
Unreserved	<u>26,061,294</u>	<u>6,343,599</u>	<u>9,632,720</u>	<u>-</u>	<u>42,037,613</u>
Total fund balances	<u>27,365,817</u>	<u>6,343,599</u>	<u>10,388,442</u>	<u>1,656,103</u>	<u>45,753,961</u>
Total liabilities and fund balances	<u>\$ 31,762,988</u>	<u>6,343,599</u>	<u>10,500,266</u>	<u>1,656,103</u>	<u>50,262,956</u>

CITY OF REDLANDS  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year ended June 30, 2008

	Special Revenue	Debt Service	Capital Projects	Permanent Fund Cemetery Endowment	Total
<b>Revenues:</b>					
Taxes	\$ 1,193,431	6,246,123	-	-	7,439,554
Licenses, permits and fines	2,827,970	-	249,589	-	3,077,559
Intergovernmental	9,259,226	-	-	-	9,259,226
Charges for services	801,696	-	-	-	801,696
Investment income	2,014,352	196,809	459,891	-	2,671,052
Other	1,755,390	-	2,393	73,380	1,831,163
<b>Total revenues</b>	<u>17,852,065</u>	<u>6,442,932</u>	<u>711,873</u>	<u>73,380</u>	<u>25,080,250</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	4,276,406	-	1,838,774	-	6,115,180
Public safety	4,315,025	-	-	-	4,315,025
Highway and streets	556,072	-	46,859	-	602,931
Culture and recreation	101,486	-	-	-	101,486
Capital outlay	7,176,095	-	-	-	7,176,095
<b>Debt service:</b>					
Principal	40,719	3,140,000	-	-	3,180,719
Interest	61,886	2,299,568	-	-	2,361,454
Fiscal charges	-	424,623	-	-	424,623
<b>Total expenditures</b>	<u>16,527,689</u>	<u>5,864,191</u>	<u>1,885,633</u>	<u>-</u>	<u>24,277,513</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,324,376</u>	<u>578,741</u>	<u>(1,173,760)</u>	<u>73,380</u>	<u>802,737</u>
<b>Other financing sources (uses):</b>					
Transfers in	9,562,688	2,621,759	1,451,826	-	13,636,273
Transfers out	(4,243,444)	(6,621,208)	(121,133)	-	(10,985,785)
Bond proceeds	-	4,640,000	-	-	4,640,000
Bond discount	-	(64,960)	-	-	(64,960)
Payment to escrow agent	(3,883,491)	(408,738)	-	-	(4,292,229)
<b>Total other financing sources (uses)</b>	<u>1,435,753</u>	<u>166,853</u>	<u>1,330,693</u>	<u>-</u>	<u>2,933,299</u>
<b>Net change in fund balances</b>	<u>2,760,129</u>	<u>745,594</u>	<u>156,933</u>	<u>73,380</u>	<u>3,736,036</u>
Fund balances at beginning of year	<u>24,605,688</u>	<u>5,598,005</u>	<u>10,231,509</u>	<u>1,582,723</u>	<u>42,017,925</u>
Fund balances at end of year	<u>\$ 27,365,817</u>	<u>6,343,599</u>	<u>10,388,442</u>	<u>1,656,103</u>	<u>45,753,961</u>

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## NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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 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.

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

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

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

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

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

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, 2008

		State Gas Tax	Community Development Block Grant	Downtown Redlands Business Association	Parking Authority	Low and Moderate Income Housing
<b>Assets:</b>						
Cash and investments	\$	-	-	231,190	113,718	9,266,622
Cash and investments with fiscal agent		-	-	-	-	-
Receivables:						
Accounts		-	-	244	-	-
Taxes		417,540	-	-	-	-
Interest		-	-	-	-	62,171
Due from other governments		-	14,679	-	-	-
		<u>-</u>	<u>14,679</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	\$	<u>417,540</u>	<u>14,679</u>	<u>231,434</u>	<u>113,718</u>	<u>9,328,793</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable	\$	-	-	7,177	1,445	53,662
Accrued payroll		-	180	8,608	-	13,555
Deferred revenue		-	10,446	-	-	-
Due to other funds		417,540	14,738	-	-	-
Deposits		-	-	-	4,715	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,715</u>	<u>-</u>
Total liabilities		<u>417,540</u>	<u>25,364</u>	<u>15,785</u>	<u>6,160</u>	<u>67,217</u>
<b>Fund balances (deficits):</b>						
Reserved for encumbrances		-	-	708	-	40,476
Unreserved		-	(10,685)	214,941	107,558	9,221,100
		<u>-</u>	<u>(10,685)</u>	<u>214,941</u>	<u>107,558</u>	<u>9,221,100</u>
Total fund balances (deficit)		<u>-</u>	<u>(10,685)</u>	<u>215,649</u>	<u>107,558</u>	<u>9,261,576</u>
Total liabilities and fund balances	\$	<u>417,540</u>	<u>14,679</u>	<u>231,434</u>	<u>113,718</u>	<u>9,328,793</u>

<u>Emergency Services</u>	<u>Arterial Street Construction</u>	<u>Traffic Safety</u>	<u>Open Space</u>	<u>Disaster Recovery</u>	<u>Park Development</u>	<u>Local Transportation</u>	<u>Street Lighting District #1</u>
94,512	785,443	-	1,997,006	-	2,236,191	5,588,398	1,497
-	-	-	-	-	-	-	-
-	-	3,046	-	410	-	-	-
17,161	-	-	-	-	-	-	599
-	-	-	-	-	-	-	-
-	-	4,087	-	97,055	-	384,152	-
<u>111,673</u>	<u>785,443</u>	<u>7,133</u>	<u>1,997,006</u>	<u>97,465</u>	<u>2,236,191</u>	<u>5,972,550</u>	<u>2,096</u>
1,764	-	-	5,450	61	-	1,380,683	2,500
109,909	-	-	-	-	-	7,997	475
-	-	-	-	57,671	-	384,152	-
-	-	-	-	97,572	-	-	-
-	-	-	-	-	-	-	-
<u>111,673</u>	<u>-</u>	<u>-</u>	<u>5,450</u>	<u>155,304</u>	<u>-</u>	<u>1,772,832</u>	<u>2,975</u>
31,914	-	-	-	-	3,969	278,535	17,635
(31,914)	785,443	7,133	1,991,556	(57,839)	2,232,222	3,921,183	(18,514)
-	785,443	7,133	1,991,556	(57,839)	2,236,191	4,199,718	(879)
<u>111,673</u>	<u>785,443</u>	<u>7,133</u>	<u>1,997,006</u>	<u>97,465</u>	<u>2,236,191</u>	<u>5,972,550</u>	<u>2,096</u>

(Continued)

CITY OF REDLANDS  
Nonmajor Special Revenue Funds

Combining Balance Sheet

(Continued)

	<u>Air</u>		<u>General</u>	<u>Designated</u>	<u>Traffic</u>	<u>Landscape</u>
	<u>Quality</u>	<u>Measure I</u>	<u>Capital</u>	<u>Receipts</u>	<u>Signals</u>	<u>Maintenance</u>
	<u>Improvement</u>	<u>Improvement</u>	<u>Improvement</u>	<u>Receipts</u>	<u>Signals</u>	<u>District</u>
<b>Assets:</b>						
Cash and investments	339,648	4,920,227	-	2,201,427	394,281	2,728
Cash and investments with fiscal agent	-	-	-	-	-	-
Receivables:						
Accounts	-	-	681,686	-	-	-
Taxes	-	77,411	-	-	-	98
Interest	-	-	-	-	-	-
Due from other governments	<u>22,276</u>	<u>-</u>	<u>1,947</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>361,924</u></u>	<u><u>4,997,638</u></u>	<u><u>683,633</u></u>	<u><u>2,201,427</u></u>	<u><u>394,281</u></u>	<u><u>2,826</u></u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable	-	-	272,842	71,651	-	2,350
Accrued payroll	-	1,101	493	-	-	476
Deferred revenue	-	-	474,995	-	-	-
Due to other funds	-	-	319,090	-	-	-
Deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u><u>-</u></u>	<u><u>1,101</u></u>	<u><u>1,067,420</u></u>	<u><u>71,651</u></u>	<u><u>-</u></u>	<u><u>2,826</u></u>
<b>Fund balances (deficits):</b>						
Reserved for encumbrances	-	3,833	551,509	-	-	10,688
Unreserved	<u>361,924</u>	<u>4,992,704</u>	<u>(935,296)</u>	<u>2,129,776</u>	<u>394,281</u>	<u>(10,688)</u>
<b>Total fund balances (deficit)</b>	<u><u>361,924</u></u>	<u><u>4,996,537</u></u>	<u><u>(383,787)</u></u>	<u><u>2,129,776</u></u>	<u><u>394,281</u></u>	<u><u>-</u></u>
<b>Total liabilities and fund balances</b>	<u><u>361,924</u></u>	<u><u>4,997,638</u></u>	<u><u>683,633</u></u>	<u><u>2,201,427</u></u>	<u><u>394,281</u></u>	<u><u>2,826</u></u>

Household Hazardous Waste	Supplemental Law Enforcement	Neighborhood Initiative Program	Drug Confiscation	Community Facilities District	Police Grants	CFD 2004-1 Assessment	Freeway Interchanges	Total
419,908	209,558	115,342	185,601	-	-	340,295	133,364	29,576,956
-	-	-	-	54	-	-	-	54
9,112	-	-	-	-	-	-	-	694,498
-	-	-	-	-	-	-	-	512,809
-	-	-	-	-	-	-	-	62,171
-	-	9,280	42,195	-	340,829	-	-	916,500
<u>429,020</u>	<u>209,558</u>	<u>124,622</u>	<u>227,796</u>	<u>54</u>	<u>340,829</u>	<u>340,295</u>	<u>133,364</u>	<u>31,762,988</u>
-	20,043	-	95	-	40,643	9,363	-	1,869,729
-	1,118	-	-	-	12,944	232	-	157,088
-	134,496	9,280	-	-	244,419	-	-	1,315,459
-	-	-	-	-	172,437	-	-	1,021,377
-	-	-	-	-	-	28,803	-	33,518
-	<u>155,657</u>	<u>9,280</u>	<u>95</u>	<u>-</u>	<u>470,443</u>	<u>38,398</u>	<u>-</u>	<u>4,397,171</u>
304,774	-	-	-	-	60,482	-	-	1,304,523
<u>124,246</u>	<u>53,901</u>	<u>115,342</u>	<u>227,701</u>	<u>54</u>	<u>(190,096)</u>	<u>301,897</u>	<u>133,364</u>	<u>26,061,294</u>
<u>429,020</u>	<u>53,901</u>	<u>115,342</u>	<u>227,701</u>	<u>54</u>	<u>(129,614)</u>	<u>301,897</u>	<u>133,364</u>	<u>27,365,817</u>
<u>429,020</u>	<u>209,558</u>	<u>124,622</u>	<u>227,796</u>	<u>54</u>	<u>340,829</u>	<u>340,295</u>	<u>133,364</u>	<u>31,762,988</u>

CITY OF REDLANDS  
 Nonmajor Special Revenue Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 Year ended June 30, 2008

	<u>State Gas Tax</u>	<u>Community Development Block Grant</u>	<u>Downtown Redlands Business Association</u>	<u>Parking Authority</u>	<u>Low and Moderate Income Housing</u>
Revenues:					
Taxes	\$ -	-	-	-	-
Licenses, permits and fines	-	-	76,425	-	-
Intergovernmental	1,258,432	102,468	-	-	-
Charges for services	-	-	290,164	-	3,673
Investment income	-	-	12,043	7,955	700,835
Other	-	-	4,216	-	96,817
	<u>1,258,432</u>	<u>102,468</u>	<u>382,848</u>	<u>7,955</u>	<u>801,325</u>
Total revenues					
Expenditures:					
Current:					
General government	-	43,150	464,500	19,261	2,118,664
Public safety	-	-	-	-	-
Highway and streets	-	49,990	-	-	-
Culture and recreation	-	7,954	-	-	-
Capital outlay	-	-	17,820	-	954,000
Debt service:					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
	<u>-</u>	<u>101,094</u>	<u>482,320</u>	<u>19,261</u>	<u>3,072,664</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>1,258,432</u>	<u>1,374</u>	<u>(99,472)</u>	<u>(11,306)</u>	<u>(2,271,339)</u>
Other financing sources (uses):					
Transfers in	-	1,101	-	-	5,169,382
Transfers out	(1,379,268)	-	-	-	(709,809)
Payment to escrow agent	-	-	-	-	(3,883,491)
	<u>(1,379,268)</u>	<u>1,101</u>	<u>-</u>	<u>-</u>	<u>576,082</u>
Total other financing sources (uses)					
Net change in fund balances	(120,836)	2,475	(99,472)	(11,306)	(1,695,257)
Fund balances (deficit) at beginning of year	<u>120,836</u>	<u>(13,160)</u>	<u>315,121</u>	<u>118,864</u>	<u>10,956,833</u>
Fund balances (deficit) at end of year	<u>\$ -</u>	<u>(10,685)</u>	<u>215,649</u>	<u>107,558</u>	<u>9,261,576</u>

<u>Emergency Services</u>	<u>Arterial Street Construction</u>	<u>Traffic Safety</u>	<u>Open Space</u>	<u>Disaster Recovery</u>	<u>Park Development</u>	<u>Local Transportation</u>	<u>Street Lighting District #1</u>
1,041,938	-	-	-	-	-	-	24,567
-	1,208,780	220,071	167,303	-	550,357	-	-
-	-	-	348,575	56,353	-	1,159,068	-
19,238	-	-	-	-	32,479	456,142	-
-	-	-	79,952	-	113,831	226,961	-
-	-	-	-	-	-	-	-
<u>1,061,176</u>	<u>1,208,780</u>	<u>220,071</u>	<u>595,830</u>	<u>56,353</u>	<u>696,667</u>	<u>1,842,171</u>	<u>24,567</u>
-	-	-	15,099	13,923	-	-	-
3,344,048	-	-	-	-	-	-	-
-	24,176	-	-	-	-	372,572	25,297
-	-	-	-	-	19,493	-	-
-	-	-	386,915	8,724	-	1,690,406	-
-	-	-	-	-	40,719	-	-
-	-	-	-	-	61,886	-	-
<u>3,344,048</u>	<u>24,176</u>	<u>-</u>	<u>402,014</u>	<u>22,647</u>	<u>122,098</u>	<u>2,062,978</u>	<u>25,297</u>
<u>(2,282,872)</u>	<u>1,184,604</u>	<u>220,071</u>	<u>193,816</u>	<u>33,706</u>	<u>574,569</u>	<u>(220,807)</u>	<u>(730)</u>
2,282,872	-	2,690	-	-	5,760	538,602	-
-	(399,161)	(215,628)	-	-	(986,146)	(408,232)	-
-	-	-	-	-	-	-	-
<u>2,282,872</u>	<u>(399,161)</u>	<u>(212,938)</u>	<u>-</u>	<u>-</u>	<u>(980,386)</u>	<u>130,370</u>	<u>-</u>
-	785,443	7,133	193,816	33,706	(405,817)	(90,437)	(730)
-	-	-	1,797,740	(91,545)	2,642,008	4,290,155	(149)
-	785,443	7,133	1,991,556	(57,839)	2,236,191	4,199,718	(879)

(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	-	-	-	-	-	32,597
Licenses, permits and fines	-	-	-	-	468,948	-
Intergovernmental	85,248	1,070,462	1,366,681	-	-	-
Charges for services	-	-	-	-	-	-
Investment income	12,014	186,438	539,388	-	-	-
Other	-	-	44,100	1,507,986	-	-
Total revenues	<u>97,262</u>	<u>1,256,900</u>	<u>1,950,169</u>	<u>1,507,986</u>	<u>468,948</u>	<u>32,597</u>
Expenditures:						
Current:						
General government	-	-	223,315	1,137,323	-	103,701
Public safety	-	-	-	-	-	-
Highway and streets	-	71,936	-	-	9,379	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	552,643	1,606,976	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>624,579</u>	<u>1,830,291</u>	<u>1,137,323</u>	<u>9,379</u>	<u>103,701</u>
Excess (deficiency) of revenues over (under) expenditures	<u>97,262</u>	<u>632,321</u>	<u>119,878</u>	<u>370,663</u>	<u>459,569</u>	<u>(71,104)</u>
Other financing sources (uses):						
Transfers in	-	-	1,491,177	-	-	71,104
Transfers out	-	-	(79,912)	-	(65,288)	-
Payment to escrow agent	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,411,265</u>	<u>-</u>	<u>(65,288)</u>	<u>71,104</u>
Net change in fund balances	97,262	632,321	1,531,143	370,663	394,281	-
Fund balances (deficit) at beginning of year	<u>264,662</u>	<u>4,364,216</u>	<u>(1,914,930)</u>	<u>1,759,113</u>	<u>-</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>361,924</u>	<u>4,996,537</u>	<u>(383,787)</u>	<u>2,129,776</u>	<u>394,281</u>	<u>-</u>



Household Hazardous Waste	Supplemental Law Enforcement	Neighborhood Initiative Program	Drug Confiscation	Community Facilities District	Police Grants	CFD 2004-1 Assessment	Freeway Interchanges	Total
-	-	-	-	-	-	94,329	-	1,193,431
-	-	-	-	-	-	-	136,086	2,827,970
8,588	88,956	2,846,065	-	-	868,330	-	-	9,259,226
-	-	-	-	-	-	-	-	801,696
107,815	7,136	(62,253)	-	2	70,940	11,295	-	2,014,352
-	-	-	102,271	-	-	-	-	1,755,390
<u>116,403</u>	<u>96,092</u>	<u>2,783,812</u>	<u>102,271</u>	<u>2</u>	<u>939,270</u>	<u>105,624</u>	<u>136,086</u>	<u>17,852,065</u>
96,060	-	-	-	-	-	41,410	-	4,276,406
-	88,956	-	58,222	-	823,799	-	-	4,315,025
-	-	-	-	-	-	-	2,722	556,072
-	-	74,039	-	-	-	-	-	101,486
5,837	-	1,834,997	18,000	-	99,777	-	-	7,176,095
-	-	-	-	-	-	-	-	40,719
-	-	-	-	-	-	-	-	61,886
<u>101,897</u>	<u>88,956</u>	<u>1,909,036</u>	<u>76,222</u>	<u>-</u>	<u>923,576</u>	<u>41,410</u>	<u>2,722</u>	<u>16,527,689</u>
<u>14,506</u>	<u>7,136</u>	<u>874,776</u>	<u>26,049</u>	<u>2</u>	<u>15,694</u>	<u>64,214</u>	<u>133,364</u>	<u>1,324,376</u>
-	-	-	-	-	-	-	-	9,562,688
-	-	-	-	-	-	-	-	(4,243,444)
-	-	-	-	-	-	-	-	(3,883,491)
-	-	-	-	-	-	-	-	1,435,753
14,506	7,136	874,776	26,049	2	15,694	64,214	133,364	2,760,129
<u>414,514</u>	<u>46,765</u>	<u>(759,434)</u>	<u>201,652</u>	<u>52</u>	<u>(145,308)</u>	<u>237,683</u>	<u>-</u>	<u>24,605,688</u>
<u>429,020</u>	<u>53,901</u>	<u>115,342</u>	<u>227,701</u>	<u>54</u>	<u>(129,614)</u>	<u>301,897</u>	<u>133,364</u>	<u>27,365,817</u>

CITY OF REDLANDS  
State Gas Tax Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,240,500	1,258,432	17,932
Excess of revenues over expenditures	1,240,500	1,258,432	17,932
Other financing uses:			
Transfers out	<u>(1,240,500)</u>	<u>(1,379,268)</u>	<u>(138,768)</u>
Net change in fund balance	-	(120,836)	(120,836)
Fund balance at beginning of year	<u>120,836</u>	<u>120,836</u>	<u>-</u>
Fund balance at end of year	<u>\$ 120,836</u>	<u>-</u>	<u>(120,836)</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, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 100,317	102,468	2,151
Expenditures:			
Current:			
General government	48,300	43,150	5,150
Highways and streets	152,262	49,990	102,272
Culture and recreation	7,975	7,954	21
Capital outlay	<u>497,090</u>	<u>-</u>	<u>497,090</u>
Total expenditures	<u>705,627</u>	<u>101,094</u>	<u>604,533</u>
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>1,101</u>	<u>1,101</u>
Net change in fund balance	(605,310)	2,475	607,785
Fund balance (deficit) at beginning of year	<u>(13,160)</u>	<u>(13,160)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (618,470)</u>	<u>(10,685)</u>	<u>607,785</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, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 75,000	76,425	1,425
Charges for services	281,883	290,164	8,281
Investment income	10,500	12,043	1,543
Other	<u>3,661</u>	<u>4,216</u>	<u>555</u>
Total revenues	<u>371,044</u>	<u>382,848</u>	<u>11,804</u>
Expenditures:			
Current:			
General government	503,426	464,500	38,926
Capital outlay	<u>17,820</u>	<u>17,820</u>	<u>-</u>
Total expenditures	<u>521,246</u>	<u>482,320</u>	<u>38,926</u>
Net change in fund balance	(150,202)	(99,472)	50,730
Fund balance at beginning of year	<u>315,121</u>	<u>315,121</u>	<u>-</u>
Fund balance at end of year	<u>\$ 164,919</u>	<u>215,649</u>	<u>50,730</u>

CITY OF REDLANDS  
Parking Authority Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 6,500	7,955	1,455
Expenditures:			
Current:			
General government	<u>23,078</u>	<u>19,261</u>	<u>3,817</u>
Total expenditures	<u>23,078</u>	<u>19,261</u>	<u>3,817</u>
Net change in fund balance	(16,578)	(11,306)	5,272
Fund balance at beginning of year	<u>118,864</u>	<u>118,864</u>	<u>-</u>
Fund balance at end of year	<u>\$ 102,286</u>	<u>107,558</u>	<u>5,272</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, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Charges for services	\$ 3,673	3,673	-
Investment income	500,000	700,835	200,835
Other	<u>90,000</u>	<u>96,817</u>	<u>6,817</u>
Total revenues	<u>593,673</u>	<u>801,325</u>	<u>207,652</u>
Expenditures:			
Current:			
General government	2,192,504	2,118,664	73,840
Capital outlay	<u>954,000</u>	<u>954,000</u>	<u>-</u>
Total expenditures	<u>3,146,504</u>	<u>3,072,664</u>	<u>73,840</u>
Excess of revenues over expenditures	<u>(2,552,831)</u>	<u>(2,271,339)</u>	<u>281,492</u>
Other financing sources (uses):			
Transfers in	1,109,400	5,169,382	4,059,982
Transfers out	(665,468)	(709,809)	(44,341)
Payment to escrow agent	<u>-</u>	<u>(3,883,491)</u>	<u>(3,883,491)</u>
Total other financing sources (uses)	<u>443,932</u>	<u>576,082</u>	<u>132,150</u>
Net change in fund balance	(2,108,899)	(1,695,257)	413,642
Fund balance at beginning of year	<u>10,956,833</u>	<u>10,956,833</u>	<u>-</u>
Fund balance at end of year	<u>\$ 8,847,934</u>	<u>9,261,576</u>	<u>413,642</u>

CITY OF REDLANDS  
Emergency Services Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 1,075,000	1,041,938	(33,062)
Charges for services	<u>13,500</u>	<u>19,238</u>	<u>5,738</u>
Total revenues	<u>1,088,500</u>	<u>1,061,176</u>	<u>(27,324)</u>
Expenditures:			
Current:			
Public safety	<u>3,322,130</u>	<u>3,344,048</u>	<u>(21,918)</u>
Total expenditures	<u>3,322,130</u>	<u>3,344,048</u>	<u>(21,918)</u>
Excess (deficiency) of revenues over (under) expenditures	(2,233,630)	(2,282,872)	(49,242)
Other financing sources:			
Transfers in	<u>2,131,135</u>	<u>2,282,872</u>	<u>151,737</u>
Net change in fund balance	(102,495)	-	102,495
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ (102,495)</u>	<u>-</u>	<u>102,495</u>

CITY OF REDLANDS  
Street Construction Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 1,170,907	1,208,780	37,873
Expenditures:			
Current:			
Highway & streets	-	24,176	(24,176)
Total expenditures	-	24,176	(24,176)
Excess of revenues over expenditures	1,170,907	1,184,604	13,697
Other financing uses:			
Transfers out	(1,250,000)	(399,161)	850,839
Net change in fund balance	(79,093)	785,443	864,536
Fund balance at beginning of year	-	-	-
Fund balance (deficit) at end of year	<u>\$ (79,093)</u>	<u>785,443</u>	<u>864,536</u>



CITY OF REDLANDS  
Traffic Safety Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 180,000	220,071	40,071
Excess of revenues over expenditures	180,000	220,071	40,071
Other financing uses:			
Transfers in	-	2,690	2,690
Transfers out	<u>(180,000)</u>	<u>(215,628)</u>	<u>(35,628)</u>
Total other financing sources (uses)	<u>(180,000)</u>	<u>(212,938)</u>	<u>(32,938)</u>
Net change in fund balance	-	7,133	7,133
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>7,133</u></u>	<u><u>7,133</u></u>

CITY OF REDLANDS  
Open Space Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fees	\$ 225,000	167,303	(57,697)
Intergovernmental	-	348,575	348,575
Investment income	<u>50,000</u>	<u>79,952</u>	<u>29,952</u>
Total revenues	<u>275,000</u>	<u>595,830</u>	<u>320,830</u>
Expenditures:			
Current:			
General government	11,300	15,099	(3,799)
Capital outlay	<u>63,575</u>	<u>386,915</u>	<u>(323,340)</u>
Total expenditures	<u>74,875</u>	<u>402,014</u>	<u>(327,139)</u>
Net change in fund balance	200,125	193,816	(6,309)
Fund balance at beginning of year	<u>1,797,740</u>	<u>1,797,740</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,997,865</u>	<u>1,991,556</u>	<u>(6,309)</u>

CITY OF REDLANDS  
Disaster Recovery Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 16,969	56,353	39,384
Total revenues	<u>16,969</u>	<u>56,353</u>	<u>39,384</u>
Expenditures:			
Current:			
General government	13,336	13,923	(587)
Capital outlay	<u>65,191</u>	<u>8,724</u>	<u>56,467</u>
Total expenditures	<u>78,527</u>	<u>22,647</u>	<u>55,880</u>
Excess (deficiency) of revenues over (under) expenditures	(61,558)	33,706	95,264
Fund balance (deficit) at beginning of year	<u>(91,545)</u>	<u>(91,545)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u><u>\$ (153,103)</u></u>	<u><u>(57,839)</u></u>	<u><u>95,264</u></u>

CITY OF REDLANDS  
Park Development Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Licenses, permits and fines	\$ 564,224	550,357	(13,867)
Charges for services	32,479	32,479	-
Investment income	<u>60,000</u>	<u>113,831</u>	<u>53,831</u>
 Total revenues	 <u>656,703</u>	 <u>696,667</u>	 <u>39,964</u>
 <b>Expenditures:</b>			
Current:			
Culture and recreation	12,455	19,493	(7,038)
Debt Service:			
Principal retirement	40,719	40,719	-
Interest	<u>61,886</u>	<u>61,886</u>	<u>-</u>
 Total expenditures	 <u>115,060</u>	 <u>122,098</u>	 <u>(7,038)</u>
 Excess of revenues over expenditures	 541,643	 574,569	 32,926
 <b>Other financing uses:</b>			
Transfers in	-	5,760	5,760
Transfers out	<u>(247,260)</u>	<u>(986,146)</u>	<u>(738,886)</u>
 Total other financing sources (uses)	 <u>(247,260)</u>	 <u>(980,386)</u>	 <u>(733,126)</u>
 Net change in fund balance	 294,383	 (405,817)	 (700,200)
 Fund balance at beginning of year	 <u>2,642,008</u>	 <u>2,642,008</u>	 <u>-</u>
 Fund balance at end of year	 <u>\$ 2,936,391</u>	 <u>2,236,191</u>	 <u>(700,200)</u>

CITY OF REDLANDS  
Local Transportation Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,650,000	1,159,068	(490,932)
Charges for services	852,298	456,142	(396,156)
Investment income	<u>150,000</u>	<u>226,961</u>	<u>76,961</u>
Total revenues	<u>2,652,298</u>	<u>1,842,171</u>	<u>(810,127)</u>
Expenditures:			
Current:			
Highway and streets	362,851	372,572	(9,721)
Capital outlay	<u>6,853,796</u>	<u>1,690,406</u>	<u>5,163,390</u>
Total expenditures	<u>7,216,647</u>	<u>2,062,978</u>	<u>5,153,669</u>
Excess (deficiency) of revenues over (under) expenditures	(4,564,349)	(220,807)	4,343,542
Other financing sources:			
Transfers in	1,375,000	538,602	(836,398)
Transfers out	<u>-</u>	<u>(408,232)</u>	<u>(408,232)</u>
Total other financing sources (uses)	<u>1,375,000</u>	<u>130,370</u>	<u>(1,244,630)</u>
Net change in fund balance	(3,189,349)	(90,437)	3,098,912
Fund balance at beginning of year	<u>4,290,155</u>	<u>4,290,155</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,100,806</u>	<u>4,199,718</u>	<u>3,098,912</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, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 22,000	24,567	2,567
Expenditures:			
Current:			
Highway and streets	28,839	25,297	3,542
Excess (deficiency) of revenue over (under) expenditures	(6,839)	(730)	6,109
Other financing uses:			
Transfers in	15,869	-	(15,869)
Total other financing sources (uses)	15,869	-	(15,869)
Net change in fund balance	9,030	(730)	(9,760)
Fund balance (deficit) at beginning of year	(149)	(149)	-
Fund balance (deficit) at end of year	<u>\$ 8,881</u>	<u>(879)</u>	<u>(9,760)</u>

CITY OF REDLANDS  
Air Quality Improvement Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 84,000	85,248	1,248
Investment income	<u>7,000</u>	<u>12,014</u>	<u>5,014</u>
Excess (deficiency) of revenues over (under) expenditures	91,000	97,262	6,262
Fund balance at beginning of year	<u>264,662</u>	<u>264,662</u>	<u>-</u>
Fund balance at end of year	<u>\$ 355,662</u>	<u>361,924</u>	<u>6,262</u>

CITY OF REDLANDS  
Measure I Fund

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

Year ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 960,000	1,070,462	110,462
Investment income	140,000	186,438	46,438
Total revenues	1,100,000	1,256,900	156,900
Expenditures:			
Current:			
Highway and streets	117,327	71,936	45,391
Capital outlay	884,197	552,643	331,554
Total expenditures	1,001,524	624,579	376,945
Net change in fund balance	98,476	632,321	533,845
Fund balance at beginning of year	4,364,216	4,364,216	-
Fund balance at end of year	\$ 4,462,692	4,996,537	533,845



CITY OF REDLANDS  
General Capital Improvement Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 1,349,844	1,366,681	16,837
Investment income	562,436	539,388	(23,048)
Other	<u>44,100</u>	<u>44,100</u>	<u>-</u>
Total revenues	<u>1,956,380</u>	<u>1,950,169</u>	<u>(6,211)</u>
Expenditures:			
Current:			
General government	287,865	223,315	64,550
Capital outlay	<u>1,908,717</u>	<u>1,606,976</u>	<u>301,741</u>
Total expenditures	<u>2,196,582</u>	<u>1,830,291</u>	<u>366,291</u>
Excess (deficiency) of revenues over (under) expenditures	(240,202)	119,878	360,080
Other financing uses:			
Transfers in	247,260	1,491,177	1,243,917
Transfers out	<u>-</u>	<u>(79,912)</u>	<u>(79,912)</u>
Total other financing sources (uses)	<u>247,260</u>	<u>1,411,265</u>	<u>1,164,005</u>
Net change in fund balance	7,058	1,531,143	1,524,085
Fund balance (deficit) at beginning of year	<u>(1,914,930)</u>	<u>(1,914,930)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (1,907,872)</u>	<u>(383,787)</u>	<u>1,524,085</u>

CITY OF REDLANDS  
Designated Receipts Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other	\$ -	1,507,986	1,507,986
Expenditures:			
Current:			
General government	-	1,137,323	(1,137,323)
Net change in fund balance	-	370,663	370,663
Fund balance at beginning of year	<u>1,759,113</u>	<u>1,759,113</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,759,113</u>	<u>2,129,776</u>	<u>370,663</u>

CITY OF REDLANDS  
Traffic Signals Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fees	\$ 195,151	468,948	273,797
Expenditures:			
Current:			
Highway & streets	-	9,379	(9,379)
Excess of revenues over expenditures	<u>195,151</u>	<u>459,569</u>	<u>264,418</u>
Other financing uses:			
Transfers out	<u>(125,000)</u>	<u>(65,288)</u>	<u>59,712</u>
Net change in fund balance	70,151	394,281	324,130
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ 70,151</u>	<u>394,281</u>	<u>324,130</u>

CITY OF REDLANDS  
Landscape Maintenance District Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 33,600	32,597	(1,003)
Expenditures:			
Current:			
General government	122,374	103,701	18,673
Excess (deficiency) of revenues over (under) expenditures	(88,774)	(71,104)	17,670
Other financing sources:			
Transfers in	135,211	71,104	(64,107)
Net change in fund balance	46,437	-	(46,437)
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ 46,437</u>	<u>-</u>	<u>(46,437)</u>

CITY OF REDLANDS  
Household Hazardous Waste Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 9,000	8,588	(412)
Investment income	<u>105,000</u>	<u>107,815</u>	<u>2,815</u>
Total revenues	<u>114,000</u>	<u>116,403</u>	<u>2,403</u>
Expenditures:			
Current:			
General government	98,306	96,060	2,246
Capital outlay	<u>325,000</u>	<u>5,837</u>	<u>319,163</u>
Total expenditures	<u>423,306</u>	<u>101,897</u>	<u>321,409</u>
Net change in fund balance	(309,306)	14,506	323,812
Fund balance at beginning of year	<u>414,514</u>	<u>414,514</u>	<u>-</u>
Fund balance at end of year	<u>\$ 105,208</u>	<u>429,020</u>	<u>323,812</u>

CITY OF REDLANDS  
Supplemental Law Enforcement Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 223,452	88,956	(134,496)
Investment income	<u>4,000</u>	<u>7,136</u>	<u>3,136</u>
Total revenues	<u>227,452</u>	<u>96,092</u>	<u>(131,360)</u>
Expenditures:			
Current:			
Public safety	190,051	88,956	101,095
Capital outlay	<u>29,736</u>	<u>-</u>	<u>29,736</u>
Total expenditures	<u>219,787</u>	<u>88,956</u>	<u>130,831</u>
Net change in fund balance	7,665	7,136	(529)
Fund balance at beginning of year	<u>46,765</u>	<u>46,765</u>	<u>-</u>
Fund balance at end of year	<u>\$ 54,430</u>	<u>53,901</u>	<u>(529)</u>

CITY OF REDLANDS  
Neighborhood Initiative Program Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 2,846,065	2,846,065	-
Investment income	<u>(25,000)</u>	<u>(62,253)</u>	<u>(37,253)</u>
Total revenues	<u>2,821,065</u>	<u>2,783,812</u>	<u>(37,253)</u>
Expenditures:			
Current:			
Culture and recreation	68,546	74,039	(5,493)
Capital outlay	<u>1,946,145</u>	<u>1,834,997</u>	<u>111,148</u>
Total expenditures	<u>2,014,691</u>	<u>1,909,036</u>	<u>105,655</u>
Net change in fund balance	806,374	874,776	68,402
Fund balance (deficit) at beginning of year	<u>(759,434)</u>	<u>(759,434)</u>	<u>-</u>
Fund balance at end of year	<u>\$ 46,940</u>	<u>115,342</u>	<u>68,402</u>

CITY OF REDLANDS  
Drug Confiscation Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Other	\$ 61,400	102,271	40,871
Total revenues	<u>61,400</u>	<u>102,271</u>	<u>40,871</u>
Expenditures:			
Current:			
Public safety	20,475	58,222	(37,747)
Capital outlay	<u>18,000</u>	<u>18,000</u>	<u>-</u>
Total expenditures	<u>38,475</u>	<u>76,222</u>	<u>(37,747)</u>
Net change in fund balance	22,925	26,049	3,124
Fund balance at beginning of year	<u>201,652</u>	<u>201,652</u>	<u>-</u>
Fund balance at end of year	<u>\$ 224,577</u>	<u>227,701</u>	<u>3,124</u>



CITY OF REDLANDS  
Community Facilities District Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ -	2	2
Net change in fund balance	-	2	2
Fund balance at beginning of year	<u>52</u>	<u>52</u>	<u>-</u>
Fund balance at end of year	<u>\$ 52</u>	<u>54</u>	<u>2</u>

CITY OF REDLANDS  
Police Grants Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 746,598	868,330	121,732
Investment income	<u>93,122</u>	<u>70,940</u>	<u>(22,182)</u>
Total revenues	<u>839,720</u>	<u>939,270</u>	<u>99,550</u>
Expenditures:			
Current:			
Public safety	2,496,959	823,799	1,673,160
Capital outlay	<u>317,286</u>	<u>99,777</u>	<u>217,509</u>
Total expenditures	<u>2,814,245</u>	<u>923,576</u>	<u>1,890,669</u>
Net change in fund balance	(1,974,525)	15,694	1,990,219
Fund balance (deficit) at beginning of year	<u>(145,308)</u>	<u>(145,308)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (2,119,833)</u>	<u>(129,614)</u>	<u>1,990,219</u>

CITY OF REDLANDS  
CFD 2004-1 Assessment

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 81,000	94,329	13,329
Investment income	<u>5,986</u>	<u>11,295</u>	<u>5,309</u>
Total revenues	<u>86,986</u>	<u>105,624</u>	<u>18,638</u>
Expenditures:			
Current:			
General government	<u>28,462</u>	<u>41,410</u>	<u>(12,948)</u>
Total expenditures	<u>28,462</u>	<u>41,410</u>	<u>(12,948)</u>
Net change in fund balance	58,524	64,214	5,690
Fund balance at beginning of year	<u>237,683</u>	<u>237,683</u>	<u>-</u>
Fund balance at end of year	<u>\$ 296,207</u>	<u>301,897</u>	<u>5,690</u>

CITY OF REDLANDS  
Freeway Interchanges Fund

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits, & fines	\$ 585,453	136,086	(449,367)
Total revenues	<u>585,453</u>	<u>136,086</u>	<u>(449,367)</u>
Expenditures:			
Current:			
Highway & streets	<u>-</u>	<u>2,722</u>	<u>(2,722)</u>
Total expenditures	<u>-</u>	<u>2,722</u>	<u>(2,722)</u>
Net change in fund balance	585,453	133,364	(446,645)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ 585,453</u>	<u>133,364</u>	<u>(446,645)</u>

## DEBT SERVICE FUNDS

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

### Nonmajor Funds

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

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

### Major Fund

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.

CITY OF REDLANDS  
Nonmajor Debt Service Funds

Combining Balance Sheet

June 30, 2008

	<u>Redlands Public Improvement Corporation</u>	<u>Redevelopment Agency</u>	<u>Total</u>
Assets:			
Cash and investments	-	2,186,897	2,186,897
Cash and investments with fiscal agent	-	3,698,936	3,698,936
Receivables:			
Taxes	-	389,588	389,588
Interest	-	68,178	68,178
	<hr/>	<hr/>	<hr/>
Total assets	-	6,343,599	6,343,599
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Fund balances:			
Unreserved	-	6,343,599	6,343,599
	<hr/>	<hr/>	<hr/>
Total fund balances	-	6,343,599	6,343,599
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and fund balances	-	6,343,599	6,343,599
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF REDLANDS  
Nonmajor Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2008

	Redlands Public Improvement Corporation	Redevelopment Agency	Total
Revenues:			
Taxes	-	6,246,123	6,246,123
Investment income	-	196,809	196,809
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total revenues	-	6,442,932	6,442,932
Expenditures:			
Debt service:			
Principal	1,355,000	1,785,000	3,140,000
Interest	574,404	1,725,164	2,299,568
Fiscal charges	3,450	421,173	424,623
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total expenditures	1,932,854	3,931,337	5,864,191
Excess (deficiency) of revenues over (under) expenditures	<u>(1,932,854)</u>	<u>2,511,595</u>	<u>578,741</u>
Other financing sources (uses):			
Transfers in	1,932,854	688,905	2,621,759
Transfers out	-	(6,621,208)	(6,621,208)
Bond proceeds	-	4,640,000	4,640,000
Bond discount	-	(64,960)	(64,960)
Payments to escrow agent	-	(408,738)	(408,738)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total other financing sources (uses)	1,932,854	(1,766,001)	166,853
Net change in fund balances	-	745,594	745,594
Fund balances at beginning of year	<u>                    </u>	<u>5,598,005</u>	<u>5,598,005</u>
Fund balances at end of year	<u>                    </u>	<u>6,343,599</u>	<u>6,343,599</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, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:			
Debt service:			
Principal	1,355,000	1,355,000	-
Interest	574,404	574,404	-
Fiscal charges	<u>3,450</u>	<u>3,450</u>	<u>-</u>
Total expenditures	<u>1,932,854</u>	<u>1,932,854</u>	<u>-</u>
Excess (deficiency) of revenues (over) under expenditures	<u>(1,932,854)</u>	<u>(1,932,854)</u>	<u>-</u>
Other financing sources:			
Transfers in	<u>1,933,404</u>	<u>1,932,854</u>	<u>(550)</u>
Net change in fund balance	550	-	(550)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ 550</u>	<u>-</u>	<u>(550)</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, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 6,079,500	6,246,123	166,623
Investment income	<u>195,000</u>	<u>196,809</u>	<u>1,809</u>
Total revenues	<u>6,274,500</u>	<u>6,442,932</u>	<u>168,432</u>
Expenditures:			
Debt service:			
Principal	1,785,000	1,785,000	-
Interest	1,725,165	1,725,164	1
Fiscal charges	<u>421,173</u>	<u>421,173</u>	<u>-</u>
Total expenditures	<u>3,931,338</u>	<u>3,931,337</u>	<u>1</u>
Excess of revenues over expenditures	<u>2,343,162</u>	<u>2,511,595</u>	<u>168,433</u>
Other financing sources (uses):			
Transfers in	665,468	688,905	23,437
Transfers out	(3,063,401)	(6,621,208)	(3,557,807)
Bond proceeds	4,640,000	4,640,000	-
Bond discount	(64,960)	(64,960)	-
Payment to escrow agent	<u>(4,310,737)</u>	<u>(408,738)</u>	<u>3,901,999</u>
Total other financing sources (uses)	<u>(2,133,630)</u>	<u>(1,766,001)</u>	<u>367,629</u>
Net change in fund balance	209,532	745,594	536,062
Fund balance at beginning of year	<u>5,598,005</u>	<u>5,598,005</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,807,537</u>	<u>6,343,599</u>	<u>536,062</u>

CITY OF REDLANDS  
Debt Service Fund

City of Redlands General Debt Service

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

Year ended June 30, 2008

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 597,422	597,422	683,523	86,101
Investment income	-	4,210	11,486	7,276
Total revenues	597,422	601,632	695,009	93,377
Expenditures:				
Current:				
General government	-	4,575,705	4,607,647	(31,942)
Public safety	-	20,716,485	20,716,485	-
Debt service:				
Principal	455,000	455,000	455,000	-
Interest	139,025	829,529	829,529	-
Fiscal charges	3,397	309,487	308,367	1,120
Total expenditures	597,422	26,886,206	26,917,028	(30,822)
Excess of revenues over expenditures	-	(26,284,574)	(26,222,019)	62,555
Other financing sources (uses):				
Transfers in	-	-	1,589,567	1,589,567
Bond proceeds	-	25,862,392	25,862,392	-
Bond discount	-	(232,762)	(232,762)	-
Total other financing sources (uses)	-	25,629,630	27,219,197	1,589,567
Net change in fund balances	-	(654,944)	997,178	1,652,122
Fund balance at beginning of year	1,293,667	1,293,667	1,293,667	-
Fund balance at end of year	\$ 1,293,667	638,723	2,290,845	1,652,122

## **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, 2008

	Storm Drain	General Obligation Bond, Series 1988A	Redevelopment Projects	Total
Assets:				
Cash and investments	\$ 2,873,601	180,596	7,388,680	10,442,877
Receivables:				
Interest	-	-	57,389	57,389
Total assets	<u>\$ 2,873,601</u>	<u>180,596</u>	<u>7,446,069</u>	<u>10,500,266</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,285	-	83,978	85,263
Accrued payroll	1,739	-	21,822	23,561
Deposits	-	-	3,000	3,000
Total liabilities	3,024	-	108,800	111,824
Fund balances:				
Reserved for encumbrances	111,622	-	644,100	755,722
Unreserved	2,758,955	180,596	6,693,169	9,632,720
Total fund balances	2,870,577	180,596	7,337,269	10,388,442
Total liabilities and fund balances	<u>\$ 2,873,601</u>	<u>180,596</u>	<u>7,446,069</u>	<u>10,500,266</u>

CITY OF REDLANDS  
Nonmajor Capital Projects Funds

Combining Statement Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2008

	<u>Storm Drain</u>	<u>General Obligation Bond, Series 1998A</u>	<u>Redevelopment Projects</u>	<u>Total</u>
<b>Revenues:</b>				
Licenses, permits and fines	\$ 249,589	-	-	249,589
Investment income	115,301	7,427	337,163	459,891
Other	<u>-</u>	<u>-</u>	<u>2,393</u>	<u>2,393</u>
Total revenues	<u>364,890</u>	<u>7,427</u>	<u>339,556</u>	<u>711,873</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	1,838,774	1,838,774
Highway and streets	<u>46,859</u>	<u>-</u>	<u>-</u>	<u>46,859</u>
Total expenditures	<u>46,859</u>	<u>-</u>	<u>1,838,774</u>	<u>1,885,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>318,031</u>	<u>7,427</u>	<u>(1,499,218)</u>	<u>(1,173,760)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	1,451,826	1,451,826
Transfer out	<u>-</u>	<u>-</u>	<u>(121,133)</u>	<u>(121,133)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,330,693</u>	<u>1,330,693</u>
Net change in fund balances	318,031	7,427	(168,525)	156,933
Fund balances at beginning of year	<u>2,552,546</u>	<u>173,169</u>	<u>7,505,794</u>	<u>10,231,509</u>
Fund balances at end of year	<u>\$ 2,870,577</u>	<u>180,596</u>	<u>7,337,269</u>	<u>10,388,442</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, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Licenses, permits and fines	\$ 375,000	249,589	(125,411)
Investment income	<u>60,000</u>	<u>115,301</u>	<u>55,301</u>
Total revenues	<u>435,000</u>	<u>364,890</u>	<u>(70,110)</u>
Expenditures:			
Current:			
Highway and streets	<u>117,108</u>	<u>46,859</u>	<u>70,249</u>
Net change in fund balances	317,892	318,031	139
Fund balance at beginning of year	<u>2,552,546</u>	<u>2,552,546</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,870,438</u>	<u>2,870,577</u>	<u>139</u>

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

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

Year ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Investment income	\$ 6,500	7,427	927
Net change in fund balances	6,500	7,427	927
Fund balance at beginning of year	<u>173,169</u>	<u>173,169</u>	<u>-</u>
Fund balance at end of year	<u>\$ 179,669</u>	<u>180,596</u>	<u>927</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, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$ -	337,163	337,163
Miscellaneous	-	2,393	2,393
Total revenues	-	339,556	339,556
Expenditures:			
Current:			
General government	1,840,551	1,838,774	1,777
Total expenditures	1,840,551	1,838,774	1,777
Excess (deficiency) of revenues over (under) expenditures	(1,840,551)	(1,499,218)	341,333
Other financing sources (uses):			
Transfers in	1,954,001	1,451,826	(502,175)
Transfers out	-	(121,133)	(121,133)
Total other financing sources (uses)	1,954,001	1,330,693	(623,308)
Net change in fund balance	113,450	(168,525)	(281,975)
Fund balance at beginning of year	7,505,794	7,505,794	-
Fund balance at end of year	\$ 7,619,244	7,337,269	(281,975)



## **NONMAJOR ENTERPRISE FUNDS**

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

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

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

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

CITY OF REDLANDS  
Nonmajor Enterprise Funds  
Combining Statement of Net Assets  
June 30, 2008

	Business-type Enterprise Funds			Total
	Aviation	Cemetery	Groves	
<b>Assets:</b>				
Current assets:				
Cash and investments	\$ 104,130	644,599	454,274	1,203,003
Accounts receivable	-	77,928	-	77,928
Taxes receivable	594	-	-	594
Due from other governments	51,669	-	-	51,669
Other assets	7,146	-	-	7,146
Total current assets	<u>163,539</u>	<u>722,527</u>	<u>454,274</u>	<u>1,340,340</u>
Noncurrent assets:				
Interest receivable	-	12,422	-	12,422
Capital assets:				
Land and water rights	1,165,281	630,631	14,928,514	16,724,426
Buildings and improvements	2,726,995	82,119	-	2,809,114
Machinery and equipment	109,979	401,041	-	511,020
Less: accumulated depreciation	<u>(274,437)</u>	<u>(458,977)</u>	<u>-</u>	<u>(733,414)</u>
Total capital assets	<u>3,727,818</u>	<u>654,814</u>	<u>14,928,514</u>	<u>19,311,146</u>
Total assets	<u>3,891,357</u>	<u>1,389,763</u>	<u>15,382,788</u>	<u>20,663,908</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	25,953	6,389	33,804	66,146
Accrued payroll	1,794	9,715	1,794	13,303
Deferred revenue	98,934	-	-	98,934
Deposits	1,431	614,529	15,917	631,877
Compensated absences - current	-	3,368	-	3,368
Total current liabilities	<u>128,112</u>	<u>634,001</u>	<u>51,515</u>	<u>813,628</u>
Long-term liabilities:				
Compensated absences - noncurrent	-	3,367	-	3,367
Advances payable	<u>1,705,827</u>	<u>1,376,020</u>	<u>-</u>	<u>3,081,847</u>
Total long-term liabilities	<u>1,705,827</u>	<u>1,379,387</u>	<u>-</u>	<u>3,085,214</u>
Total liabilities	<u>1,833,939</u>	<u>2,013,388</u>	<u>51,515</u>	<u>3,898,842</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debts	3,727,818	654,814	14,928,514	19,311,146
Unrestricted	<u>(1,670,400)</u>	<u>(1,278,439)</u>	<u>402,759</u>	<u>(2,546,080)</u>
Total net assets (deficit)	<u>\$ 2,057,418</u>	<u>(623,625)</u>	<u>15,331,273</u>	<u>16,765,066</u>

CITY OF REDLANDS  
Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2008

	<u>Business-type Enterprise Funds</u>			<u>Total</u>
	<u>Aviation</u>	<u>Cemetery</u>	<u>Groves</u>	
Operating revenues:				
Charges for services	\$ -	401,733	512,556	914,289
Other	<u>230,835</u>	<u>-</u>	<u>87,807</u>	<u>318,642</u>
Total operating revenues	<u>230,835</u>	<u>401,733</u>	<u>600,363</u>	<u>1,232,931</u>
Operating expenses:				
Personal services	43,769	277,911	30,403	352,083
Repairs and maintenance	3,517	46,012	-	49,529
Administrative and general	178,095	166,611	574,595	919,301
Depreciation	<u>98,008</u>	<u>620</u>	<u>-</u>	<u>98,628</u>
Total operating expenses	<u>323,389</u>	<u>491,154</u>	<u>604,998</u>	<u>1,419,541</u>
Operating income (loss)	<u>(92,554)</u>	<u>(89,421)</u>	<u>(4,635)</u>	<u>(186,610)</u>
Nonoperating revenues (expenses):				
Property taxes	51,398	-	-	51,398
Investment income	-	90,281	17,273	107,554
Interest expense	(76,909)	(61,835)	-	(138,744)
Miscellaneous income	<u>-</u>	<u>101,588</u>	<u>1,799,650</u>	<u>1,901,238</u>
Total non-operating revenues (expenses)	<u>(25,511)</u>	<u>130,034</u>	<u>1,816,923</u>	<u>1,921,446</u>
Grants	92,540	-	-	92,540
Capital contributions	<u>39,329</u>	<u>-</u>	<u>-</u>	<u>39,329</u>
Change in net assets	13,804	40,613	1,812,288	1,866,705
Net assets (deficit) at beginning of year	<u>2,043,614</u>	<u>(664,238)</u>	<u>13,518,985</u>	<u>14,898,361</u>
Net assets (deficit) at end of year	<u>\$ 2,057,418</u>	<u>(623,625)</u>	<u>15,331,273</u>	<u>16,765,066</u>

CITY OF REDLANDS  
Nonmajor Enterprise Funds

Combining Statement of Cash Flows

Year ended June 30, 2008

	Business-type Enterprise Funds			Total
	Aviation	Cemetery	Groves	
Cash flows from primary activities:				
Cash received from customers	\$ 178,628	441,822	575,363	1,195,813
Cash payments to suppliers for goods and services	(168,085)	(214,970)	(585,619)	(968,674)
Cash payments for employees for services	(43,330)	(279,482)	(29,617)	(352,429)
Cash received for other activities	51,398	101,588	266,250	419,236
Net cash provided by (used for) operating activities	18,611	48,958	226,377	293,946
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	-
Cash paid to other funds	(130,000)	(100,000)	-	(230,000)
Net cash provided by noncapital financing activities	(130,000)	(100,000)	-	(230,000)
Cash flows from capital and related financing activities:				
Cash paid for acquisition of capital assets	-	-	(139,651)	(139,651)
Grants received	191,474	-	-	191,474
Net cash provided by (used for) capital and related financing activities	191,474	-	(139,651)	51,823
Cash flows from investing activities:				
Interest received	-	90,281	17,273	107,554
Net cash provided by investing activities	-	90,281	17,273	107,554
Net increase (decrease) in cash and cash equivalents	80,085	39,239	103,999	223,323
Cash and cash equivalents at beginning of year	24,045	605,360	350,275	979,680
Cash and cash equivalents at end of year	\$ 104,130	644,599	454,274	1,203,003

CITY OF REDLANDS  
Nonmajor Enterprise Funds

Combining Statement of Cash Flows

(Continued)

	Business-type Enterprise Funds			Total
	Aviation	Cemetery	Groves	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (92,554)	(89,421)	(4,635)	(186,610)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	98,008	620	-	98,628
Miscellaneous income	51,398	101,588	266,250	419,236
(Increase) decrease in accounts receivable	-	5,459	-	5,459
(Increase) decrease in taxes receivable	(538)	-	-	(538)
(Increase) decrease in due from other governments	(51,669)	-	-	(51,669)
(Increase) decrease in interest receivable	-	7,790	-	7,790
(Increase) decrease in other assets	(7,146)	-	-	(7,146)
Increase (decrease) in accounts payable	20,673	(2,347)	(11,024)	7,302
Increase (decrease) in accrued payroll	439	(579)	786	646
Increase (decrease) in deposits	-	26,840	(25,000)	1,840
Increase (decrease) in compensated absences	-	(992)	-	(992)
Total adjustments	111,165	138,379	231,012	480,556
Net cash provided by (used for) operating activities	\$ 18,611	48,958	226,377	293,946

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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.

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

CITY OF REDLANDS  
Internal Service Funds

Combining Statement of Net Assets

June 30, 2008

	Workers' Compensation Self-Insurance	Liability Self-Insurance	Information Technology	Payroll Clearing	Utility Billing	Vehicle Pool and Maintenance	Total
<b>Assets:</b>							
<b>Current assets:</b>							
Cash and investments	\$ 4,754,511	2,018,193	95,626	725,171	439,132	-	8,032,633
Accounts receivable	-	-	-	-	3,445	3,728	7,173
Interest receivable	-	-	-	26,959	-	-	26,959
Inventory	-	-	-	-	-	176,495	176,495
Other assets	-	3,150	-	-	-	-	3,150
<b>Total current assets</b>	<b>4,754,511</b>	<b>2,021,343</b>	<b>95,626</b>	<b>752,130</b>	<b>442,577</b>	<b>180,223</b>	<b>8,246,410</b>
<b>Capital assets:</b>							
Machinery and equipment	-	-	7,425	-	-	203,806	211,231
Less: accumulated depreciation	-	-	-	-	-	(68,718)	(68,718)
<b>Total capital assets</b>	<b>-</b>	<b>-</b>	<b>7,425</b>	<b>-</b>	<b>-</b>	<b>135,088</b>	<b>142,513</b>
<b>Total assets</b>	<b>4,754,511</b>	<b>2,021,343</b>	<b>103,051</b>	<b>752,130</b>	<b>442,577</b>	<b>315,311</b>	<b>8,388,923</b>
<b>Liabilities:</b>							
<b>Current liabilities:</b>							
Accounts payable	21,808	4,852	27,027	752,260	3,290	175,126	984,363
Accrued payroll	9,501	6,491	38,263	-	34,019	47,986	136,260
Claims payable	2,447,000	755,000	-	-	-	-	3,202,000
Compensated absences	1,143	-	91,528	-	82,543	192,258	367,472
<b>Total liabilities</b>	<b>2,479,452</b>	<b>766,343</b>	<b>156,818</b>	<b>752,260</b>	<b>119,852</b>	<b>415,370</b>	<b>4,690,095</b>
<b>Net assets:</b>							
Invested in capital assets, net of related debt	-	-	7,425	-	-	135,088	142,513
Unrestricted	2,275,059	1,255,000	(61,192)	(130)	322,725	(235,147)	3,556,315
<b>Total net assets (deficit)</b>	<b>\$ 2,275,059</b>	<b>1,255,000</b>	<b>(53,767)</b>	<b>(130)</b>	<b>322,725</b>	<b>(100,059)</b>	<b>3,698,828</b>



CITY OF REDLANDS  
Internal Service Funds

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

Year ended June 30, 2008

	Workers' Compensation Self-Insurance	Liability Self-Insurance	Information Technology	Payroll Clearing	Utility Billing	Vehicle Pool and Maintenance	Total
Operating revenues:							
Charges for services	\$ 2,049,154	-	1,445,669	2,149,528	1,050,462	4,611,991	11,306,804
Other	-	161,162	-	-	418,055	1,486	580,703
<b>Total operating revenues</b>	<b>2,049,154</b>	<b>161,162</b>	<b>1,445,669</b>	<b>2,149,528</b>	<b>1,468,517</b>	<b>4,613,477</b>	<b>11,887,507</b>
Operating expenses:							
Personal services	208,632	156,858	1,073,483	-	723,100	1,345,758	3,507,831
Repairs and maintenance	-	-	-	-	11,932	2,616,480	2,628,412
Administration and general	1,582,367	1,539,459	425,953	-	453,270	689,984	4,691,033
Depreciation	-	-	-	-	-	12,714	12,714
Premiums paid out	118,564	267,175	-	-	-	-	385,739
<b>Total operating expenses</b>	<b>1,909,563</b>	<b>1,963,492</b>	<b>1,499,436</b>	<b>-</b>	<b>1,188,302</b>	<b>4,664,936</b>	<b>11,225,729</b>
<b>Operating income (loss)</b>	<b>139,591</b>	<b>(1,802,330)</b>	<b>(53,767)</b>	<b>2,149,528</b>	<b>280,215</b>	<b>(51,459)</b>	<b>661,778</b>
Nonoperating revenues:							
Investment income	-	-	-	112,894	15,905	-	128,799
<b>Total nonoperating revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112,894</b>	<b>15,905</b>	<b>-</b>	<b>128,799</b>
<b>Income (loss) before transfers</b>	<b>139,591</b>	<b>(1,802,330)</b>	<b>(53,767)</b>	<b>2,262,422</b>	<b>296,120</b>	<b>(51,459)</b>	<b>790,577</b>
Transfers:							
Transfers in	-	1,983,111	-	23,120	1,732	100,000	2,107,963
Transfers out	-	-	-	(2,285,672)	-	(57,211)	(2,342,883)
<b>Total transfers</b>	<b>-</b>	<b>1,983,111</b>	<b>-</b>	<b>(2,262,552)</b>	<b>1,732</b>	<b>42,789</b>	<b>(234,920)</b>
<b>Change in net assets</b>	<b>139,591</b>	<b>180,781</b>	<b>(53,767)</b>	<b>(130)</b>	<b>297,852</b>	<b>(8,670)</b>	<b>555,657</b>
Net assets (deficit) at beginning of year	2,135,468	1,074,219	-	-	24,873	(91,389)	3,143,171
<b>Net assets (deficit) at end of year</b>	<b>\$ 2,275,059</b>	<b>1,255,000</b>	<b>(53,767)</b>	<b>(130)</b>	<b>322,725</b>	<b>(100,059)</b>	<b>3,698,828</b>

CITY OF REDLANDS  
Internal Service Funds

Combining Statement of Cash Flows

Year ended June 30, 2008

	Workers' Compensation Self-Insurance	Liability Self-Insurance	Information Technology	Payroll Clearing	Utility Billing	Vehicle Pool and Maintenance	Total
Cash flows from operating activities:							
Cash received from user departments	\$ 2,049,154	161,162	1,445,669	2,122,569	1,468,495	4,623,381	11,870,430
Cash payments to suppliers for goods and services	(1,574,804)	(1,551,692)	(398,926)	(204,025)	(464,562)	(3,402,362)	(7,596,371)
Cash payments for claims	581,570	(86,394)	-	-	-	-	495,176
Cash payments to employees for services	(207,382)	(155,512)	(943,692)	-	(887,435)	(1,321,019)	(3,515,040)
Net cash provided by (used for) operating activities	848,538	(1,632,436)	103,051	1,918,544	116,498	(100,000)	1,254,195
Cash flows from noncapital financing activities:							
Cash received from other funds	-	1,983,111	-	23,120	1,732	100,000	2,107,963
Cash paid to other funds	-	-	-	(2,285,672)	-	-	(2,285,672)
Net cash provided by (used for) noncapital financing activities	-	1,983,111	-	(2,262,552)	1,732	100,000	(177,709)
Cash flows from capital and related financing activities:							
Cash paid for acquisition of capital assets	-	-	(7,425)	-	-	-	(7,425)
Net cash provided by (used for) capital and related financing activities	-	-	(7,425)	-	-	-	(7,425)
Cash flows from investing activities:							
Interest received	-	-	-	112,894	15,905	-	128,799
Net cash provided by investing activities	-	-	-	112,894	15,905	-	128,799
Net increase (decrease) in cash and cash equivalents	848,538	350,675	95,626	(231,114)	134,135	-	1,197,860
Cash and cash equivalents at beginning of year	3,905,973	1,667,518	-	956,285	304,997	-	6,834,773
Cash and cash equivalents at end of year	\$ 4,754,511	2,018,193	95,626	725,171	439,132	-	8,032,633

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	Vehicle Pool and Maintenance	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:							
Operating income (loss)	\$ 139,591	(1,802,330)	(53,767)	2,149,528	280,215	(51,459)	661,778
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	-	-	-	-	-	12,714	12,714
(Increase) decrease in accounts receivable	-	-	-	-	(22)	9,904	9,882
(Increase) decrease in inventory	-	-	-	-	-	3,024	3,024
(Increase) decrease in interest receivable	-	-	-	(26,959)	-	-	(26,959)
(Increase) decrease in other assets	-	(3,150)	-	-	-	-	(3,150)
Increase (decrease) in accounts payable	7,563	(9,083)	27,027	(204,025)	640	(98,922)	(276,800)
Increase (decrease) in accrued payroll	2,972	1,346	38,263	-	3,075	8,636	54,292
Increase (decrease) in claims payable	700,134	180,781	-	-	-	-	880,915
Increase (decrease) in compensated absences	(1,722)	-	91,528	-	(167,410)	16,103	(61,501)
Total adjustments	708,947	169,894	156,818	(230,984)	(163,717)	(48,541)	592,417
Net cash provided by (used for) operating activities	\$ 848,538	(1,632,436)	103,051	1,918,544	116,498	(100,000)	1,254,195

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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, 2008

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
<b>Special Deposits</b>				
Assets:				
Cash and investments	\$ 5,191,691	11,423,709	11,807,205	4,808,195
Interest receivable	945,001	929,870	945,001	929,870
Total assets	\$ 6,136,692	12,353,579	12,752,206	5,738,065
Liabilities:				
Accounts payable	\$ 25,736	1,357,419	1,369,346	13,809
Deposits	6,110,956	12,414,864	12,801,564	5,724,256
Total liabilities	\$ 6,136,692	13,772,283	14,170,910	5,738,065
<b>Community Facilities District</b>				
Assets:				
Cash and investments	\$ 2,510	-	-	2,510
Cash and investments with fiscal agent	2,569,098	898,053	859,249	2,607,902
Interest receivable	6,739	2,979	6,739	2,979
Total assets	\$ 2,578,347	901,032	865,988	2,613,391
Liabilities:				
Accounts payable	\$ -	10,897	10,897	-
Deposits	2,578,347	1,400,159	1,365,115	2,613,391
Total liabilities	\$ 2,578,347	1,411,056	1,376,012	2,613,391
<b>Total - All Agency Funds</b>				
Assets:				
Cash and investments	\$ 5,194,201	11,423,709	11,807,205	4,810,705
Cash and investments with fiscal agent	2,569,098	898,053	859,249	2,607,902
Interest receivable	951,740	932,849	951,740	932,849
Total assets	\$ 8,715,039	13,254,611	13,618,194	8,351,456
Liabilities:				
Accounts payable	\$ 25,736	1,368,316	1,380,243	13,809
Deposits	8,689,303	13,815,023	14,166,679	8,337,647
Total liabilities	\$ 8,715,039	15,183,339	15,546,922	8,351,456

**STATISTICAL SECTION**

## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends	141
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	146
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	151
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	156
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	158
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 Six Fiscal Years  
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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
Restricted	7,680,350	20,217,874	20,169,777	19,302,690	19,431,228	17,261,278
Unrestricted	<u>17,731,491</u>	<u>22,731,051</u>	<u>15,269,017</u>	<u>21,427,233</u>	<u>29,808,370</u>	<u>62,448,864</u>
Total governmental activities net assets	<u>\$ 102,243,929</u>	<u>329,351,263</u>	<u>368,999,396</u>	<u>379,013,394</u>	<u>425,401,371</u>	<u>555,559,121</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
Restricted	-	-	-	-	-	-
Unrestricted	<u>27,462,231</u>	<u>19,503,335</u>	<u>17,894,867</u>	<u>32,616,394</u>	<u>28,140,260</u>	<u>37,237,084</u>
Total business-type activities net assets	<u>100,753,550</u>	<u>116,801,399</u>	<u>124,681,562</u>	<u>133,844,899</u>	<u>146,769,964</u>	<u>166,621,820</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
Restricted	7,680,350	20,217,874	20,169,777	19,302,690	19,431,228	17,261,278
Unrestricted	<u>45,193,722</u>	<u>42,234,386</u>	<u>33,163,884</u>	<u>54,043,627</u>	<u>57,948,630</u>	<u>99,685,948</u>
Total primary government net assets	<u>\$ 202,997,479</u>	<u>446,152,662</u>	<u>493,680,958</u>	<u>512,858,293</u>	<u>572,171,335</u>	<u>722,180,941</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 Six Fiscal Years  
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Expenses:</b>						
<b>Governmental activities:</b>						
General government	\$ 11,406,883	9,937,107	10,634,567	11,868,103	13,987,953	15,161,802
Public safety	21,521,649	27,458,958	32,397,475	36,994,587	36,805,550	37,623,861
Highway and streets	6,130,261	5,752,512	6,284,884	8,325,785	8,492,440	8,341,455
Culture and recreation	2,694,475	3,667,475	2,858,152	3,692,986	3,668,992	4,129,747
Library	1,569,843	1,707,371	1,806,206	1,871,418	1,845,482	1,955,443
Interest and fiscal charges	4,366,521	3,352,377	3,169,104	3,713,659	2,883,874	5,035,588
Total governmental activities expenses	<u>47,689,632</u>	<u>51,875,800</u>	<u>57,150,388</u>	<u>66,466,538</u>	<u>67,684,291</u>	<u>72,247,896</u>
<b>Business-type activities:</b>						
Water	14,743,147	15,018,863	15,165,061	14,882,261	14,926,296	14,112,424
Disposal	6,535,367	8,154,201	8,339,209	8,799,485	8,753,717	8,956,968
Sewer	4,384,793	7,465,712	6,945,863	6,922,541	7,458,724	7,650,890
Aviation	143,518	117,417	456,441	218,316	268,309	400,298
Cemetery	519,639	569,764	630,307	591,363	541,946	552,989
Groves	472,247	463,753	872,263	749,143	708,779	604,998
Total business-type activities expenses	<u>26,798,711</u>	<u>31,789,710</u>	<u>32,409,144</u>	<u>32,163,109</u>	<u>32,657,771</u>	<u>32,278,567</u>
Total primary government expenses	<u>74,488,343</u>	<u>83,665,510</u>	<u>89,559,532</u>	<u>98,629,647</u>	<u>100,342,062</u>	<u>104,526,463</u>
<b>Program revenues:</b>						
<b>Governmental activities:</b>						
<b>Charges for services:</b>						
General government	7,739,885	5,920,646	5,644,238	6,559,998	6,393,161	5,826,011
Public safety	978,690	1,137,806	1,160,479	935,186	1,189,004	1,229,744
Highway and streets	417,834	1,189,059	1,201,865	1,491,579	1,623,290	1,891,618
Culture and recreation	303,366	251,492	219,018	263,771	230,870	237,357
Library	44,126	43,648	67,977	55,976	50,716	51,886
Operating grants and contributions	7,526,482	9,695,136	9,849,623	18,542,273	18,206,757	14,314,045
Capital grants and contributions	4,443,648	10,258,428	38,659,823	3,715,690	36,180,849	125,567,546
Total governmental activities program revenues	<u>21,454,031</u>	<u>28,496,215</u>	<u>56,803,023</u>	<u>31,564,473</u>	<u>63,874,647</u>	<u>149,118,207</u>
<b>Business-type activities:</b>						
<b>Charges for services:</b>						
Water	15,061,628	14,797,671	13,651,258	14,988,327	17,235,534	18,074,421
Disposal	8,396,057	8,815,119	11,619,754	9,056,597	9,060,415	9,297,234
Sewer	6,691,929	6,131,723	5,364,393	6,093,675	7,041,203	6,868,701
Aviation	331,945	90,768	86,507	154,907	210,434	230,835
Cemetery	422,644	475,047	455,865	561,620	537,454	401,733
Groves	374,712	464,116	950,970	713,935	720,621	600,363
Operating grants and contributions	29,128	26,628	1,488,852	423,720	617,206	4,313,798
Capital grants and contributions	-	14,266,620	4,794,810	7,891,272	7,512,629	10,917,476
Total business-type activities program revenues	<u>31,308,043</u>	<u>45,067,692</u>	<u>38,412,409</u>	<u>39,884,053</u>	<u>42,935,496</u>	<u>50,704,561</u>
Total primary government program revenues	<u>52,762,074</u>	<u>73,563,907</u>	<u>95,215,432</u>	<u>71,448,526</u>	<u>106,810,143</u>	<u>199,822,768</u>
<b>Net revenues (expenses):</b>						
Governmental activities	(26,235,601)	(23,379,585)	(347,365)	(34,902,065)	(3,809,644)	76,870,311
Business-type activities	<u>4,509,332</u>	<u>13,277,982</u>	<u>6,003,265</u>	<u>7,720,944</u>	<u>10,277,725</u>	<u>18,425,994</u>
Total net revenues (expenses)	<u>(21,726,269)</u>	<u>(10,101,603)</u>	<u>5,655,900</u>	<u>(27,181,121)</u>	<u>6,468,081</u>	<u>95,296,305</u>
<b>General revenues and other changes in net assets:</b>						
<b>Governmental activities:</b>						
<b>Taxes:</b>						
Property taxes	13,894,252	15,248,199	15,346,936	23,914,760	27,036,122	29,165,961
Sales taxes	10,546,723	10,870,623	13,646,820	15,267,688	14,762,456	13,986,798

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Franchise taxes	816,204	939,519	996,858	1,097,157	3,659,356	4,044,161
Other taxes	892,445	1,080,199	1,115,401	1,230,525	1,543,302	1,726,102
Investment income	725,284	905,943	1,356,544	2,180,119	2,421,829	2,763,654
Intergovernmental (unrestricted)	7,467,008	3,394,937	8,261,949	1,225,814	654,950	496,302
Land sale proceeds	-	216,174	-	-	-	-
Transfers	136,947	48,139	(729,010)	-	119,606	1,104,461
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>
Business-type activities:						
Property taxes	-	-	-	-	52,655	51,398
Investment income	1,378,230	611,614	1,147,888	1,442,393	2,714,291	2,478,925
Transfers	(136,947)	(48,139)	729,010	-	(119,606)	(1,104,461)
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>
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>
Changes in net assets						
Governmental activities	8,243,262	9,324,148	39,648,133	10,013,998	46,387,977	130,157,750
Business-type activities	<u>5,750,615</u>	<u>13,841,457</u>	<u>7,880,163</u>	<u>9,163,337</u>	<u>12,925,065</u>	<u>19,851,856</u>
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>

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 Six Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General fund:						
Reserved	\$ 9,099,467	7,693,349	8,559,857	8,886,457	8,893,298	10,169,670
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>
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>
All other governmental funds:						
Reserved	\$ 1,428,001	2,601,356	11,500,492	2,033,335	6,977,364	4,274,778
Unreserved, reported in:						
Special revenue fund	5,301,464	17,717,671	9,791,298	16,410,790	17,708,775	23,528,904
Debt service fund	4,716,871	8,617,660	8,392,355	6,793,832	6,891,672	8,634,444
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>
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>

NOTE:

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

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Revenues:</b>						
Taxes	\$ 25,874,219	28,211,269	31,241,724	41,642,820	47,142,875	49,074,516
Licenses, permits and fines	7,926,637	9,813,539	9,412,476	14,071,545	14,785,863	14,405,549
Intergovernmental	12,267,871	9,230,680	11,082,073	11,497,035	15,650,446	9,741,769
Charges for services	4,117,522	1,746,893	1,552,689	1,578,029	2,214,772	2,808,774
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
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
<b>Total revenues</b>	<b>55,898,892</b>	<b>61,830,713</b>	<b>60,549,609</b>	<b>74,072,816</b>	<b>85,457,504</b>	<b>83,605,510</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government	12,144,871	9,548,691	10,308,122	11,478,185	13,758,100	19,638,037
Public safety	22,672,706	26,073,331	30,772,182	35,350,737	36,008,498	57,179,014
Highway and streets	4,415,591	3,542,929	6,600,623	5,076,512	5,434,175	4,826,627
Culture and recreation	2,567,771	2,443,711	2,594,046	3,344,777	3,311,493	3,821,206
Library	1,583,168	1,642,304	1,761,765	1,856,592	1,851,926	1,966,965
Capital outlay	5,172,975	8,911,917	3,196,389	16,004,189	13,561,057	8,384,995
<b>Debt service:</b>						
Principal	4,356,901	1,727,146	2,449,329	2,403,739	3,955,548	4,198,760
Interest	2,754,952	1,989,154	2,709,433	3,275,252	2,660,716	3,332,948
Fiscal charges	184,346	276,104	468,879	447,327	238,111	732,990
Underwriters' fees	-	268,705	-	-	-	-
Cost of issuance	-	704,438	-	-	-	-
<b>Total expenditures</b>	<b>55,853,281</b>	<b>57,128,430</b>	<b>60,860,768</b>	<b>79,237,310</b>	<b>80,779,624</b>	<b>104,081,542</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>45,611</b>	<b>4,702,283</b>	<b>(311,159)</b>	<b>(5,164,494)</b>	<b>4,677,880</b>	<b>(20,476,032)</b>
<b>Other financing sources (uses):</b>						
Transfers in	6,265,001	18,897,881	8,407,181	9,655,411	11,985,951	18,608,919
Transfers out	(6,025,606)	(20,134,841)	(9,704,950)	(10,993,456)	(12,642,677)	(17,269,538)
Land sale proceeds	-	216,174	-	-	-	-
Capital assets acquired with capital lease	-	654,891	-	-	-	-
Proceeds of capital lease	-	-	-	1,250,448	1,269,165	236,136
Issuance of long term debt	-	17,300,000	-	-	1,985,000	30,502,392
Refunding bonds issued	-	5,380,000	-	-	-	-
Proceeds of refunding bonds	17,366,732	-	-	-	-	-
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)
<b>Total other financing sources (uses)</b>	<b>267,229</b>	<b>16,937,703</b>	<b>(1,297,769)</b>	<b>(87,597)</b>	<b>2,597,439</b>	<b>27,487,958</b>
<b>Net change in fund balances</b>	<b>\$ 312,840</b>	<b>21,639,986</b>	<b>(1,608,928)</b>	<b>(5,252,091)</b>	<b>7,275,319</b>	<b>7,011,926</b>
<b>Debt service as a percentage of noncapital expenditures <sup>1</sup></b>	<b>14.4%</b>	<b>10.3%</b>	<b>9.8%</b>	<b>9.7%</b>	<b>10.2%</b>	<b>8.6%</b>

NOTE:

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

<sup>1</sup> Calculated by dividing debt service expenditures by the difference between total expenditures and capital outlay.

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

Fiscal Year Ended June 30 <sup>1</sup>	City				Redevelopment Agency				Total	
	Secured		Unsecured		Less: Exemptions		Taxable Assessed Value		Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less:	Exemptions	Value	Value	Value	Rate		
1999	\$ 2,832,777	154,174	(77,080)	2,909,871	-	-	-	2,909,871	0.31727	
2000	2,907,804	154,083	(76,084)	2,985,803	-	-	-	2,985,803	0.31582	
2001	2,828,293	104,875	(73,957)	2,859,211	40,466	(780)	269,618	3,128,829	0.31211	
2002	2,954,145	120,501	(75,664)	2,998,982	42,240	(801)	288,555	3,287,537	0.31489	
2003	3,332,102	145,151	(79,354)	3,397,899	49,078	(823)	319,454	3,717,353	0.31197	
2004	3,672,991	152,007	(79,354)	3,745,644	46,720	(854)	333,687	4,079,331	0.30679	
2005	4,072,008	137,651	(79,611)	4,130,048	44,019	(843)	359,765	4,489,813	0.30228	
2006	4,854,140	160,644	(79,240)	4,935,544	47,055	(841)	394,438	5,329,982	0.28835	
2007	5,745,855	164,409	(79,612)	5,830,652	49,336	(774)	438,593	6,269,245	0.27624	
2008	6,535,813	204,391	(79,555)	6,660,649	56,938	(767)	484,870	7,145,519	0.27390	

**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.

<sup>1</sup> For fiscal years ended 1999 through 2000, separate City and RDA information was not readily available. Therefore, the amounts shown in the City columns for those years represent the taxable assessed value for both the City and RDA combined.

Source: San Bernardino County Assessor (via HdL, Coren & Cone)  
San Bernardino County Auditor-Controller - Property Tax Division

CITY OF REDLANDS

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

Last Ten Fiscal Years  
(in thousands of dollars)

Category	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Residential	\$ 2,240,604	2,289,854	2,390,268	2,491,831	2,731,840	3,035,139	3,298,525	3,717,496	4,232,501	4,724,469
Commercial	275,300	286,957	358,716	385,745	426,292	446,564	492,024	560,210	658,585	745,188
Industrial	63,614	64,443	77,254	85,389	120,855	182,833	232,590	257,161	325,169	495,797
Dry Farm	229	233	1,722	1,755	2,062	1,113	1,097	337	344	840
Government	-	-	3,976	4,312	4,050	3,444	8,320	4,284	4,370	4,457
Institutional	19,972	22,575	9,777	11,874	27,394	10,896	15,557	25,209	13,607	14,163
Irrigated	2,617	2,569	22,481	29,626	26,701	24,053	29,247	39,464	41,481	36,360
Miscellaneous	11,554	11,109	5,685	8,113	70,751	15,709	11,049	12,328	12,968	18,547
Recreational	77,884	80,350	25,797	26,103	26,336	26,728	27,379	27,870	27,527	28,932
Vacant Land	134,038	141,673	145,896	139,106	149,807	151,675	175,163	248,366	264,268	289,940
SBE Nonunitary	6,144	6,180	16,645	17,407	17,213	61,061	96,019	306,375	555,066	605,819
Unsecured	154,174	154,083	145,341	162,741	194,229	198,727	181,670	207,699	213,745	261,329
Unknown	821	1,861	8	-	-	1,597	1,627	3,264	-	-
<b>Total Assessed Value</b>	<b>\$ 2,986,951</b>	<b>3,061,887</b>	<b>3,203,566</b>	<b>3,364,002</b>	<b>3,797,530</b>	<b>4,159,539</b>	<b>4,570,267</b>	<b>5,410,063</b>	<b>6,349,631</b>	<b>7,225,841</b>
<b>Less: Exemptions</b>	<b>(77,080)</b>	<b>(76,084)</b>	<b>(74,737)</b>	<b>(76,465)</b>	<b>(80,177)</b>	<b>(80,208)</b>	<b>(80,454)</b>	<b>(80,081)</b>	<b>(80,386)</b>	<b>(80,322)</b>
<b>Taxable Assessed Value</b>	<b>\$ 2,909,871</b>	<b>2,985,803</b>	<b>3,128,829</b>	<b>3,287,537</b>	<b>3,717,353</b>	<b>4,079,331</b>	<b>4,489,813</b>	<b>5,329,982</b>	<b>6,269,245</b>	<b>7,145,519</b>
<b>Total Direct Rate</b>	<b>0.31727</b>	<b>0.31582</b>	<b>0.31211</b>	<b>0.31489</b>	<b>0.31197</b>	<b>0.30679</b>	<b>0.30228</b>	<b>0.28835</b>	<b>0.27624</b>	<b>0.27390</b>

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 Six Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City Basic Rate	0.21455	0.21455	0.21455	0.21455	0.21455	0.21455
Overlapping Rates:						
County General Fund	0.14707	0.14707	0.14707	0.14707	0.14707	0.14707
County Superintendent	0.00755	0.00755	0.00755	0.00755	0.00755	0.00755
East Valley Resource Conservation District	0.00049	0.00049	0.00049	0.00049	0.00049	0.00049
Educational Revenue Augmentation Fund	0.22257	0.22257	0.22257	0.22257	0.22257	0.22257
Flood Control Zone 3	0.02584	0.02584	0.02584	0.02584	0.02584	0.02584
Flood Control Zone 8	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089
Redlands Unified	0.30207	0.30207	0.30207	0.30207	0.30207	0.30207
San Bernardino Community College	0.05185	0.05185	0.05185	0.05185	0.05185	0.05185
San Bernardino Valley Municipal Water	0.02668	0.02668	0.02668	0.02668	0.02668	0.02668
San Bernardino Valley Water Conservation District	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>
Total Proposition 13 Rate	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
Redlands Debt Service	0.01960	0.01770	0.01550	0.01350	0.01200	0.01030
Redlands Unified	0.03510	0.06280	0.04690	0.04490	0.03760	0.03220
San Bernardino Community College	-	0.01690	0.01890	0.01660	0.01950	0.01270
San Bernardino Unified	0.03150	0.04100	0.09160	0.07880	0.07070	0.06610
San Bernardino Valley Municipal Water	0.14000	0.14000	0.14000	0.16000	-	-
San Bernardino Valley Municipal Water Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.15500</u>	<u>0.16500</u>
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>
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>
RDA Incremental Rate	1.15960	1.15770	1.15550	1.17350	1.16700	1.17530
Total Direct Rate	0.31197	0.30679	0.30228	0.28835	0.27624	0.27390

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	2008		1999	
	Property Tax Revenue	Percent of Total City Property Tax Levies	Property Tax Revenue	Percent of Total City Property Tax Levies
Prologis	\$ 340,319	1.25%	\$ -	N/A
NYS New, LLC	323,675	1.19%	-	N/A
A&A Royal Plaza Limited Partnership	232,977	0.86%	-	N/A
GGP Redlands Mall Limited Partnership	168,805	0.62%	-	N/A
NYS, LLC	160,602	0.59%	-	N/A
Evans Withycombe Residential	158,075	0.58%	140,614	1.28%
Home Depot Development of Maryland, Inc.	139,490	0.51%	-	N/A
Showprop Redlands, LLC	138,743	0.51%	-	N/A
Orange Street Plaza, LLC	137,345	0.51%	-	N/A
2301 W. San Bernardino Avenue Investment Group	116,747	0.43%	-	N/A
Tri-City Associates, LLC	-	N/A	133,013	1.21%
Mitsui SBD America Fund 88 II	-	N/A	132,489	1.21%
ESRI	-	N/A	128,683	1.17%
Paul J. Dangermond	-	N/A	85,674	0.78%
Redlands Federal Savings Loan Association	-	N/A	75,992	0.69%
125 Pacifica Limited Partnership	-	N/A	69,821	0.64%
Anderson West, LLC	-	N/A	68,318	0.62%
Jack & Laura Dangermond	-	N/A	64,952	0.59%
Redlands Partners	-	N/A	60,148	0.55%
	<u>\$ 1,916,778</u>	<u>7.05%</u>	<u>\$ 959,704</u>	<u>8.74%</u>

NOTE:

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

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

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1999	\$ 10,977,102	9,935,972	90.52%	930,550	10,866,522	98.99%
2000	10,833,250	10,715,869	98.92%	784,744	11,500,613	106.16%
2001	10,981,937	11,512,935	104.84%	329,758	11,842,693	107.84%
2002	11,141,753	11,589,661	104.02%	765,510	12,355,171	110.89%
2003	11,689,975	13,093,816	112.01%	829,560	13,923,376	119.11%
2004	13,693,200	14,146,989	103.31%	682,615	14,829,604	108.30%
2005	14,540,000	18,153,068	124.85%	722,833	18,875,901	129.82%
2006	21,285,300	22,204,121	104.32%	1,392,399	23,596,520	110.86%
2007	25,564,080	25,513,769	99.80%	1,292,499	26,806,268	104.86%
2008	27,124,422	27,666,659	102.00%	1,487,446	29,154,105	107.48%

NOTE:

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

Source: City of Redlands

CITY OF REDLANDS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Loans	Total Governmental Activities	Water Revenue Bonds	Wastewater Revenue Bonds	Certificates of Participation	Loans	Business-type Activities			
1999	\$ 6,350,000	31,805,000	22,685,000	-	\$ 60,840,000	\$ 23,345,000	17,770,000	5,665,000	1,490,364	\$ 48,270,364	\$ 109,110,364	7.77%	\$ 1,632
2000	6,075,000	30,535,000	21,525,000	-	58,135,000	23,345,000	17,770,000	5,110,000	1,419,859	47,644,859	105,779,859	7.10%	1,561
2001	5,780,000	29,715,000	20,300,000	-	55,795,000	22,295,000	17,095,000	4,515,000	1,346,816	45,251,816	101,046,816	6.75%	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	29,032,392	37,930,000	13,955,000	1,965,577	82,882,969	13,700,000	11,565,000	-	11,496,989	36,761,989	119,644,958	5.71%	1,666

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 <sup>1</sup>	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Loans	Total		
1999	\$ 6,350	31,805	22,685	-	\$ 60,840	2.04%	\$ 910
2000	6,075	30,535	21,525	-	58,135	1.90%	858
2001	5,780	29,715	20,300	-	55,795	1.74%	854
2002	5,470	28,865	19,005	253	53,593	1.59%	812
2003	5,140	27,985	17,367	195	50,687	1.33%	750
2004	4,940	44,375	17,313	333	66,961	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	29,032	37,930	13,955	1,966	82,883	1.15%	1,154

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).

<sup>1</sup> 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, 2008

Total 2007-2008 Assessed Valuation	\$ 7,225,841,687	
Redevelopment Agency Incremental Valuation	<u>(485,637,470)</u>	
Adjusted City Assessed Valuation	<u>\$ 6,740,204,217</u>	
	<u>Percentage</u>	<u>Outstanding</u>
	<u>Applicable <sup>1</sup></u>	<u>Debt 06/30/08</u>
		<u>Estimated</u>
		<u>Share of</u>
		<u>Overlapping</u>
		<u>Debt</u>
Overlapping Tax and Assessment Debt:		
San Bernardino Community College District	15.050%	\$ 160,537,550
Redlands Unified School District	65.730%	68,288,512
San Bernardino City Unified School District	0.080%	161,385,005
City of Redlands Community Facilities District No. 2001-1	100.000%	8,045,000
City of Redlands Community Facilities District No. 2003-1	100.000%	<u>9,490,000</u>
Total Overlapping Tax and Assessment Debt		<u>407,746,067</u>
Overlapping General Fund Debt:		
San Bernardino County General Fund Obligations	5.010%	\$ 791,760,000
San Bernardino County Pension Obligations	5.010%	688,325,591
San Bernardino County Flood Control District General Fund Obligations	5.010%	119,920,000
San Bernardino Valley Municipal Water District Certificates of Participation	20.982%	3,250,000
Redlands Unified School District Certificates of Participation	65.730%	5,000,000
Yucaipa-Calimesa Joint Unified School District Authority	0.757%	<u>16,915,000</u>
Total Gross Overlapping General Fund Debt		<u>1,625,170,591</u>
Less: San Bernardino Valley Municipal Water District Certificates of Participation		(681,915)
Less: Redlands Unified School District Self-Supporting Qualified Zone Academy Bonds		<u>(364,144)</u>
Total Net Overlapping General Fund Debt		<u>83,210,683</u>
Total Gross Overlapping Debt		\$ 170,967,790
Total Net Overlapping Debt		\$ 169,921,731
Direct Tax and Assessment Debt:		
City of Redlands	100.000%	<u>\$ 3,170,000</u>
Direct General Fund Debt:		
City of Redlands General Fund Obligations	100.000%	\$ 13,955,000
City of Redlands Pension Obligations	100.000%	<u>25,862,392</u>
Total Gross Overlapping General Fund Debt		<u>39,817,392</u>
Total Direct Debt		<u>\$ 42,987,392</u>
Total Gross Direct and Overlapping Debt <sup>2</sup>		\$ 213,955,182
Total Net Direct and Overlapping Debt <sup>2</sup>		\$ 212,909,123

<sup>1</sup> Percentage of overlapping agency's assessed valuation located within boundaries of the City.

<sup>2</sup> 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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assessed valuation	\$ 2,986,951,206	3,061,886,515	3,203,566,422	3,364,001,725	3,797,530,098	4,159,538,812	4,570,267,222	5,410,062,595	6,349,631,333	7,225,841,687
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	\$ 746,737,802	765,471,629	800,891,606	841,000,431	949,382,525	1,039,884,703	1,142,566,806	1,352,515,649	1,587,407,833	1,806,460,422
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	112,010,670	114,820,744	120,133,741	126,150,065	142,407,379	155,982,705	171,385,021	202,877,347	238,111,175	270,969,063
Total net debt applicable to limit: General obligation bonds	<u>6,350,000</u>	<u>6,075,000</u>	<u>5,780,000</u>	<u>5,470,000</u>	<u>5,140,000</u>	<u>4,940,000</u>	<u>4,510,000</u>	<u>4,075,000</u>	<u>3,625,000</u>	<u>29,032,392</u>
Legal debt margin	\$ <u>105,660,670</u>	<u>108,745,744</u>	<u>114,353,741</u>	<u>120,680,065</u>	<u>137,267,379</u>	<u>151,042,705</u>	<u>166,875,021</u>	<u>198,802,347</u>	<u>234,486,175</u>	<u>241,936,671</u>
Total debt applicable to the limit as a percentage of debt limit	5.7%	5.3%	4.8%	4.3%	3.6%	3.2%	2.6%	2.0%	1.5%	10.7%

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 2.5% 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	Debt Service Principal	Debt Service Interest	Tax Increment	Coverage	Debt Service Principal	Debt Service Interest	Tax Increment	Coverage		
																	Water Revenue	Less Operating Expenses
1999	\$ 9,594,952	7,446,092	2,148,860	N/A	\$ 4,103,375	2,652,248	1,451,127	N/A	-	-	\$ 3,217,900	N/A	560,000	911,112	\$ 3,217,900	2.19		
2000	15,018,702	7,593,679	7,425,023	10.16	4,154,359	2,861,516	1,292,843	10.16	-	562,262	3,382,741	2.30	1,270,000	1,392,728	3,382,741	1.27		
2001	10,458,450	8,498,058	1,960,392	0.94	4,315,888	3,542,829	773,059	0.94	-	803,699	3,339,196	0.52	820,000	1,354,063	3,339,196	1.54		
2002	11,335,908	9,230,587	2,105,321	1.01	4,318,650	3,689,006	629,644	1.01	675,000	778,261	3,750,394	0.43	850,000	1,323,168	3,750,394	1.73		
2003	15,073,046	11,108,209	3,964,837	1.90	6,691,929	3,941,439	2,750,490	1.90	725,000	750,812	4,194,603	1.86	880,000	1,291,163	4,194,603	1.93		
2004	17,392,023	11,107,771	6,284,252	3.01	17,829,276	4,630,817	13,198,459	3.01	755,000	721,588	4,263,387	8.94	910,000	1,377,309	4,263,387	1.86		
2005	16,131,641	11,292,982	4,838,659	2.32	7,995,331	4,891,105	3,104,226	2.32	785,000	691,166	4,269,038	2.10	1,695,000	1,866,995	4,269,038	1.20		
2006	19,199,475	11,976,185	7,223,290	3.47	9,919,748	4,584,864	5,334,884	3.47	815,000	656,110	5,905,194	3.63	1,575,000	1,815,247	5,905,194	1.74		
2007	21,807,806	11,514,062	10,293,744	4.96	11,288,913	5,353,523	5,935,390	4.96	855,000	618,371	5,864,297	4.03	1,730,000	1,762,942	5,864,297	1.68		
2008	21,741,391	11,261,448	10,479,943	5.04	9,982,096	5,645,675	4,336,421	5.04	895,000	580,299	6,246,123	2.94	1,785,000	1,725,164	6,246,123	1.78		

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)
1999	66,866	\$ 1,404,252,866	\$ 21,001	4.9%
2000	67,771	1,489,267,725	21,975	3.4%
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%

- 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; 2007-2008 figures are estimates based on the average percentage change in prior years)
  - (3) State of California, Employment Development Department (data shown is annual rate for San Bernardino County for 1999, annual rate for Redlands from 2000-2007, and for 2008, the Redlands June 2008 rate is shown)



CITY OF REDLANDS  
Principal Employers  
Current Year and Nine Years Ago

Employer	2008		1999	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Redlands Unified School District	1,835	4.99%	1,500	4.93%
ESRI	1,800	4.89%	1,200	3.94%
Redlands Community Hospital	1,600	4.35%	1,100	3.61%
University of Redlands	954	2.59%	500	1.64%
City of Redlands	578	1.57%	444	1.46%
EPIC Management/Beaver Medical	500	1.36%	500	1.64%
La-Z-Boy, Inc.	450	1.22%	420	1.38%
Redlands Employment Services, Inc.	400	1.09%	-	N/A
Wal-Mart Stores, Inc.	400	1.09%	-	N/A
Southern California Gas Company	383	1.04%	305	1.00%
United States Postal Service	-	N/A	1,400	4.60%
Klaussner Furniture	-	N/A	420	1.38%

NOTE:

"Total Employment" as used above represents the total employment of all employers located within City limits. For 2008, the June 2008 Redlands non-preliminary employment figure (36,800) was used. For 1999, an estimated figure (30,449) was used, based on the average percentage change in prior years.

Sources:

Redlands Redevelopment Agency (2008 principal employer data)

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

CITY OF REDLANDS

City Employees  
by Function

Last Ten Fiscal Years

	Employees as of June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Full-time employees:										
City clerk's office	2	2	2	2	2	2	2	2	2	2
City manager's office	6	6	7	7	6	6	6	6	6	8
City treasurer's office	7	7	8	8	8	8	7	7	7	6
Community development	14	15	18	18	16	18	18	18	19	17
Finance	12	13	12	12	12	12	12	11	12	13
Fire	59	59	60	60	60	60	60	67	67	64
Human Resources	5	5	5	5	5	5	5	5	5	6
Library	19	19	21	21	21	21	21	21	21	20
Management information systems	3	4	4	4	4	4	4	4	4	10
Municipal utilities and engineering:										
Administration	17	18	19	19	18	23	23	29	31	34
Water	38	38	39	39	41	38	38	39	40	41
Wastewater	21	21	21	21	24	24	24	24	24	24
Police	125	126	130	138	151	157	154	161	161	149
Quality of life										
Administration, parks & streets	51	53	53	53	56	57	56	52	53	48
Equipment maintenance	14	14	14	14	15	15	15	15	15	15
Solid waste	37	37	38	38	42	44	42	40	40	39
Cemetery	7	7	7	7	7	7	7	5	3	3
Redevelopment	-	-	-	-	-	-	-	5	5	9
	<u>437</u>	<u>444</u>	<u>458</u>	<u>466</u>	<u>488</u>	<u>501</u>	<u>494</u>	<u>511</u>	<u>515</u>	<u>508</u>
Part-time employees <sup>1</sup>										
	-	-	-	-	-	-	-	72	67	56
At-will employees										
	-	-	-	-	-	-	-	10	10	-
Grant-funded employees										
	<u>7</u>	<u>8</u>	<u>7</u>	<u>7</u>	<u>13</u>	<u>16</u>	<u>14</u>	<u>15</u>	<u>14</u>	<u>14</u>
Total	<u>444</u>	<u>452</u>	<u>465</u>	<u>473</u>	<u>501</u>	<u>517</u>	<u>508</u>	<u>608</u>	<u>606</u>	<u>578</u>

<sup>1</sup> 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.

Source: City of Redlands Budget

CITY OF REDLANDS  
Operating Indicators  
by Function  
Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Police:</b>										
Calls for service <sup>1</sup>	40,926	42,935	45,614	48,124	55,512	63,727	63,560	59,182	56,821	61,184
Emergency calls for service <sup>1</sup>	9,377	9,419	8,899	8,900	9,699	10,521	11,178	11,970	16,546	2,643
Citations issued <sup>1</sup>	9,515	10,671	10,514	8,180	9,338	8,291	5,410	5,242	7,390	3,754
<b>Fire:</b>										
Number of incidents	5,725	5,836	6,319	6,340	6,675	7,116	7,040	7,625	8,038	7,885
Inspections performed <sup>1</sup>	2,293	2,271	2,262	2,355	2,456	2,498	2,576	2,737	3,610	2,296
<b>Building and safety:</b>										
Permits issued <sup>2</sup>		2,055	2,409	2,385	2,876	3,070	2,997	2,838	2,967	2,446
Inspections performed <sup>2</sup>		9,530	11,048	10,970	12,228	15,961	15,679	17,273	14,611	15,868
<b>Parks and recreation:</b>										
Community center attendance	40,619	54,076	39,686	46,968	36,211	45,228	35,160	62,048	69,861	85,216
Senior center attendance	38,786	40,920	43,452	48,788	47,941	43,644	42,496	43,374	43,633	41,258
Joslyn center attendance	38,092	41,407	39,989	40,175	47,292	43,201	49,808	39,328	40,830	38,960
Youth sports attendance	19,246	18,488	25,266	20,963	12,980	15,781	17,781	14,859	4,665	7,284
Adult sports attendance	11,026	12,077	12,943	14,780	10,255	11,989	20,418	19,797	17,427	30,509
<b>Water:</b>										
Number of services	18,401	18,617	18,857	19,357	19,670	20,140	20,500	21,047	21,450	21,547
Average daily consumption (thousands of gallons)	22,000	24,500	23,600	28,200	25,700	25,400	27,000	23,553	29,458	33,650
<b>Solid waste:</b>										
Recycled materials (tons) <sup>2</sup>	-	-	19,495	21,058	24,502	29,794	37,123	38,083	40,851	34,317
Refuse disposed (tons) <sup>2</sup>	-	-	50,250	52,034	54,599	56,865	59,745	61,607	58,402	57,480
<b>Library:</b>										
Number of volumes	93,181	95,307	129,472	134,032	138,513	136,671	138,446	141,310	140,644	141,241

<sup>1</sup> Data is calendar year, instead of fiscal year.

<sup>2</sup> 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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	4	4	4	4	4	4	4	4	4	4
Fire:										
Fire stations	3	3	3	3	3	3	4	4	4	4
Public works:										
Streets (miles)	270	272	285	290	305	307	310	312	315	315
Traffic signals (city-owned)	48	49	51	54	58	61	61	64	68	68
Parks and recreation:										
Parks (acreage)	250	250	250	250	250	250	250	250	230	230
Groves (acreage)	268	268	268	268	200	175	175	196	192	204
Community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	346	346	361	361	368	381	387	407	416	421
Maximum daily production capacity (thousands of gallons)	52,000	52,000	42,600	45,400	45,400	55,400	59,000	50,000	50,000	55,000
Wastewater:										
Sewers (miles)	214	214	215	215	222	222	226	232	239	239
Daily capacity of wastewater plant (thousands of gallons)	9,000	9,500	9,500	9,500	9,500	9,500	9,500	9,500	5,500	5,500
Solid waste:										
Landfill (city-owned)	1	1	1	1	1	1	1	1	1	1
Library:										
Public library	1	1	1	1	1	1	1	1	1	1

Source: City of Redlands