

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT
for the
REDDING REDEVELOPMENT AGENCY
(A Component Unit of the City of Redding)**

Redding, California

FISCAL YEAR ENDED JUNE 30, 2005

ISSUED BY THE FINANCE DIVISION

**STEPHEN W. STRONG
FINANCE OFFICER**

REDDING REDEVELOPMENT AGENCY
(A Component Unit of the City of Redding)
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2005

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INTRODUCTORY SECTION

Redding Redevelopment Agency

December 1, 2005

To the Honorable Chairman and Members of the Redding Redevelopment Agency Board of Directors:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2005.

Management assumes full responsibility for the completeness and reliability of all the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Hathaway and Ksenzulak, LLP, a firm of licensed certified public accountants, have issued an unqualified ("clean") opinion on the Redding Redevelopment Agency's financial statements for the year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Redding Redevelopment Agency

The City Council of the City of Redding, acting pursuant to the provisions of Community Redevelopment Law [California Health and Safety Code § 33000, et seq.], activated the Agency on August 4, 1958. The Agency has broad authority to acquire, develop, administer, and sell or lease property, including the right of eminent domain and the right to issue long-term debt and expend proceeds.

The five members of the City Council serve as the governing body of the Agency and exercise all rights, powers, duties, and privileges of the Agency in carrying out redevelopment activities. The Assistant City Manager serves as Executive Director and Secretary of the Agency. The City Attorney serves as Agency Counsel.

The Agency is charged with the goal of eliminating blight within designated geographic areas known as *project areas* through the process of redevelopment. The first project area, adopted in 1968, was the Midtown Project consisting of 10 acres in the heart of downtown Redding. In 1990 Midtown was renamed the Market Street Redevelopment Project and expanded to 2,590 acres. The Canby-Hilltop-Cypress Redevelopment Project Area, containing the City of Redding's major retail area, was established in 1981 and expanded in 1990 to a total size of 2,050 acres. The Agency, along with

the redevelopment agencies of the County of Shasta and the City of Anderson, in 1996 adopted the SHASTEK Redevelopment Project Area, a cooperative redevelopment project containing approximately 4,100 acres located in the eastern section of the City of Redding, the northern part of the City of Anderson, and intermingled with portions of the County of Shasta. The last project area known as Buckeye is a cooperative redevelopment project between the City of Redding and the County of Shasta. It was established in 2000 and contains 1,063 acres located in the northwest portion of the City of Redding and adjacent unincorporated areas of the County.

The Agency undertakes numerous projects, programs, and activities to eliminate blight and improve the physical and economic conditions of its project areas, including downtown revitalization, commercial and retail development, and construction of public facilities. Pursuant to Redevelopment Law, the Agency expends 20% of its tax increment revenue to preserve and improve low- and moderate-income housing.

The Agency, having adopted the City of Redding's administrative policies and procedures, adopts a two-year budget that is reviewed and updated annually. The budget is prepared by fund (project area) and division (e.g., capital) and is used by the Agency as a planning tool and a work program for the ensuing period. It includes proposed expenditures, anticipated revenues, and amount of indebtedness. The Executive Director may make transfers of appropriations within a division. Transfers of appropriations between divisions, however, require the special approval of the Board of Directors. Transfers of appropriations between funds are prohibited.

Local Economy

The growth and health of an area's economy can be determined by monitoring a wide variety of indicators. Listed below are some of these indicators in the Redding area.

Population characteristics. The City of Redding was one of the fastest growing cities in California between 1970 and 1990, growing to 66,462 residents in 1990 from 16,659 in 1970. Since 1990 the City's population growth has been approximately 2% per year. The City's population of 88,459 has increased 9.4% over the 2000 U.S. Census tabulation. The City's population represents approximately 50% of Shasta County's population. The following table indicates population growth for the City and Shasta County from 1970 to 2005:

Year	<u>City of Redding</u>		<u>Shasta County</u>	
	Population	Annualized Percent Change Over Interval	Population	Annualized Percent Change Over Population
1970	16,659	3.04%	77,640	9.67%
1980	41,995	15.21	119,449	5.39
1990	66,462	5.83	147,036	2.31
2000	80,865	2.17	163,256	1.10
2001	82,543	2.08	165,669	1.48
2002	84,560	2.44	169,300	2.19
2003	85,703	1.35	172,000	1.59
2004	87,280	1.84	175,705	2.15
2005	88,459	1.35	178,197	1.42

Source: 1970-2000 data from U.S. Census; 2001-05 data from the California State Department of Finance as of January 1.

The City's population is projected to grow over the next 10 years by approximately 15,000 representing an increase of approximately 17.0%. The Redding area is expected to maintain approximately 50% of the total Shasta County population because of a variety of factors that will support urban development, including utilities (wastewater, storm drainage, water, electric, and solid waste), employment, regional shopping, transportation services, and reduced commuting.

Housing costs. Housing in the City is less costly than in many other urban areas in the State of California and on the West Coast. The following table sets forth the median price of housing in other urban areas of California as compared to Redding as of June 2005:

<u>Region</u>	<u>Single Family Homes</u>
Redding	\$315,000
Sacramento	381,990
Los Angeles	512,890
Orange County	702,400
San Francisco	734,610

Source: California Association of Realtors & Shasta County Board of Realtors

Industry and employment. Extracting timber and the processing of wood by-products, together with agriculture, tourism, and government, have historically been the major sectors of employment in the City. Over the last two decades, the City's economic base has diversified to a regional service economy supported by retail and wholesale trade plus educational, recreational, medical, and governmental services for an area covering several counties.

The major non-local government employers in the City and the County include those in medical services, heavy forest products, and retail services. Major private employers in the greater Redding metropolitan area and the approximate number of their respective full time employees can be found in the statistical section on page 96.

According to the State Employment Development Department, the unemployment rate of the City's metropolitan area was 6.5% on June 30, 2005. The following table sets forth the number and rate (expressed as a percentage) of unemployed persons living within the City's metropolitan area for the month of June 1997 through June 2005:

<u>June 30</u>	<u>Labor Force</u>	<u>Unemployment Number</u>	<u>Rate</u>
1997	73,400	6,500	8.9%
1998	72,400	6,600	9.1%
1999	73,100	5,100	7.0%
2000	75,700	4,400	5.8%
2001	77,100	4,400	5.7%
2002	82,300	5,600	6.8%
2003	83,900	6,200	7.4%
2004	84,300	6,200	7.4%
2005	86,600	5,600	6.5%

Source: State Department of Employment Development

Construction activity. For the past ten calendar years ending December 2004, the City issued building permits valued at a total of \$1,209,956,494. New construction over the ten-year period represents 74% of the total construction activity. For the 2004 calendar year 4,073 building permits were issued with a total permit valuation of \$156,729,228. The City of Redding is experiencing moderate growth at this time. Current trends indicate that the City of Redding will continue to grow at a moderate growth rate in the years to come.

The following table sets forth the value and number of permits for new single- and multiple-family dwellings and businesses located in the City for the last three calendar years:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Value/single family *	\$96,289,276	\$85,405,901	\$73,217,109
Number of permits	587	471	383
Value - multi dwellings *	\$6,451,892	\$7,852,015	\$11,364,890
Number of permits	24	7	6
Number of units	97	129	225
Value - business *	\$34,446,221	\$25,138,672	\$20,032,702
Number of permits	45	74	70
Value - Total all permits	\$178,620,374	\$183,513,594	\$156,729,228
Total permits**	3,840	4,242	4,073

* Value of new construction only

**Does not include number of units for multi-dwellings.

Source: City of Redding, Development Services Department

Commerce. The City is a regional center of commerce for several Northern California counties. This is evidenced by its many shopping centers and malls. Support for retail sales is derived from a retail trade area population of approximately 176,000 in the primary trade area and approximately 246,000 people in the secondary trade area. The primary trade area consists of the metropolitan urban area, including the cities of Redding, Shasta Lake, and Anderson. The secondary trade area consists of Shasta, Trinity, and Tehama counties. Taxable transactions in the City reached \$1,898,286,000 in calendar year 2004, a 8.5% increase over the same period for 2003. The number

of outlets reporting taxable sales to the California State Board of Equalization remained fairly constant, increasing from 2,900 in 1997 to 3,216 in 2004, as reported in the table following:

<u>Year</u>	<u>Number of Outlets</u>	<u>Taxable Transactions (In Thousands)</u>	<u>Taxable Transactions Percentage Increase(Decrease)</u>
1997	2,900	1,165,153	4.2
1998	2,884	1,198,000	2.8
1999	2,836	1,327,370	10.8
2000	2,863	1,453,052	9.5
2001	2,906	1,561,842	7.5
2002	2,984	1,652,064	5.8
2003	3,061	1,748,793	5.9
2004	3,216	1,898,286	8.5

Source: California State Board of Equalization

Transportation. The City enjoys a strategic location on U.S. Interstate Highway 5, the principal transportation artery running north-south from Mexico to Canada. The City is also bisected by State Highway 299 and State Route 44, key east-west transportation arteries in Northern California.

The City is served by the Union Pacific Railroad and Amtrak for rail transportation. Greyhound serves the City with bus service. United Express Airlines and Horizon Air provide air service from Redding Municipal Airport to cities throughout California and the Pacific Northwest.

“THE RIDE” is the City’s multi-bus transportation system and offers thirteen different fixed routes, rural service and demand response (curb-to-curb) services. THE RIDE had an average total monthly ridership of more than 64,000 for fiscal year 2004-05.

Utilities. Electricity, solid waste collection and disposal, water, storm drainage, and wastewater services are provided by enterprise operations owned and operated by the City. Natural gas is provided by Pacific Gas and Electric Company (PG&E); basic telephone service by SBC.

Community Services. Youth in the area attend school at one of 29 elementary schools, 13 middle schools, and 15 high schools. Shasta College, a two-year institution, offers both day and evening courses to approximately 9,300 students. Simpson College, a four-year liberal arts institution, has current enrollment of approximately 1,100 students.

The City’s parks system includes 66 developed parks, encompassing 582 acres. Included in this total acreage are 175 acres of natural area parks (improved open space) and 60 miles of trails. In addition, the City has 14 special purpose facilities, including the Redding Convention Center, which hosts cultural/performing arts programs, conferences, and conventions; the Redding Big League Dreams Sports Park; the Redding Aquatic Center; the Senior Citizens Center; 3 boat ramp facilities providing access to the Sacramento River; and various community centers and special event venues such as the Martin Luther King, Jr. Memorial Center; the Caldwell Recreation Center; and the Civic Center Community Room.

The City serves as the primary medical center for Northern California. The City's two general care hospitals serve approximately 360,000 people in Shasta, Tehama, Trinity, Siskiyou, and Lassen counties. The two hospitals have a total of 513 beds and employ more than 2,400 staff members. In addition, the City also has several specialized hospitals.

Financial trends. During the past ten years, the Agency's expenses related to pass throughs has increased not only in amount, but also as a percentage of total expenses (a ten-year increase of 25 percent). Prior to fiscal year 2003-04 the Agency did not report the pass-through payments to Shasta County and the Mosquito Abatement District since these amounts were not available. In addition to this fact, pass-through payments will most likely continue to grow for two reasons: 1) some pass-through payments increase in direct proportion to increases in tax increment revenue which continues to grow and 2) the Agency entered into agreements with various school districts, as well as Shasta County and the Mosquito Abatement District, to increase the pass-through payments throughout the life of the Agency.

During this same ten-year period, investment income decreased in percentage of total revenue while remaining fairly constant in amount (a ten-year decrease of 15 percent). The reason for this decline is that tax increment revenue, which is the largest single revenue, has continued to grow which increases total revenue, whereas investment income has not grown significantly making it a smaller percentage of total revenue.

Long-term financial planning

The Agency has adopted Capital Improvement Programs (CIP) allocating \$20.7 million for capital projects over the next four to five years. The CIP contains numerous projects, some of which relate to the ongoing revitalization efforts to the City of Redding's Downtown. A major focus is the Downtown's 337,955-square-foot enclosed mall with an outmoded design, high vacancy rate, and a high level of deferred maintenance. A portion of the mall's roof is being removed to accommodate the construction of the Shasta College Health Sciences and University Center. The CIP also allocated funds for Development Partnerships, a program designed to promote new development and support existing development. Other projects to be undertaken are public improvements, infrastructure improvements, and beautification projects within the designated project areas.

Relevant financial policies

Chapter 610, Statutes of 2004, requires redevelopment agencies to shift \$250 million in property tax revenues to K-12 schools and community colleges during the 2004-05 and 2005-06 fiscal years. The Agency's obligation for 2004-05 was \$782,553. The Agency's obligation for 2005-06 will be \$811,961. The funds are paid from revenues that otherwise would have been allocated for capital projects.

Major initiatives

There are two transportation-related projects. The first is the replacement of two Cypress Avenue bridges crossing over the Sacramento River with one new bridge. Current estimates for the project range from \$49 million to \$58 million. The project will be funded with 80 percent Federal Bridge Funds and 20 percent local match. The local match will be from State Transportation Improvement

Plan (STIP) funds, City funds, and up to \$3 million from redevelopment funds. Construction of the project will take approximately three years and is anticipated to begin in fiscal year 2006-07. The second project is the realignment and widening of the southerly portion of Churn Creek Road. Total cost of the project, including right-of-way acquisition, is estimated to be \$5.2 million. The Agency is the only funding source for this project. The project is scheduled to be constructed by the end of 2006.

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

- The Clover Creek Preserve is a 128-acre, storm-drainage and natural recreation area designed around the need to construct a large detention basin to resolve flood issues along portions of Clover Creek. Within the dual-purpose area are a 7-acre lake, 4.5 miles of pedestrian trails, 40 acres of restored wetlands, and 23 acres of seasonal grasslands. Agency expenditures during fiscal year 2004-05 were \$3,093,067. Total valuation to date is \$10,343,378. The Agency borrowed \$2 million to help construct the facility.

Awards and Acknowledgments

The Government Finance Officers Association awarded a Certificate of Achievement for Excellence in Financial Reporting to the Redding Redevelopment Agency for the comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the fifteenth consecutive year that the Agency has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

I would like to take this opportunity to thank the members of the Redding Redevelopment Agency's Board of Directors for their interest and support in the financial operations of the Agency. It is the responsible and progressive manner in which business is conducted that makes the Agency successful. I would also like to make a special recognition of City staff assigned to the Agency for their day-to-day involvement in the operations without whom this presentation would not be possible. In addition, I would like to extend a special thanks to Cathy Bullock, Senior Accountant, who was primarily responsible for the preparation of the financial report. It is the combined effort of all participants that resulted in the issuance of this document.

Respectfully submitted,



Stephen W. Strong
Finance Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Redding
Redevelopment Agency,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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.



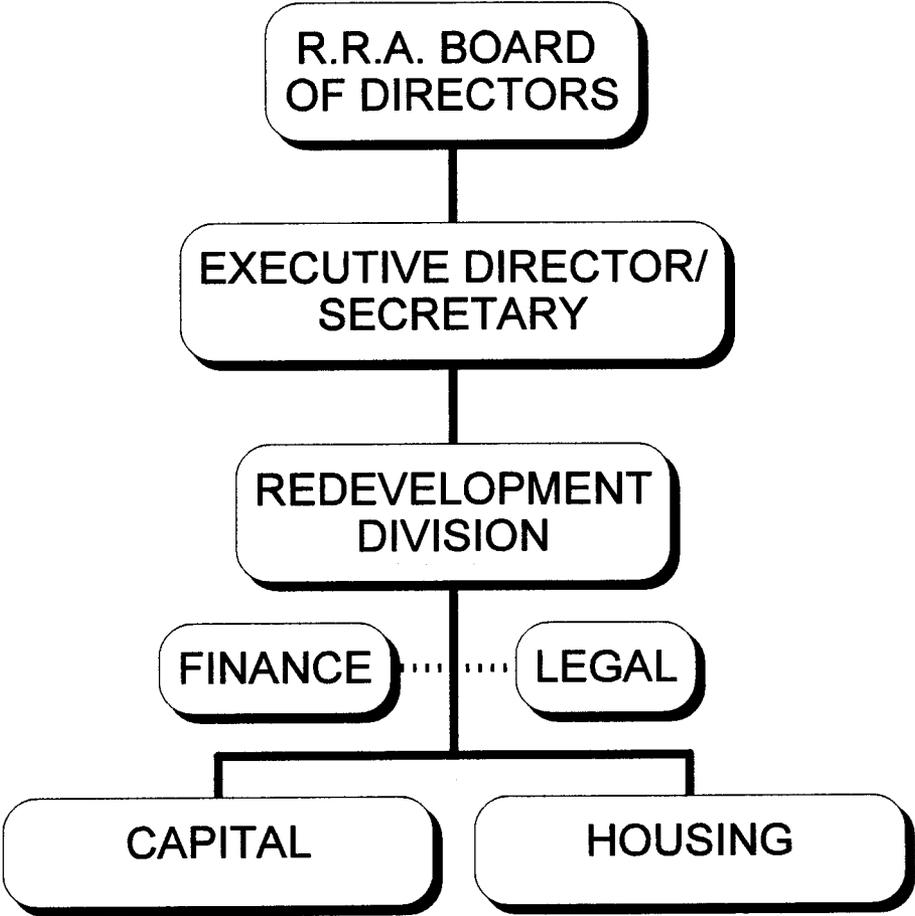
Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director

Redding Redevelopment Agency Organizational Chart



REDDING REDEVELOPMENT AGENCY

Listing of Officials
June 30, 2005

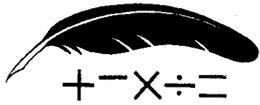
Board of Directors

Ken D. Murray, Chair Person
Dick Dickerson, Vice Chair Person
John R. Mathena, Director
Michael J. Pohlmeier, Director
Mary Leas Stegall, Director

Other Officials

Kurt Starman, Executive Director/Secretary
Mike Warren, City Manager
Stephen W. Strong, Finance Officer
Allyn F. Clark, City Treasurer
Connie Strohmayer, City Clerk

FINANCIAL SECTION



**Hathaway &
Ksenzulak, LLP**

Certified Public
Accountants

1681 East
Cypress Avenue
Redding, California
96002

530.222.2898
Fax 530.222.2980

Brent Hathaway, CPA
Karina C. Lapp, CPA
John Ksenzulak, CPA
Neil Byzick, CPA
Lori Goyne, CPA
James Viola Jr., CPA
David L. Wallace, CPA
Samantha Willingham, CPA

INDEPENDENT AUDITORS' REPORT

Honorable Chairman and Members
Of the Board of Directors
Redding Redevelopment Agency
Redding, CA

We have audited the accompanying statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redding Redevelopment Agency, a component unit of the City of Redding, California, as of and for the fiscal year ended June 30, 2005, which collectively comprise the Redding Redevelopment Agency's basic financial statements as listed in the financial section of the table of contents. These financial statements are the responsibility of Redding Redevelopment Agency's management. 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 includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Redding Redevelopment Agency as of June 30, 2005, and the respective changes in financial position, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2005, on our consideration of the Redding Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the required supplementary information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Redding Redevelopment Agency's basic financial statements. The accompanying information identified in the table of contents as combining financial statements and supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Redding Redevelopment Agency. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hathaway & Ksenzulak, LLP

November 28, 2005



Management's Discussion and Analysis

As management of the Redding Redevelopment Agency (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-9 of this report.

Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$5,477,732 (net assets). Of this amount, \$8,763,347 is a deficit in unrestricted net assets.
- The Agency's total net assets increased by \$2,490,105. The Agency received approximately \$957,000 more in tax increment revenue than was anticipated. The Agency budgeted for capital projects that were not completed in the current year. Therefore, net assets increased since the funds have not been used for these projects.
- As of the close of the current fiscal year, the Agency's funds reported combined ending fund balances of \$45,732,236, an increase of \$1,919,910 in comparison with the prior year. Approximately 7.0 percent, \$3.2 million, of this total amount is available for spending at the government's discretion (unreserved, undesignated fund balance).
- The Agency's total debt decreased by \$1,469,396 (3.5 percent) during the current fiscal year. The key factor in this decrease was the scheduled principal payments.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

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

The government-wide financial statements reflect that the Agency is principally supported by

property taxes, operating and capital grants and contributions, and investment income. Operating grants and contributions consisted of Community Development Block grants totaling \$734,577 and a grant of \$5,251 for fiber optic cabling at a development site. The capital grants and contributions are principally due to two grants totaling \$29,390 for street projects and \$2,219,785 in grants and contributions for a storm drainage basin project. The governmental activities of the Agency include general government, public safety, public works, recreation and culture, community development, and pass throughs to other agencies.

The government-wide financial statements can be found on pages 26-28 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

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

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

The Agency maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the following major funds: Canby-Hilltop-Cypress Special Revenue, Canby-Hilltop-Cypress Debt Service, the Market Street Capital Project, the Canby-Hilltop-Cypress Capital Project, and the SHASTECH Capital Project. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Agency adopts a two-year appropriated budget with an annual review of the budget for all funds. Budgetary comparison schedules have been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 30-36 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on page 54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 58-72 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Agency, assets exceeded liabilities by \$5,477,732 at the close of the most recent fiscal year.

By far the largest portion of the Agency’s net assets represents resources that are subject to external restrictions on how they may be used. The Agency is required by redevelopment law to restrict 20 percent of the tax increment revenue for housing programs.

An additional portion of the Agency’s net assets (35 percent) reflects its investment in capital assets (e.g., land and buildings) less any related debt used to acquire those assets that is still outstanding. Although the Agency’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remainder of net assets is the deficit of \$8,763,347.

Redding Redevelopment Agency	
Net Assets (in millions)	
	Governmental Activities
	<u>2005</u> <u>2004</u>
Current and other assets	\$ 48,640,611 \$ 48,363,090
Capital assets, net	2,230,751 1,518,049
Total assets	<u>50,871,362</u> <u>49,881,139</u>
Current liabilities	3,035,814 3,369,338
Long term liabilities	42,357,816 43,601,339
Total liabilities	<u>45,393,630</u> <u>46,970,677</u>
Net assets:	
Invested in capital assets, net of related debt	1,922,646 1,518,049
Restricted	12,318,433 10,428,375
Unrestricted (deficit)	(8,763,347) (9,035,962)
Total net assets	<u>\$ 5,477,732</u> <u>\$ 2,910,462</u>

At the end of the current fiscal year, the Agency is able to report a positive balance in investment in capital assets, net of related debt, and in restricted net assets. The Agency has a deficit in unrestricted net assets. The same situation held true for the prior fiscal year. The Agency has a deficit unrestricted net assets due to the nature of redevelopment financing. The Redevelopment Agency issued bonds based on future tax increments to fund infrastructure projects. The

infrastructure projects are transferred to the City of Redding; however, the debt remains with the Agency resulting in a deficit in net assets.

The Agency's net assets increased by \$2,490,105 during the current fiscal year. The investment in capital assets, net of related debt, increased by \$404,597 (27 percent). The increase is related to the purchase of property. The reduction in the deficit of \$272,615 (3 percent) is primarily attributable to an increase in tax increment revenue greater than what was anticipated. Net assets restricted for housing programs increased by \$1,812,893 (17 percent). Tax increment revenue and investment income were approximately \$430,000 greater than anticipated. Grant funds previously given to another governmental agency were returned to the Redevelopment Agency in the amount of \$467,145. Monies were budgeted for long-term housing projects that were not expended in the current year.

Governmental activities. The increase in net assets of the Agency of \$2,490,105 is all related to governmental activities.

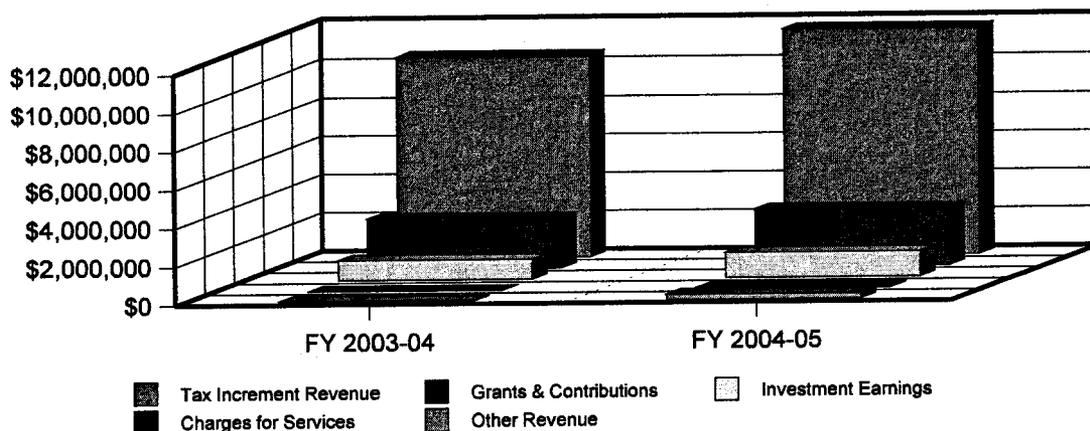
Redding Redevelopment Agency		
Changes in Net Assets		
	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 40,876	\$ 445
Operating grants and contributions	739,828	4,000
Capital grants and contributions	2,249,175	2,626,582
General revenues:		
Tax increment	11,717,541	10,462,394
Interest	1,303,706	1,028,098
Other	45,690	18,788
Gain on sale of asset	<u>236,721</u>	<u>31,438</u>
Total revenues	<u>16,333,537</u>	<u>14,171,745</u>
Expenses:		
General government	466,005	179,531
Public safety	215,996	-
Public works	2,245,495	6,422,453
Recreation and culture	3,875,446	511
Community development	951,631	1,180,785
Pass throughs to other agencies	4,088,161	3,149,159
Interest and fiscal charges on long-term debt	<u>2,000,698</u>	<u>1,985,305</u>
Total expenses	<u>13,843,432</u>	<u>12,917,744</u>
Increase in net assets	<u>2,490,105</u>	<u>1,254,001</u>
Net assets - beginning of year	2,910,462	1,656,461
Prior period adjustment	77,165	-
Net assets - beginning of year, as restated	<u>2,987,627</u>	<u>1,656,461</u>
Net assets - ending	<u>\$ 5,477,732</u>	<u>\$ 2,910,462</u>

Due to the nature of redevelopment agencies, some assets that were purchased were not retained by the Agency, but were given to the City of Redding. These assets become an expense in the period they were purchased. Revenues exceeded expenses in fiscal year 2004-05 and 2003-04. The change in net assets went from a positive \$1,254,001 in fiscal year 2003-04 to a positive \$2,490,105 in 2004-05. The change in net assets was greater in the current year versus the prior year because total revenues increased by \$2,161,792 while expenses increased by only \$925,688. The significant changes were as follows:

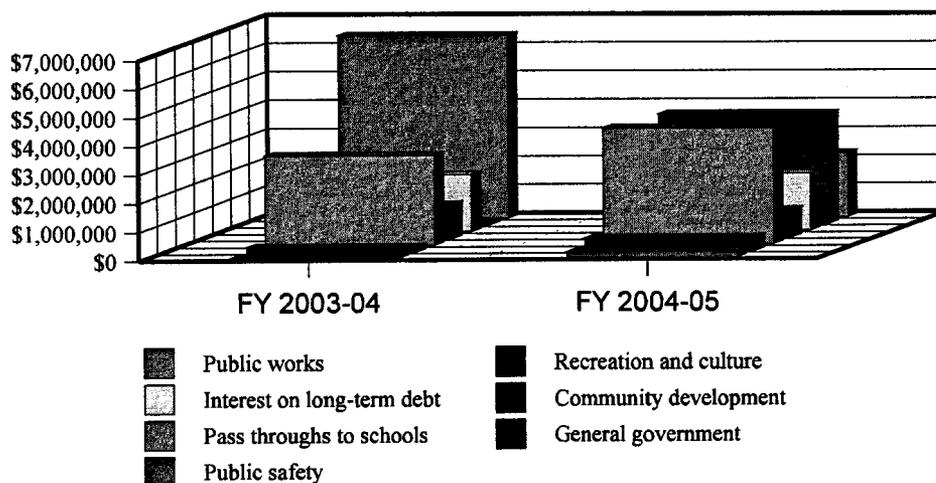
- Property tax increment revenue increased by \$1,255,147 (12 percent) during the year. Tax increment revenue has increased yearly in all project areas due to an increase in property values and new construction.
- Investment income increased by \$275,608 (27 percent) due to an increase in interest rates.
- Charges for services increased by \$40,431 due to an increase in rental revenue. The Agency purchased property during fiscal year 2004-05 which is being rented until the property is used for a community live performance theater.
- Operating grants and contributions increased by \$735,828 due to the return of grant funds from the City of Redding Community Development Block Grant program.
- Capital grants and contributions decreased by \$377,407 (14 percent). All of these state and private grant revenues furnished resources for infrastructure projects.
- The net increase in expenses is primarily related to an increase in funds spent on infrastructure projects along with an increase in funds spent on pass-through payments to schools and other governmental agencies.

The following graphs show an illustrative picture of revenues and expenditures for fiscal year 2003-04 as compared with fiscal year 2004-05.

Revenue by Source



Expenses by Program



Financial Analysis of the Government's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$45.7 million, an increase of \$1.9 million in comparison with the prior year. The unreserved, undesignated fund balance, which is available for spending at the government's discretion, decreased by \$7.8 million while the unreserved, designated portion of the fund balance increased by \$18.6 million. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$6.0 million), 2) for noncurrent notes receivable (\$6.2 million), and 3) for school projects (\$0.9 million).

Of the major funds, the Canby-Hilltop-Cypress (CHC) Capital Project Fund is the most significant. At the end of the current fiscal year, the unreserved, designated fund balance of the CHC Capital Project Fund was \$13.3 million, while the total fund balance was increased to \$13.4 million. The net increase in fund balance by \$5.1 million is primarily related to a transfer in of bond proceeds from the CHC Debt Service Fund. As a measure of the fund's liquidity, it may be useful to compare the unreserved fund balance to the total fund expenditures. Unreserved, undesignated fund balance represents 1 percent of total fund expenditures. While this amount is low, the designated portion of fund balance to total fund expenditures is 251%.

The fund balance of the CHC Special Revenue Fund increased by \$7.5 million. Key to this increase is the \$6.8 million of bond proceeds transferred in from the CHC Special Projects Fund. The unreserved, undesignated fund balance increased by \$1.2 million.

The fund balance of the CHC Debt Service Fund decreased by \$6.4 million to a total fund balance of \$5.0 million. The net decrease in fund balance is primarily related to a net transfer out to the CHC Capital Project Fund of \$6.9 million.

The Market Street Capital Project Fund's fund balance increased by \$1.8 million to a total fund balance of \$3.7 million. The net increase in fund balance is primarily related to a transfer in of bond proceeds from the Market Street Debt Service Fund. The unreserved, undesignated fund balance increased by \$0.2 million.

The SHASTECC Capital Project Fund's fund balance increased by \$2.1 million to a total fund balance of \$2.7 million. Key to this increase is the receipt of tax increment revenue and State grant monies in excess of expenditures for the Clover Creek drainage project for the current year. The unreserved, undesignated fund balance increased to \$0.1 million.

Fund Budgetary Highlights

By law a redevelopment agency must set aside 20 percent of the tax increment revenue in a special revenue fund for low- and moderate-income housing. The remainder of the funds are first distributed to the debt service funds to cover current debt obligations and second to the capital project funds. The Canby-Hilltop-Cypress Capital Project Fund is by far the largest fund and serves in some ways as the Agency's general fund.

The primary differences between the original budget and the final amended budget of the CHC Capital Project Fund are briefly summarized as follows:

- \$1,894,990 for increases in tax increment revenues. The Agency did not originally budget for the tax increment revenue that was passed on to Shasta County and the Mosquito Abatement District.
- \$1,894,990 for increases in pass-through payments. The Agency did not originally budget for the pass-through payments made to Shasta County and the Mosquito Abatement District.
- \$50,000 for an increase in the Public Safety Building Project.
- \$500,000 for a decrease in Development Partnership.
- \$266,000 for an increase in the North East Fire Station Project.
- \$743,950 for increases in street projects.
- \$2,173,500 for an increase in property acquisition.

Capital Asset and Debt Administration

Capital assets. The Agency's investment in capital assets for its governmental-type activities as of June 30, 2005, amounts to \$2.2 million (net of accumulated depreciation). This investment in capital assets includes land and buildings. The total increase in the Agency's investment in capital assets for the current fiscal year was \$0.7 million which is primarily related to the purchase of property for future capital projects.

**Redding Redevelopment Agency
Capital Assets (Net of Depreciation)**

	<u>2005</u>	<u>2004</u>
Land	\$ 2,001,161	\$ 1,502,450
Buildings	229,590	15,599
Total	<u>\$ 2,230,751</u>	<u>\$ 1,518,049</u>

Additional information on the Agency’s capital assets can be found in Note 9 on pages 45-46 of this report.

Long-term debt. At the end of the current fiscal year, the Agency had total bonded debt outstanding of \$40.9 million. All of this debt represents bonds secured solely by specified revenue sources (i.e., tax allocation bonds). The Agency’s total bond debt decreased by \$1.5 million (3.5 percent) during the current fiscal year, primarily due to debt service payments.

**Redding Redevelopment Agency
Outstanding Debt
Tax Allocation Bonds
(Net of Discount/Premium and Unamortized Gain on Refunding)**

	<u>2005</u>	<u>2004</u>
Tax allocation bonds, net	\$ 40,895,320	\$ 42,364,716
Total	<u>\$ 40,895,320</u>	<u>\$ 42,364,716</u>

The Canby-Hilltop-Cypress (CHC) Redevelopment Project Tax Allocation Bonds, Series A and B and CHC Redevelopment Project Area Tax Allocation Refunding Bond, Series A 2003 , maintain a “AAA” rating with Standard and Poors’ and Fitch’s due to bond insurance. The underlying rating is an A- by both Standard and Poors’ and Fitch’s. The Market Street Redevelopment Project Area Tax Allocation Bonds, Series 2003, have been rated “BBB” by Standard and Poor’s and “BBB+” by Fitch’s.

Additional information on the Agency’s long-term debt can be found in Note 12 on pages 48-49 of this report.

Economic Factors and Next Year’s Budget

- The City of Redding has experienced a steady increase in population since 1997 of one to two percent per year while the unemployment rate has decreased from 8.9 percent in 1997 to 6.5 percent in 2005.
- Inflationary trends in the region other than housing compare favorably to national indices.
- The Agency’s property assessed valuation for all project areas increased \$96.6 million (5.8 percent) in the current fiscal year.
- The Canby-Hilltop-Cypress Project Area has been a major success as a redevelopment project area and is one of the City’s prime commercial areas for new development. Assessed valuation has increased \$622.8 million (475.3 percent) over the base year in the original area and \$68.7 million (141.5 percent) over the base year in the amended area.

- The State of California is requiring the Agency to shift \$811,961 in property tax revenue to the Education Revenue Augmentation Fund (ERAF) during fiscal year 2005-06.
- Tenet Healthcare Corporation sold the Redding Medical Center (now known as the Shasta Regional Medical Center) to Hospital Partners of America (HPA) in July 2004. The Shasta County Assessor's Office reassessed the 25 parcels that HPA purchased. The assessed valuation of these parcels has been reduced by \$16 million, resulting in a net annual loss of \$120,855 in tax increment revenue to the Market Street Project Area.

All of these factors were considered in preparing the Agency's budget for fiscal year 2005-06.

During the current fiscal year, unreserved fund balance increased to \$32.6 million. The Agency has appropriated \$19.0 million for spending in the 2005-06 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the Redding Redevelopment Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Officer at the City of Redding, 777 Cypress Avenue, Redding, CA 96001.

BASIC FINANCIAL STATEMENTS

REDDING REDEVELOPMENT AGENCY
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$18,146,177
Receivables:	
Interest	712,838
Intergovernmental	36,638
Taxes	361,899
Other receivable	1,796
Deposits	25,000
Assets held for resale	798,608
Restricted assets:	
Cash and investments	20,607,047
Interest receivable	137,620
Taxes receivable	524,836
Other long-term receivables	173,365
Notes receivable, net	6,200,088
Financing costs, net	914,699
Capital assets:	
Land	2,001,161
Other capital assets, net of depreciation	<u>229,590</u>
 Total assets	 <u>50,871,362</u>

	<u>Governmental Activities</u>
LIABILITIES	
Accounts payable	\$ 271,322
Accrued liabilities	219,365
Intergovernmental payable	77,447
Accrued interest payable	918,989
Deposits	39,075
Current portion of long-term debt	1,509,399
Accrued interest payable from restricted	217
Long-term accrued liabilities	145,864
Long-term intergovernmental payable	2,652,666
Deferred revenue	173,365
Long-term debt	<u>39,385,921</u>
 Total liabilities	 <u>45,393,630</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,922,646
Restricted for:	
Housing	12,318,433
Unrestricted (deficit)	<u>(8,763,347)</u>
 Total net assets	 <u>\$ 5,477,732</u>

See accompanying notes to financial statements.

REDDING REDEVELOPMENT AGENCY
Statement of Activities
For the Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
General government	\$ 466,005	\$ —	\$ 267,432	\$ —	\$ (198,573)
Public safety	215,996	—	—	—	(215,996)
Public works	2,245,495	40,024	5,251	453,160	(1,747,060)
Recreation and culture	3,875,446	—	—	1,796,015	(2,079,431)
Community development	951,631	852	467,145	—	(483,634)
Pass throughs to other agencies	4,088,161	—	—	—	(4,088,161)
Interest and fiscal charges on long-term debt	<u>2,000,698</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,000,698)</u>
Total government	<u>\$13,843,432</u>	<u>\$ 40,876</u>	<u>\$ 739,828</u>	<u>\$ 2,249,175</u>	<u>(10,813,553)</u>
General revenues:					
Property taxes					11,717,541
Investment earnings					1,303,706
Other					45,690
Gain on sale of assets					<u>236,721</u>
Total general revenue					<u>13,303,658</u>
Change in net assets					<u>2,490,105</u>
Net assets - beginning					2,910,462
Prior period adjustment					<u>77,165</u>
Net assets - beginning of year, as restated					<u>2,987,627</u>
Net assets - ending					<u>\$ 5,477,732</u>

See accompanying notes to financial statements.

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REDDING REDEVELOPMENT AGENCY
Governmental Funds
Balance Sheet
June 30, 2005

	Canby Hilltop Cypress Special Revenue	Canby Hilltop Cypress Debt Service	Market Street Capital Project	Canby Hilltop Cypress Capital Project
ASSETS				
Cash and investments	\$ 5,816,402	\$ —	\$ 1,594,033	\$ 5,037,652
Interest receivable	534,650	—	8,796	48,210
Intergovernmental receivable	—	—	—	—
Taxes receivable	141,392	—	1,771	4,714
Other receivable	1,796	—	—	—
Restricted assets:				
Cash and investments	3,975,826	4,874,935	2,096,080	8,494,914
Interest receivable	35,270	14,391	19,972	65,637
Taxes receivable	—	382,455	—	—
Interfund receivable	—	—	—	72,081
Deposits	—	—	—	25,000
Assets held for sale	573,608	—	—	—
Notes receivable, net	<u>5,597,842</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total assets	<u>\$16,676,786</u>	<u>\$ 5,271,781</u>	<u>\$ 3,720,652</u>	<u>\$13,748,208</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,682	\$ —	\$ 12,772	\$ 238,318
Accrued liabilities	—	—	—	—
Deferred revenue	582,957	246,844	—	72,081
Interfund payable	—	—	—	—
Deposits	375	—	—	—
Intergovernmental payable	<u>294</u>	<u>—</u>	<u>—</u>	<u>22,870</u>
Total liabilities	<u>591,308</u>	<u>246,844</u>	<u>12,772</u>	<u>333,269</u>
Fund balances:				
Reserved for:				
Noncurrent notes receivable	5,591,404	—	—	—
School projects	—	—	812,830	106,036
Debt service	—	5,024,937	—	—
Unreserved, designated for, reported in:				
Encumbrances	3,383,201	—	146,877	490,274
Special revenue funds	5,894,160	—	—	—
Capital projects funds	—	—	2,582,260	12,790,030
Unreserved, undesignated for, reported in:				
Special revenue funds	1,216,713	—	—	—
Capital projects funds	—	—	165,913	28,599
Debt service funds	—	—	—	—
Total fund balances	<u>16,085,478</u>	<u>5,024,937</u>	<u>3,707,880</u>	<u>13,414,939</u>
Total liabilities and fund balances	<u>\$16,676,786</u>	<u>\$ 5,271,781</u>	<u>\$ 3,720,652</u>	<u>\$13,748,208</u>

SHASTE Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 2,587,556	\$ 3,110,534	\$18,146,177
10,359	110,823	712,838
36,638	—	36,638
107,861	279,526	535,264
—	—	1,796
247,732	917,560	20,607,047
—	2,350	137,620
—	142,381	524,836
—	—	72,081
—	—	25,000
—	225,000	798,608
—	602,246	6,200,088
<u>\$ 2,990,146</u>	<u>\$ 5,390,420</u>	<u>\$47,797,993</u>
\$ 10,423	\$ 2,127	\$ 271,322
219,365	—	219,365
100,618	432,906	1,435,406
—	72,081	72,081
—	38,700	39,075
2,793	2,551	28,508
<u>333,199</u>	<u>548,365</u>	<u>2,065,757</u>
—	602,246	6,193,650
—	—	918,866
—	966,321	5,991,258
736,808	4,480	4,761,640
—	1,567,760	7,461,920
1,824,820	—	17,197,110
—	1,601,006	2,817,719
95,319	102,261	392,092
—	(2,019)	(2,019)
<u>2,656,947</u>	<u>4,842,055</u>	<u>45,732,236</u>
<u>\$ 2,990,146</u>	<u>\$ 5,390,420</u>	<u>\$47,797,993</u>

See accompanying notes to financial statements.

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REDDING REDEVELOPMENT AGENCY
Governmental Funds
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2005

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

Fund balances of governmental funds	\$45,732,236
Capital assets have not been included as financial resources in governmental fund activity.	3,685,286
Accumulated depreciation has not been included in the fund financial statements.	(1,454,535)
Long-term debt that has not been included in the governmental fund activity:	
Tax allocation bonds payable	(41,425,000)
Bond discount/premium	51,292
Bond issuance costs	914,699
Unamortized deferred loss on defeased debt	478,388
Loans from the City of Redding	(2,946,187)
Accrued interest payable for the current portion of interest due on tax allocation bonds has not been reported in the governmental funds.	(625,686)
Tax revenue reported as deferred revenue in the governmental funds was recorded as revenue in the statement of activities.	565,836
Grant revenue reported as deferred revenue in the governmental funds was recorded as revenue in the statement of activities.	36,638
Notes receivable and/or interest on notes recorded as deferred revenue in the governmental funds was recorded as revenue in the statement of activities.	659,568
Accrued vacation and other leave are not reported in governmental funds, but are recorded as an expense in the statement of activities.	<u>(194,803)</u>
Net assets of governmental activities	<u>\$ 5,477,732</u>

See accompanying notes to financial statements.

REDDING REDEVELOPMENT AGENCY
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2005

	Canby Hilltop Cypress Special Revenue	Canby Hilltop Cypress Debt Service	Market Street Capital Project	Canby Hilltop Cypress Capital Project
REVENUES				
Tax increment	\$ 1,460,800	\$ 2,662,629	\$ 1,728,334	\$ 3,180,573
Other use of money and property	6,791	—	40,024	40,000
Intergovernmental revenues	467,145	—	22,191	—
Investment revenue	532,227	196,530	63,838	265,520
Other revenue	<u>4,999</u>	<u>—</u>	<u>20,397</u>	<u>26,513</u>
Total revenues	<u>2,471,962</u>	<u>2,859,159</u>	<u>1,874,784</u>	<u>3,512,606</u>
EXPENDITURES				
Current:				
Administrative	589,774	126,610	124,886	495,195
Professional services	632	—	414	10,997
Housing assistance	245,560	—	—	—
Pass throughs	—	—	1,305,349	2,496,929
Capital outlay:				
Project improvements	—	—	643,205	1,848,401
Real estate purchases	—	—	599,209	444,259
Debt service:				
Principal retirement	290,000	1,040,000	—	—
Interest and fiscal charges	<u>485,945</u>	<u>1,181,428</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>1,611,911</u>	<u>2,348,038</u>	<u>2,673,063</u>	<u>5,295,781</u>
Excess (deficiency) of revenues over (under) expenditures	<u>860,051</u>	<u>511,121</u>	<u>(798,279)</u>	<u>(1,783,175)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	—	—	—	—
Loss on sale of asset held for resale	(163,139)	—	—	—
Proceeds from sale of land	—	—	236,721	—
Transfers in	6,782,975	2,387,438	2,821,417	9,280,731
Transfers out	<u>—</u>	<u>(9,280,731)</u>	<u>(481,827)</u>	<u>(2,387,438)</u>
Total other financing sources (uses)	<u>6,619,836</u>	<u>(6,893,293)</u>	<u>2,576,311</u>	<u>6,893,293</u>
Net change in fund balances	<u>7,479,887</u>	<u>(6,382,172)</u>	<u>1,778,032</u>	<u>5,110,118</u>
FUND BALANCES (DEFICIT),				
beginning of year	8,528,426	11,407,109	1,929,848	8,304,821
Prior period adjustment	<u>77,165</u>	<u>—</u>	<u>—</u>	<u>—</u>
FUND BALANCES (DEFICIT),				
beginning of year restated	<u>8,605,591</u>	<u>11,407,109</u>	<u>1,929,848</u>	<u>8,304,821</u>
FUND BALANCES (DEFICIT), end of year	<u>\$16,085,478</u>	<u>\$ 5,024,937</u>	<u>\$ 3,707,880</u>	<u>\$13,414,939</u>

SHASTE Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 1,112,764	\$ 1,575,051	\$11,720,151
—	852	87,667
3,244,503	267,432	4,001,271
24,998	121,188	1,204,301
<u>27,929</u>	<u>320</u>	<u>80,158</u>
<u>4,410,194</u>	<u>1,964,843</u>	<u>17,093,548</u>
53,743	86,269	1,476,477
2,071	51	14,165
—	59,795	305,355
252,035	33,848	4,088,161
2,800,555	—	5,292,161
—	—	1,043,468
387,097	420,233	2,137,330
<u>—</u>	<u>274,299</u>	<u>1,941,672</u>
<u>3,495,501</u>	<u>874,495</u>	<u>16,298,789</u>
<u>914,693</u>	<u>1,090,348</u>	<u>794,759</u>
1,141,000	—	1,141,000
—	(89,431)	(252,570)
—	—	236,721
—	481,827	21,754,388
<u>—</u>	<u>(9,604,392)</u>	<u>(21,754,388)</u>
<u>1,141,000</u>	<u>(9,211,996)</u>	<u>1,125,151</u>
<u>2,055,693</u>	<u>(8,121,648)</u>	<u>1,919,910</u>
(288,852)	11,451,872	41,333,224
<u>890,106</u>	<u>1,511,831</u>	<u>2,479,102</u>
<u>601,254</u>	<u>12,963,703</u>	<u>43,812,326</u>
<u>\$ 2,656,947</u>	<u>\$ 4,842,055</u>	<u>\$45,732,236</u>

See accompanying notes to financial statements.

REDDING REDEVELOPMENT AGENCY
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2005

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,919,910
Governmental funds report capital outlays as expenditures	1,043,468
In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	(8,269)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the net book value of the assets which were disposed.	(322,497)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(996,732)
Long-term debt that has not been included in the governmental fund activity.	869,143
In the statement of activities, interest is accrued on outstanding bonds; whereas in governmental funds, an interest expenditure is reported when due.	12,156
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(27,074)</u>
Change in Net Assets of Governmental Activities	<u>\$ 2,490,105</u>

See accompanying notes to financial statements.

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the Redding Redevelopment Agency (Agency), all of which conform to generally accepted accounting principles as applicable to governmental units:

A. **Entity**

As required by generally accepted accounting principles, these financial statements represent all the funds of the Agency. The Agency is a component unit of the City of Redding as the City Council members, in separate session, serve as the governing board of the Agency. Component units are legally separate entities for which the primary government is financially accountable. There are no separate legal entities that are a part of the Agency's reporting entity.

B. **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the Agency activities as a whole. For the most part, the effect of interfund activity has been removed from these statements. The Agency only uses governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Agency considers property taxes as available if they are collected within 60 days after year-end. The Agency uses a 90 day availability period for revenue recognition for all other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, certain federal and state grants, interest revenue, and charges for services.

The Agency reports the following major governmental funds:

The Canby-Hilltop-Cypress Special Revenue Fund accounts for housing set aside required under redevelopment law.

The Canby-Hilltop-Cypress Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the Canby-Hilltop-Cypress project area.

The Market Street Capital Project Fund accounts for all the projects in the Market Street project area.

The Canby-Hilltop-Cypress Capital Project Fund accounts for all the projects in the Canby-Hilltop-Cypress project area.

The SHASTECH Capital Project Fund accounts for all the projects in the SHASTECH project area.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

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

The Agency reports deferred revenue on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Agency before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Agency has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. Assets, Liabilities, and Net Assets or Equity

Estimates

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

Cash and Investments

Cash deposits are stated at cost, which approximates fair value. Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement Number 31.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. When purchased, capital assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statements. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; equipment, 2 to 15 years.

Personnel Services

The Agency has no employees. Administrative and accounting services are provided by City of Redding personnel. Consequently, the Agency has an obligation to the City of Redding for compensable absences and retirement plan contributions.

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

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

Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Agency legislation or external restrictions by other governments, creditors or grantors.

Interfund Transactions

Following is a description of the interfund transactions made during the year and the related accounting policies:

Transactions to allocate resources from one fund to another fund that are not contingent on the incurrence of specific expenditures in the receiving fund. These transactions are recorded as transfers in and out.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Budget Data

The operating budget of the Agency is adopted by the Board of Directors/Redding City Council prior to July 1 each year primarily on a cash basis. The Agency's Executive Director is authorized to transfer budget amounts between divisions within any fund; however, any revisions that alter the total expenditures of any fund require Board of Director's budget amendment.

Budget information is adopted and presented for the special revenue, debt service and capital project funds. The presentations represent original appropriations adjusted for supplemental appropriations, if any, made during the year. The Agency did not adopt a budget for the Midtown Special Revenue Fund since no revenue was available for expenditures. Project areas approved before 1986 can defer the 20 percent housing set aside until the project area's debt service obligations are met.

Portions of fund equity are recorded as reserves when segregation for future use is necessary and the funds are, therefore, not available for future apportionment or expenditures.

Summary of Differences between Budgetary Basis and Generally Accepted Accounting Principles (GAAP)

The following are the differences between the Agency's budgetary basis and GAAP:

- A. The Agency does not budget for GASB 31 interest income.
- B. The Agency does not budget for accounts payable.
- C. The Agency does not budget for benefit accruals.
- D. The Agency does not budget for transfers to/from the debt service funds when revenue is in excess of or deficient to cover debt service.
- E. The Agency budgets for certain receivables and payables on a cash basis.
- F. The Agency budgets for land to be held for resale as an expenditure.
- G. The Agency does not budget for the transfer of bond proceeds.
- H. The Agency budgets for encumbrances (commitments made but not yet expended).

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY - (Continued)

Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as designations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 3 - CASH AND INVESTMENTS

As of June 30, 2005, the Agency had the following cash and investments:

<u>Investment Type</u>	<u>Investment Maturity in Years</u>	
	<u>Fair Value</u>	<u>Less than 1 Year</u>
Federal Home Loan Bank	\$ 2,631,094	\$ 2,631,094
Local Agency Investment Fund	35,073,335	35,073,335
Mutual Fund	<u>79,852</u>	<u>79,852</u>
Total Investments	37,784,281	37,784,281
Deposits	<u>968,943</u>	<u>968,943</u>
Total Cash and Investments	<u>\$38,753,224</u>	<u>\$38,753,224</u>

The Agency reports its investments in accordance with Governmental Accounting Standards Board (GASB) Statement Number 31. This standard requires that the Agency's investments be reported at fair value with realized and unrealized gains or losses reported in the statement of revenues, expenditures and changes in fund balance.

Interest Rate Risk - In accordance with its investment policy, the Agency manages its exposure to declines in fair values by limiting the average maturity of its investment portfolio to less than one year, with 92.8% of investments (Local Agency Investment Fund) being available on demand.

Credit Risk - The California Government Code and the investment policy of the Agency authorize the Agency to invest in obligations, participations, or other instruments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor's Corporation or Moody's Investor Service, Inc., bankers' acceptances, repurchase agreements, medium-term notes of maximum five-year maturity with a rating category of A or its equivalent or better by a nationally recognized rating agency, and the State Treasurer's Investment Pool (LAIF). Reverse repurchase agreements may be made only when prior approval of the Board of Directors has been given.

The Agency invests funds in the State Treasurer's Pooled Money Investment Account (PMIA) through the Local Agency Investment Fund (LAIF), a voluntary program created by statute in 1977. The PMIA has regulatory oversight from the Pooled Money Investment Board and an in-house Investment Committee. LAIF has oversight by the Local Agency Investment Advisory Board. The fair value of the Agency's position in the pool is materially equivalent to the value of pool shares.

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

NOTE 3 - CASH AND INVESTMENTS - (Continued)

In accordance with authorized investment laws, LAIF invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2005, 2.406% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities.

As of June 30, 2005, the Agency's Federal Home Loan Bank investments were rated AAA by Standard and Poors.

Concentration of Credit Risk - The Agency has about 90% of its cash invested with the LAIF. In addition to the safety provided by investing in high quality securities, LAIF's policies limit concentration risk by spreading investments over different investment types to minimize the impact of any one industry/investment class and by spreading investments over multiple credits/issuers within an investment type to minimize the credit exposure of the portfolio to any single firm or institution.

Custodial Credit Risk - All securities are held in the name of the Agency or the City of Redding.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables as of June 30, 2005, are comprised of the following:

Capital Project Funds:

State of California - State Water Quality Control Board	<u>\$ 36,638</u>
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NOTE 5 - RESTRICTED CASH AND INVESTMENTS

Certain proceeds of the Agency's bonds, as well as certain resources set aside for their repayment, and a certificate of deposit are restricted assets and are included in the cash and investments on the balance sheet. The bond amounts are maintained in a separate bank account and their use is limited by applicable bond covenants. A portion of the Agency's investment in the Local Agency Investment Fund (LAIF) has been restricted for future debt service payments. A certificate of deposit is also maintained in a separate bank account and its use is limited to the purchase of wetlands property by an agreement with the Department of Fish and Game of the State of California. Following is a breakdown in the amount and description of restricted cash and investments:

Bond reserve accounts restricted for potential deficiencies in debt service payments	\$ 2,663,247
Investments restricted for future debt service payments	3,129,262
Bond acquisition proceeds restricted for housing and capital projects	14,566,806
Certificate of deposit restricted for the purchase of wetlands property	<u>247,732</u>
Total	<u>\$20,607,047</u>

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables as of June 30, 2005, are as follows:

<u>Advances Receivable From/Payable to:</u>	<u>Receivable</u>	<u>Payable</u>
Capital Project Funds:		
Canby-Hilltop-Cypress Project	\$ 72,081	\$ —
Buckeye Project	\$ —	\$ 72,081

The Canby-Hilltop-Cypress Project Fund advanced amounts to cover formation costs for the Buckeye Project under an agreement dated April 4, 2000. The Agency used proceeds from the sale of otherwise unencumbered property acquired with tax increment revenues to cover the formation costs. The Buckeye Fund is to repay all of the formation costs.

NOTE 7 - INTERFUND TRANSFERS

In the fund financial statements, total transfers in and out are \$21,754,388. In the Canby-Hilltop-Cypress Special Projects Fund the remaining bond proceeds were transferred to the Canby-Hilltop-Cypress Special Revenue Fund for housing projects. In the Canby-Hilltop-Cypress Debt Service Fund and Market Street Debt Service Fund bond acquisition proceeds were transferred to the capital project funds. In the Canby-Hilltop-Cypress Capital Project Fund and Market Street Capital Project Fund cash was transferred to the debt service funds to meet the bond covenant requirements of a 120 percent reserve of next year's annual debt payment.

<u>Interfund Transfers:</u>	<u>Transfers in</u>	<u>Transfers Out</u>
Special Revenue Funds:		
Canby-Hilltop-Cypress Project	\$ 6,782,975	\$ —
Canby-Hilltop-Cypress Special Projects	—	6,782,975
Debt Service Funds:		
Canby-Hilltop-Cypress Project	2,387,438	9,280,731
Market Street Project	481,827	2,821,417
Capital Project Funds:		
Canby-Hilltop-Cypress Project	9,280,731	2,387,438
Market Street Project	<u>2,821,417</u>	<u>481,827</u>
Total	<u>\$21,754,388</u>	<u>\$21,754,388</u>

NOTE 8 - NOTES RECEIVABLE

Notes receivable as of June 30, 2005, consisted of the following:

Two 5% and three 0% notes receivable, payable in monthly installments of \$537 including interest. The notes, due through January 2019 are secured by residential real property. \$ 73,037

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

NOTE 8 - NOTES RECEIVABLE - (Continued)

Sixteen 5% notes with principal and accrued interest due upon property transfer or sale, upon death of owner, or upon change of use of the property. The notes are secured by residential real property.	279,831
Sixty-one notes receivable with principal and accrued interest due upon property transfer or sale, upon death of owner, or upon change of use of the property. The interest is calculated at 3% or as a percentage of the loan to the original purchase price of the property, with a maximum of 15%, of the property appreciation over the life of the loan. The notes are secured by residential real property.	1,105,324
3% note receivable from Shasta Housing Development Corporation with interest and principal due August 2034. The note is secured by residential real property.	189,750
Note receivable from Northern Valley Catholic Social Services due January 2055. The note bears interest at 1% and is secured by real property. Payments are due only when there are residual receipts from the project and/or at maturity.	1,121,906
Note receivable from Northern Valley Catholic Social Services due September 2039. The note bears interest at 3% and is secured by real property. Payments are due only when there are residual receipts from the project and/or at maturity.	250,000
Note receivable from Christian Church Homes of Northern California, Inc., due February 2058. The note, which is secured by real property, bears interest at 3%. Payments are due only when there are residual receipts from the project and/or at maturity.	1,780,477
Owner participation agreement from Catholic Charities of Sacramento, Inc., due December 2010. The agreement bears interest at 3.74%.	37,963
Note receivable from Northern Valley Catholic Social Services due August 2022. The note, which is secured by real property, bears interest at 3% for the first twelve years and 5% thereafter. Payments are due only when there are residual receipts from the project and/or at maturity	115,000
Note receivable from Redding Shadowbrook Limited due July 2046. The note, which is secured by real property, bears interest at 1%. Payments are due only when there are residual receipts from the project and/or maturity, except all payments shall be deferred until July 2011.	236,000

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

NOTE 8 - NOTES RECEIVABLE - (Continued)

Note receivable from Senior Affordable Housing Corporation No. 4 due January 2059. The note, which is secured by real property, bears interest at 1%. Payments are due only when there are residual receipts from the project and/or at maturity.	275,000
Note receivable to Mercy Oaks Village, Inc. due December 2059. The note which is secured by real property bears interest at 1%. Payments are due only when there are residual receipts from the project and/or maturity.	500,000
Note receivable from the Parkview Neighborhood LLC bearing interest at 2% above the prime interest rate. Principal and interest are due upon the sale of each parcel. The note is secured by real property.	<u>235,800</u>
Total notes receivable	<u>\$ 6,200,088</u>

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,502,450	\$ 821,208	\$ 322,497	\$ 2,001,161
Total capital assets, not being depreciated	<u>1,502,450</u>	<u>821,208</u>	<u>322,497</u>	<u>2,001,161</u>
Capital assets, being depreciated:				
Buildings	1,455,733	222,260	—	1,677,993
Equipment	<u>6,132</u>	<u>—</u>	<u>—</u>	<u>6,132</u>
Total capital assets being depreciated	<u>1,461,865</u>	<u>222,260</u>	<u>—</u>	<u>1,684,125</u>
Less accumulated depreciation for:				
Buildings	(1,440,134)	(8,269)	—	(1,448,403)
Equipment	<u>(6,132)</u>	<u>—</u>	<u>—</u>	<u>(6,132)</u>
Total accumulated depreciation	<u>(1,446,266)</u>	<u>(8,269)</u>	<u>—</u>	<u>(1,454,535)</u>
Total capital assets, being depreciated, net	<u>15,599</u>	<u>213,991</u>	<u>—</u>	<u>229,590</u>
Governmental activities capital assets, net	<u>\$ 1,518,049</u>	<u>\$ 1,035,199</u>	<u>\$ 322,497</u>	<u>\$ 2,230,751</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public works	\$ <u>8,269</u>
Total depreciation expense - governmental activities	<u>\$ 8,269</u>

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

NOTE 9 - CAPITAL ASSETS - (Continued)

A summary of changes in capital assets by project area and activity was as follows:

<u>Project Area:</u>	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Market Street</u>				
Land	\$ 642,167	\$ 376,949	\$ 322,497	\$ 696,619
Buildings	—	222,260	—	222,260
Accumulated depreciation	—	(5,556)	—	(5,556)
Total Market Street	<u>642,167</u>	<u>593,653</u>	<u>322,497</u>	<u>913,323</u>
<u>Midtown</u>				
Buildings	1,455,733	—	—	1,455,733
Accumulated depreciation	(1,440,134)	(2,713)	—	(1,442,847)
Total Midtown	<u>15,599</u>	<u>(2,713)</u>	<u>—</u>	<u>12,886</u>
<u>Canby-Hilltop-Cypress</u>				
Land	860,283	444,259	—	1,304,542
Equipment	6,132	—	—	6,132
Accumulated depreciation	(6,132)	—	—	(6,132)
Total Canby-Hilltop-Cypress	<u>860,283</u>	<u>444,259</u>	<u>—</u>	<u>1,304,542</u>
Governmental activities capital assets, net	<u>\$ 1,518,049</u>	<u>\$ 1,035,199</u>	<u>\$ 322,497</u>	<u>\$ 2,230,751</u>

NOTE 10 - LONG-TERM INTERGOVERNMENTAL PAYABLES

Long-term intergovernmental payables as of June 30, 2005, consisted of the following:

Reimbursement Agreements

The City of Redding and the Agency have entered into a reciprocal agreement that provides for the Agency, as funds become available from tax increment revenue, to reimburse the City for all amounts paid to the Agency under the Midtown Project Lease. Therefore, in substance, the final source for this reimbursement is the property tax increment revenue. Under this agreement \$250,233 was paid in fiscal year 2004-2005.

Note Payable to City of Redding

City Council approved on August 25, 1972, a loan for \$550,000 from the City of Redding Electric Utility Fund to the Agency. The current balance is \$308,105 with interest at 3 percent to be repaid by periodic payments from tax increment payments, or out of any other funds available, until the total of principal and interest have been repaid. The monies were used for the sole purpose of acquiring an underground public parking facility located at the Midtown Mall. Upon retirement of the debt, the Agency shall convey all of its right to title and interest in the underground public parking facility to the City of Redding in accordance with their agreement dated August 25, 1972. Interest payable as of June 30, 2005, is \$231,078.

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

NOTE 10 - LONG-TERM INTERGOVERNMENTAL PAYABLES - (Continued)

Repayment Agreement

The City of Redding and the Agency entered into a repayment agreement executed on May 18, 1999, for the SHASTEC Project Area. The City agreed to provide funds in an amount not to exceed \$2,000,000 from its Risk Management Fund for the Clover Creek Drainage Project. The loan will accrue interest at the same rate as the City's pooled cash account. The current balance is \$1,612,903. Interest payable as of June 30, 2005, is \$62,442. The Agency agreed to make annual payments of principal and interest starting in fiscal year 2009-2010. The funding source for such payments will be tax increment revenue or bond proceeds secured by the SHASTEC Redevelopment project.

Following is a summary of the changes in long-term intergovernmental payable amounts as of June 30, 2005:

<u>Fund</u>	(as restated) Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2005</u>
Debt Service funds:				
Midtown Project Reimbursement Agreement	\$ 981,891	\$ —	\$ 250,233	\$ 731,658
Midtown Project Note Payable	<u>308,105</u>	<u>—</u>	<u>—</u>	<u>308,105</u>
Total debt service funds	<u>1,289,996</u>	<u>—</u>	<u>250,233</u>	<u>1,039,763</u>
Capital Project funds:				
SHASTEC Project Repayment Agreement	<u>859,000</u>	<u>1,141,000</u>	<u>387,097</u>	<u>1,612,903</u>
Total capital project funds	<u>859,000</u>	<u>1,141,000</u>	<u>387,097</u>	<u>1,612,903</u>
Total intergovernmental payable	<u>\$ 2,148,996</u>	<u>\$ 1,141,000</u>	<u>\$ 637,330</u>	<u>\$ 2,652,666</u>

NOTE 11 - DEFERRED REVENUE

Deferred revenue of \$173,365 as of June 30, 2005, in the Statement of Net Assets consists of property tax revenue that is accruing in the Midtown Special Revenue Fund. Project areas approved before 1986 can defer the 20 percent housing set aside until the project area's debt service obligations are met. With the passage of Proposition 13, the Midtown Project area had to borrow money from the City of Redding to meet its lease revenue debt service obligation. Although the lease revenue debt service obligation has been fully funded, the Midtown Project area still owes the City of Redding \$1.27 million in principal and interest and continues to defer its housing obligation until that debt is paid.

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

NOTE 12 - LONG-TERM DEBT

The following is a summary of changes in long-term debt during the year ended June 30, 2005:

<u>Project Area:</u>	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
<u>Market Street</u>					
Tax Allocation Bonds 2003 Series	\$ 5,185,000	\$ —	\$ 170,000	\$ 5,015,000	\$ 175,000
Less bond discounts	(49,181)	—	(2,567)	(46,614)	(2,567)
Less unamortized deferred loss on defeased debt	<u>(137,065)</u>	<u>—</u>	<u>(7,155)</u>	<u>(129,910)</u>	<u>(7,154)</u>
Total Market Street	<u>4,998,754</u>	<u>—</u>	<u>160,278</u>	<u>4,838,476</u>	<u>165,279</u>
<u>Canby-Hilltop-Cypress</u>					
Tax Allocation Bonds (Series A)	5,305,000	—	290,000	5,015,000	305,000
Tax Allocation Bonds (Series B)	3,500,000	—	—	3,500,000	—
Tax Allocation Bonds 2003 (Series A)	28,935,000	—	1,040,000	27,895,000	1,060,000
Add bond premiums	72,395	—	3,778	68,617	3,779
Less bond discounts	(78,764)	—	(5,469)	(73,295)	(5,468)
Less unamortized deferred loss on defeased debt	<u>(367,669)</u>	<u>—</u>	<u>(19,191)</u>	<u>(348,478)</u>	<u>(19,191)</u>
Total Canby-Hilltop-Cypress	<u>37,365,962</u>	<u>—</u>	<u>1,309,118</u>	<u>36,056,844</u>	<u>1,344,120</u>
Total long-term debt	<u>\$42,364,716</u>	<u>\$ —</u>	<u>\$ 1,469,396</u>	<u>\$40,895,320</u>	<u>\$ 1,509,399</u>

Long-term debt consisted of the following as of June 30, 2005:

Tax Allocation Bonds, Series 2003:

Interest from 2.0% to 5.679% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$170,000 to \$400,000; final payment September 1, 2023. Original issue: \$5,185,000. Proceeds from the Series 2003 Bonds are used to finance various capital improvements within the Market Street Redevelopment Area.

\$ 5,015,000

Tax Allocation Bonds, Series A:

Interest from 2.61% to 6.4% payable on March 1 and September 1; maturities payable on September 1 in annual redemptions from \$280,000 to \$545,000; final payment September 1, 2016. Original issue: \$6,000,000. Proceeds from the Series A Bonds are used for projects.

5,015,000

Tax Allocation Bonds, Series B:

Interest from 4.5% to 4.875% payable March 1 and September 1; maturities are payable beginning September 1, 2016, in annual redemptions from \$105,000 to \$745,000; final payment September 1, 2021. Original issue: \$3,500,000.

Proceeds from the Series B Bond are used for projects.

3,500,000

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

NOTE 12 - LONG-TERM DEBT - (Continued)

Tax Allocation Bonds, Series A 2003:

Interest from 2.0% to 5.0% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$1,040,000 to \$2,055,000; final payment September 1, 2023. Original issue: \$28,935,000. Proceeds from the Series A 2003 Bonds are used to finance various capital improvements within the Canby-Hilltop-Cypress Redevelopment Area.

27,895,000

Total bonds outstanding

41,425,000

Discount on Market St., Series 2003

(46,614)

Discount on Canby-Hilltop-Cypress Tax Allocation Bonds, Series A

(37,714)

Discount on Canby-Hilltop-Cypress Tax Allocation Bonds, Series B

(35,581)

Premium on Canby-Hilltop-Cypress Tax Allocation Bonds, Series A 2003

68,617

Unamortized deferred loss on defeased debt

(478,388)

Total discount/premium and unamortized deferred loss on defeased debt

(529,680)

Total long-term debt

\$40,895,320

Annual requirements to amortize long-term debt outstanding as of June 30, 2005, are set forth below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,540,000	\$ 1,867,155	\$ 3,407,155
2007	1,585,000	1,823,760	3,408,760
2008	1,635,000	1,770,866	3,405,866
2009	1,690,000	1,709,885	3,399,885
2010	1,750,000	1,645,113	3,395,113
2011-2015	9,990,000	6,968,336	16,958,336
2016-2020	12,620,000	4,280,244	16,900,244
2021-2024	<u>10,615,000</u>	<u>1,000,778</u>	<u>11,615,778</u>
	<u>\$41,425,000</u>	<u>\$21,066,137</u>	<u>\$62,491,137</u>

NOTE 13 - FUND BALANCE DEFICITS

Midtown Project Debt Service Fund (\$2,019) - As a result of Proposition 13, property tax increment revenue in the project area has not increased to the level necessary to make debt service payments. Funds have been advanced from the City of Redding to meet debt service requirements. The debt was paid off in fiscal year end 2003. Funds will now be available to start repaying the advances made from the City.

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

NOTE 14 - TAX INCREMENT REVENUE

The County of Shasta assesses, bills and collects property taxes for the Agency. Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1. They become due November 1 and February 1 and become delinquent after December 10 and April 10. Agency property tax revenues are recognized when levied to the extent that they result in current receivables. The property tax increment revenue is the amount of increase in property taxes due to the increased property valuation over the base year. The old portion of the Market Street Project (the Midtown Project) and Canby-Hilltop-Cypress Project base years are 1973-74 and 1981-82, respectively. The new portion of Market Street Project and the amended Canby-Hilltop-Cypress Project areas base year is 1989-90. The SHASTECC Project area base year is 1995-96. The Buckeye Project area base year is 1999-2000.

NOTE 15 - RISK MANAGEMENT

The Redevelopment Agency participates in the City of Redding self-insurance programs. The City administers self-insurance programs for property and general liability which affect the Agency. These insurance activities are accounted for in the City of Redding Risk Management Fund, an internal service fund. Redding Redevelopment Agency is a component unit of the City of Redding. The liability for insurance claims is estimated on a case-by-case basis for all pending claims. There has been no significant reduction in any of the insurance coverages from the prior year.

Losses in the City of Redding Risk Management Fund have not exceeded charges to the various funds of the City and its component units. Settled claims resulting from these risks have not exceeded co-insurance plan coverage or commercial insurance coverage in any of the past three fiscal years. In accordance with GASB 10, a component unit is not required to include a reconciliation of changes in the aggregate liabilities if it is covered by the primary government.

The City of Redding Risk Management Fund is allowed to make additional assessments to make the pool self-sustaining. The Risk Management Fund does not currently anticipate additional assessments being necessary; however, there is no limit established for additional assessments.

Liability Insurance is administered as a co-insurance plan. The City is self-insured up to \$500,000 with a municipal risk retention pool co-insuring claims from \$500,001 to \$25 million. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience, and the interfund charges are reported as quasi-external transactions. Incurred but not reported claims liability have been included in the claims payable amount as of June 30, 2005.

Property Insurance is administered as a co-insurance plan. The City is self-insured for claims up to \$25,000. An insurance company co-insures claims over \$25,000. The Risk Management Fund recognizes revenue from fund charges and accounts for actual expenditures. Funds determined to be at risk are charged a percentage of the total estimated insurance and claim expense. Percentages are based upon loss experience, and the interfund charges are reported as quasi-external transactions. Incurred but not reported claims liability have been included in the claims payable amount as of June 30, 2005.

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

NOTE 16 - COMMITMENTS

The only construction contract that existed as of June 30, 2005, was for the Fire Station 8 project. At year end the Agency's commitment with a contractor was as follows:

<u>Fund</u>	<u>Project</u>	<u>Remaining Commitment</u>	<u>Financing Sources</u>
Canby-Hilltop-Cypress Capital Project Fund	Fire Station 8	<u>\$ 84,812</u>	Tax increment revenue

A Disposition and Development Agreement has been entered into with FaithWorks Community Coalition, Inc., for the development of 12 transitional housing units for homeless families with children. The Agency's commitment to this project is land valued at \$30,000 and up to \$1 million in monetary assistance.

The Agency has also entered into an exclusive negotiating agreement with Parkview Neighborhood LLC for the development of two Parkview Neighborhood housing sites.

The Agency has a letter of intent with Shasta College to remove a portion of the Downtown Mall roof, to help defray the cost associated with energy efficient equipment and to improve a segment of Market Street. The unexpended portion of these funds totals \$1.6 million as of June 30, 2005.

The Agency has a letter of intent with Dr. Kraffert to design and construct streetscape improvements, to place overhead electric lines underground and to install new illuminated street signs. The Agency pledged amount for these expenditures is \$510,000.

A Disposition and Development Agreement has been entered into with Habitat for Humanity for \$286,816. Habitat for Humanity has agreed to construct seven single-family homes to be offered for sale at an affordable price to income eligible qualified buyers.

Conduit Debt

In 2001, the Agency issued conduit bonds to provide financing for improvements at various school sites for the Redding School District. The bonds do not constitute an obligation of the Agency. The bonds are secured by the land and improvements to Bonnyview Elementary School located at 5080 Bidwell Road, Redding, CA 96001. On June 30, 2005, the total outstanding principal on the bonds was \$5,185,000.

REDDING REDEVELOPMENT AGENCY
Notes to Financial Statements
June 30, 2005

NOTE 17 - ADJUSTMENTS TO FUND BALANCE AND NET ASSETS

As of June 30, 2005, the adjustments to Fund Balance consisted of the following:

<u>Fund</u>	<u>Prior Period Adjustment</u>
Canby-Hilltop-Cypress Special Revenue Fund	\$ 77,165
Midtown Debt Service Fund	1,511,831
SHASTECCapital Project Fund	<u>890,106</u>
 Total prior period adjustments	 <u>\$ 2,479,102</u>

As of June 30, 2005, the adjustment to Net Assets consisted of the following:

	<u>Prior Period Adjustment</u>
Restricted for Housing	<u>\$ 77,165</u>
 Total prior period adjustments	 <u>\$ 77,165</u>

As of June 30, 2004, the notes receivable balance was understated in the Canby-Hilltop-Cypress Special Revenue Fund and in the Statement of Net Assets. An increase in a notes receivable was erroneously posted as an expenditure in fiscal year 2003-2004. A prior period adjustment in the amount of \$77,165 was recorded to correct the understatement.

As of June 30, 2004, long-term notes payable to the City of Redding were recorded on the balance sheet of the Midtown Debt Service Fund and the SHASTECCapital Project Fund as intergovernmental payables. Because of the long-term nature of these notes payable, these amounts should only be recorded in the entity-wide statements, but not the fund statements. A prior period adjustment in the amount of \$1,511,831 was recorded in the Midtown Debt Service Fund to correct the overstatement of intergovernmental payables. A prior period adjustment in the amount of \$890,106 was recorded in the SHASTECCapital Project Fund to correct the overstatement of intergovernmental payables.

REQUIRED SUPPLEMENTARY INFORMATION

REDDING REDEVELOPMENT AGENCY
 Canby-Hilltop-Cypress Special Revenue Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 1,356,380	\$ 1,356,380	\$ 1,460,800	\$ 104,420
Other use of money and property	270,000	270,000	425,225	155,225
Intergovernmental revenues	—	—	467,145	467,145
Investment revenue	135,000	135,000	466,247	331,247
Other revenue	100	100	4,999	4,899
Total revenues	<u>1,761,480</u>	<u>1,761,480</u>	<u>2,824,416</u>	<u>1,062,936</u>
EXPENDITURES:				
Current:				
Administrative	719,160	719,160	589,749	129,411
Professional services	4,000	4,000	632	3,368
Housing assistance	8,165,440	8,165,440	4,337,157	3,828,283
Debt service:				
Principal retirement	290,000	290,000	290,000	—
Interest and fiscal charges	493,270	493,270	485,945	7,325
Total expenditures	<u>9,671,870</u>	<u>9,671,870</u>	<u>5,703,483</u>	<u>3,968,387</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,910,390)</u>	<u>(7,910,390)</u>	<u>(2,879,067)</u>	<u>5,031,323</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land	—	—	7,600	7,600
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>7,600</u>	<u>7,600</u>
Net change in fund balance	<u>(7,910,390)</u>	<u>(7,910,390)</u>	<u>(2,871,467)</u>	<u>5,038,923</u>
FUND BALANCE, beginning	8,528,426	8,528,426	8,528,426	—
Prior period adjustment	77,165	77,165	77,165	—
FUND BALANCE, beginning as restated	<u>8,605,591</u>	<u>8,605,591</u>	<u>8,605,591</u>	<u>—</u>
BUDGETARY FUND BALANCE, ending	<u>\$ 695,201</u>	<u>\$ 695,201</u>	<u>\$ 5,734,124</u>	<u>\$ 5,038,923</u>

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:

	\$16,085,478
1. Financial statement only interest income adjustment per GASB 31.	17,807
2. The Agency budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.	418,434
3. The Agency does not budget for benefit accruals.	93
4. The Agency does not budget for accounts payable adjustments.	(15,761)
5. The Agency budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.	(693,937)
6. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.	(3,381,967)
7. The Agency does not budget for transfers in from the Special Projects Fund.	(6,782,975)
8. The Agency budgets for the sale of assets held for resale, but adjusts the revenue to reduce Assets Held for Resale and the gain/loss on the sale.	170,739
9. The Agency budgets for interest income on notes receivable on a cash basis.	(83,787)

Budgetary fund balance

\$ 5,734,124

SUPPLEMENTAL INFORMATION

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Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Market Street Project - This fund is used to account for property tax revenues designated for housing assistance to individuals with very low, low or moderate income.

Canby-Hilltop-Cypress Special Projects - This fund accounts for funds used for special housing projects derived from sources other than tax increment revenue and required to be used for housing related projects.

SHASTECH Project - This fund is used to account for property tax revenues designated for housing assistance to individuals with very low, low or moderate income.

Buckeye Project - This fund is used to account for property tax revenues designated for housing assistance to individuals with very low, low or moderate income.

Midtown Project - This fund is used to account for the housing set aside property tax. The tax will not be collected until the Midtown Project Debt Service Fund retires all the debt of the project area.

Debt Service Funds

Debt service funds are used to account for the payment of interest and principal on general debt.

Midtown Project - This fund is used to account for the resources accumulated and payments made for principal and interest on long-term debt of the Midtown project area.

Market Street Project - This fund is used to accumulate monies for payment of tax allocation bonds. Debt service is provided by property tax increment revenue.

Capital Project Funds

Capital project funds are used to account for the acquisition and construction of capital facilities.

Buckeye Project - This fund is used to account for the financing and construction activities in the Buckeye redevelopment project area. Financing will be provided by future Agency tax allocation bonds. Current activity is ongoing and will span several years.

REDDING REDEVELOPMENT AGENCY
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

	<u>Market Street Special Revenue</u>	<u>Canby Hilltop Cypress Special Projects</u>	<u>SHASTE Special Revenue</u>	<u>Buckeye Special Revenue</u>
ASSETS				
Cash and investments	\$ 1,891,292	\$ —	\$ 970,978	\$ 83,110
Interest receivable	102,369	—	6,554	529
Taxes receivable	50,758	—	26,746	5,709
Restricted assets:				
Cash and investments	—	—	—	—
Interest receivable	—	—	—	—
Taxes receivable	—	—	—	—
Assets held for sale	225,000	—	—	—
Notes receivable, net	<u>602,246</u>	<u>—</u>	<u>—</u>	<u>—</u>
 Total assets	 <u>\$ 2,871,665</u>	 <u>\$ —</u>	 <u>\$ 1,004,278</u>	 <u>\$ 89,348</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,645	\$ —	\$ —	\$ —
Deferred revenue	129,808	—	15,995	3,651
Interfund payable	—	—	—	—
Deposits	38,700	—	—	—
Intergovernmental payable	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
 Total liabilities	 <u>170,153</u>	 <u>—</u>	 <u>15,995</u>	 <u>3,651</u>
Fund balances:				
Reserved for:				
Noncurrent notes receivable	602,246	—	—	—
Debt service	—	—	—	—
Unreserved, designated for, reported in:				
Encumbrances	4,480	—	—	—
Special revenue funds	1,567,760	—	—	—
Unreserved, undesignated for, reported in:				
Special revenue funds	527,026	—	988,283	85,697
Capital projects funds	—	—	—	—
Debt service funds	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
 Total fund balances	 <u>2,701,512</u>	 <u>—</u>	 <u>988,283</u>	 <u>85,697</u>
 Total liabilities and fund balances	 <u>\$ 2,871,665</u>	 <u>\$ —</u>	 <u>\$ 1,004,278</u>	 <u>\$ 89,348</u>

<u>Midtown Special Revenue</u>	<u>Midtown Debt Service</u>	<u>Market Street Debt Service</u>	<u>Buckeye Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
\$ —	\$ —	\$ —	\$ 165,154	\$ 3,110,534
—	—	—	1,371	110,823
173,365	—	—	22,948	279,526
—	—	917,560	—	917,560
—	—	2,350	—	2,350
—	1,743	140,638	—	142,381
—	—	—	—	225,000
—	—	—	—	602,246
<u>\$ 173,365</u>	<u>\$ 1,743</u>	<u>\$ 1,060,548</u>	<u>\$ 189,473</u>	<u>\$ 5,390,420</u>
\$ —	\$ —	\$ —	\$ 482	\$ 2,127
173,365	1,258	94,227	14,602	432,906
—	—	—	72,081	72,081
—	—	—	—	38,700
—	2,504	—	47	2,551
<u>173,365</u>	<u>3,762</u>	<u>94,227</u>	<u>87,212</u>	<u>548,365</u>
—	—	—	—	602,246
—	—	966,321	—	966,321
—	—	—	—	4,480
—	—	—	—	1,567,760
—	—	—	—	1,601,006
—	—	—	102,261	102,261
—	(2,019)	—	—	(2,019)
—	(2,019)	966,321	102,261	4,842,055
<u>\$ 173,365</u>	<u>\$ 1,743</u>	<u>\$ 1,060,548</u>	<u>\$ 189,473</u>	<u>\$ 5,390,420</u>

REDDING REDEVELOPMENT AGENCY
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2005

	Market Street Special Revenue	Canby Hilltop Cypress Special Projects	SHASTEC Special Revenue	Buckeye Special Revenue
REVENUES:				
Tax increment	\$ 556,207	\$ —	\$ 278,345	\$ 43,756
Other use of money and property	852	—	—	—
Intergovernmental revenues	—	—	—	—
Investment revenue	33,115	10,920	17,010	1,163
Other revenue	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues	<u>590,174</u>	<u>10,920</u>	<u>295,355</u>	<u>44,919</u>
EXPENDITURES:				
Current:				
Administrative	17,795	—	7,611	1,267
Professional services	—	—	—	—
Housing assistance	59,795	—	—	—
Pass throughs	—	—	—	—
Debt service:				
Principal retirement	—	—	—	—
Interest and fiscal charges	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>77,590</u>	<u>—</u>	<u>7,611</u>	<u>1,267</u>
Excess (deficiency) of revenues over (under) expenditures	<u>512,584</u>	<u>10,920</u>	<u>287,744</u>	<u>43,652</u>
OTHER FINANCING SOURCES (USES):				
Loss on sale of asset held for resale	(89,431)	—	—	—
Transfers in	—	—	—	—
Transfers out	<u>—</u>	<u>(6,782,975)</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(89,431)</u>	<u>(6,782,975)</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>423,153</u>	<u>(6,772,055)</u>	<u>287,744</u>	<u>43,652</u>
FUND BALANCES (DEFICIT), beginning of year	2,278,359	6,772,055	700,539	42,045
Prior period adjustment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
FUND BALANCES (DEFICIT), beginning of year restated	<u>2,278,359</u>	<u>6,772,055</u>	<u>700,539</u>	<u>42,045</u>
FUND BALANCES (DEFICIT), end of year	<u>\$ 2,701,512</u>	<u>\$ —</u>	<u>\$ 988,283</u>	<u>\$ 85,697</u>

<u>Midtown Special Revenue</u>	<u>Midtown Debt Service</u>	<u>Market Street Debt Service</u>	<u>Buckeye Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
\$ —	\$ 25,276	\$ 496,494	\$ 174,973	\$ 1,575,051
—	—	—	—	852
—	267,432	—	—	267,432
—	171	54,886	3,923	121,188
—	42	—	278	320
<u>—</u>	<u>292,921</u>	<u>551,380</u>	<u>179,174</u>	<u>1,964,843</u>
—	814	49,304	9,478	86,269
—	—	—	51	51
—	—	—	—	59,795
—	2,884	—	30,964	33,848
—	250,233	170,000	—	420,233
<u>—</u>	<u>27,605</u>	<u>244,203</u>	<u>2,491</u>	<u>274,299</u>
<u>—</u>	<u>281,536</u>	<u>463,507</u>	<u>42,984</u>	<u>874,495</u>
<u>—</u>	<u>11,385</u>	<u>87,873</u>	<u>136,190</u>	<u>1,090,348</u>
—	—	—	—	(89,431)
—	—	481,827	—	481,827
<u>—</u>	<u>—</u>	<u>(2,821,417)</u>	<u>—</u>	<u>(9,604,392)</u>
<u>—</u>	<u>—</u>	<u>(2,339,590)</u>	<u>—</u>	<u>(9,211,996)</u>
<u>—</u>	<u>11,385</u>	<u>(2,251,717)</u>	<u>136,190</u>	<u>(8,121,648)</u>
—	(1,525,235)	3,218,038	(33,929)	11,451,872
<u>—</u>	<u>1,511,831</u>	<u>—</u>	<u>—</u>	<u>1,511,831</u>
<u>—</u>	<u>(13,404)</u>	<u>3,218,038</u>	<u>(33,929)</u>	<u>12,963,703</u>
<u>\$ —</u>	<u>\$ (2,019)</u>	<u>\$ 966,321</u>	<u>\$ 102,261</u>	<u>\$ 4,842,055</u>

REDDING REDEVELOPMENT AGENCY
 Canby-Hilltop-Cypress Debt Service Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 2,169,860	\$ 2,169,860	\$ 2,662,629	\$ 492,769
Investment revenue	<u>200,000</u>	<u>200,000</u>	<u>178,145</u>	<u>(21,855)</u>
Total revenues	<u>2,369,860</u>	<u>2,369,860</u>	<u>2,840,774</u>	<u>470,914</u>
EXPENDITURES:				
Current:				
Administrative	135,000	135,000	126,610	8,390
Debt Service:				
Principal retirement	1,040,000	1,040,000	1,040,000	—
Interest and fiscal charges	<u>1,194,860</u>	<u>1,194,860</u>	<u>1,181,428</u>	<u>13,432</u>
Total expenditures	<u>2,369,860</u>	<u>2,369,860</u>	<u>2,348,038</u>	<u>21,822</u>
Net change in fund balance	—	—	492,736	492,736
FUND BALANCE, beginning	<u>11,407,109</u>	<u>11,407,109</u>	<u>11,407,109</u>	—
BUDGETARY FUND BALANCE, ending	<u>\$11,407,109</u>	<u>\$11,407,109</u>	<u>\$11,899,845</u>	<u>\$ 492,736</u>

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balances to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:

\$ 5,024,937

1. Financial statement only interest income adjustment per GASB 31.
2. The Agency does not budget for transfers in/out from the capital project fund.

(18,385)

6,893,293

Budgetary fund balance

\$11,899,845

REDDING REDEVELOPMENT AGENCY
Market Street Capital Project
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 977,030	\$ 1,631,100	\$ 1,728,334	\$ 97,234
Other use of money and property	—	—	40,024	40,024
Intergovernmental revenues	—	5,251	22,191	16,940
Investment revenue	35,000	35,000	68,989	33,989
Other revenue	—	14,000	20,397	6,397
	<u>1,012,030</u>	<u>1,685,351</u>	<u>1,879,935</u>	<u>194,584</u>
EXPENDITURES:				
Current:				
Administrative	134,340	209,340	124,886	84,454
Professional services	10,000	10,000	414	9,586
Pass throughs	631,450	1,315,800	1,305,349	10,451
Capital Outlay	<u>1,615,270</u>	<u>2,399,521</u>	<u>1,403,762</u>	<u>995,759</u>
Total expenditures	<u>2,391,060</u>	<u>3,934,661</u>	<u>2,834,411</u>	<u>1,100,250</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,379,030)</u>	<u>(2,249,310)</u>	<u>(954,476)</u>	<u>1,294,834</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land	—	<u>236,721</u>	<u>236,721</u>	—
Total other financing sources (uses)	—	<u>236,721</u>	<u>236,721</u>	—
Net change in fund balance	(1,379,030)	(2,012,589)	(717,755)	1,294,834
FUND BALANCE, beginning	<u>1,929,848</u>	<u>1,929,848</u>	<u>1,929,848</u>	—
BUDGETARY FUND BALANCE, ending	<u>\$ 550,818</u>	<u>\$ (82,741)</u>	<u>\$ 1,212,093</u>	<u>\$ 1,294,834</u>

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:

	\$ 3,707,880
1. Financial statement only interest income adjustment per GASB 31.	5,151
2. The Agency does not budget for transfers in/out from the debt service fund.	(2,339,589)
3. The Agency does not budget for accounts payable adjustments.	(16,349)
4. The Agency budgets for deposits made for the purchase of property, but adjusts the payment to deposits in assets.	5,000
5. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balances.	<u>(150,000)</u>
Budgetary fund balance	<u>\$ 1,212,093</u>

REDDING REDEVELOPMENT AGENCY
 Canby-Hilltop-Cypress Capital Project
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 1,497,750	\$ 3,392,740	\$ 3,180,573	\$ (212,167)
Other use of money and property	40,000	40,000	40,000	—
Investment revenue	154,460	154,460	280,979	126,519
Other revenue	<u>—</u>	<u>14,200</u>	<u>26,513</u>	<u>12,313</u>
 Total revenues	 <u>1,692,210</u>	 <u>3,601,400</u>	 <u>3,528,065</u>	 <u>(73,335)</u>
 EXPENDITURES:				
Current:				
Administrative	557,610	607,660	495,195	112,465
Professional services	63,500	23,350	10,997	12,353
Pass throughs	681,530	2,576,520	2,496,929	79,591
Capital Outlay	<u>6,258,690</u>	<u>8,963,890</u>	<u>2,751,430</u>	<u>6,212,460</u>
 Total expenditures	 <u>7,561,330</u>	 <u>12,171,420</u>	 <u>5,754,551</u>	 <u>6,416,869</u>
 Net change in fund balance	 (5,869,120)	 (8,570,020)	 (2,226,486)	 6,343,534
 FUND BALANCE, beginning	 <u>8,304,821</u>	 <u>8,304,821</u>	 <u>8,304,821</u>	 <u>—</u>
 BUDGETARY FUND BALANCE, ending	 <u>\$ 2,435,701</u>	 <u>\$ (265,199)</u>	 <u>\$ 6,078,335</u>	 <u>\$ 6,343,534</u>

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:

	\$13,414,939
1. Financial statement only interest income adjustment per GASB 31.	15,459
2. Escrow deposits are included in actual expenditures on the budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.	(25,000)
3. The Agency does not budget for transfers in/out from the debt service fund.	(6,893,293)
4. The Agency does not budget for accounts payable adjustments.	230,168
5. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.	<u>(663,938)</u>
 Budgetary fund balance	 <u>\$ 6,078,335</u>

REDDING REDEVELOPMENT AGENCY
SHASTEC Capital Project
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 856,060	\$ 881,510	\$ 1,112,764	\$ 231,254
Intergovernmental revenues	3,718,713	3,718,713	3,244,503	(474,210)
Investment revenue	30,000	30,000	28,716	(1,284)
Other revenues	—	740	27,929	27,189
Total revenues	<u>4,604,773</u>	<u>4,630,963</u>	<u>4,413,912</u>	<u>(217,051)</u>
EXPENDITURES:				
Current:				
Administrative	59,450	64,900	53,743	11,157
Professional services	14,000	14,000	2,071	11,929
Pass throughs	232,800	252,800	252,035	765
Capital outlay	6,211,410	6,300,210	4,335,304	1,964,906
Debt Service:				
Principal retirement	—	387,100	387,097	3
Total expenditures	<u>6,517,660</u>	<u>7,019,010</u>	<u>5,030,250</u>	<u>1,988,760</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,912,887)</u>	<u>(2,388,047)</u>	<u>(616,338)</u>	<u>1,771,709</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from loan	1,141,000	1,141,000	1,141,000	—
Transfers in	300,000	300,000	—	(300,000)
Total other financing sources (uses)	<u>1,441,000</u>	<u>1,441,000</u>	<u>1,141,000</u>	<u>(300,000)</u>
Net change in fund balance	<u>(471,887)</u>	<u>(947,047)</u>	<u>524,662</u>	<u>1,471,709</u>
FUND BALANCE (DEFICIT), beginning	(288,852)	(288,852)	(288,852)	—
Prior period adjustment	890,106	890,106	890,106	—
FUND BALANCE (DEFICIT), beginning as restated	<u>601,254</u>	<u>601,254</u>	<u>601,254</u>	<u>—</u>
BUDGETARY FUND BALANCE, ending	<u>\$ 129,367</u>	<u>\$ (345,793)</u>	<u>\$ 1,125,916</u>	<u>\$ 1,471,709</u>

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:

\$ 2,656,947

1. Financial statement only interest income adjustment per GASB 31.
2. The Agency does not budget for accounts payable adjustments.
3. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.

3,719
(792,470)

(742,280)

Budgetary fund balance

\$ 1,125,916

REDDING REDEVELOPMENT AGENCY
Market Street Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 508,290	\$ 511,090	\$ 556,207	\$ 45,117
Other use of money and property	—	—	852	852
Investment revenue	<u>20,000</u>	<u>20,000</u>	<u>35,185</u>	<u>15,185</u>
Total revenues	<u>528,290</u>	<u>531,090</u>	<u>592,244</u>	<u>61,154</u>
EXPENDITURES:				
Current:				
Administrative	16,000	18,800	17,795	1,005
Professional services	700	700	—	700
Housing assistance	<u>1,215,770</u>	<u>1,215,770</u>	<u>65,235</u>	<u>1,150,535</u>
Total expenditures	<u>1,232,470</u>	<u>1,235,270</u>	<u>83,030</u>	<u>1,152,240</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(704,180)</u>	<u>(704,180)</u>	<u>509,214</u>	<u>1,213,394</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of land	<u>—</u>	<u>—</u>	<u>4,226</u>	<u>4,226</u>
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>4,226</u>	<u>4,226</u>
Net change in fund balance	(704,180)	(704,180)	513,440	1,217,620
FUND BALANCE, beginning	<u>2,278,359</u>	<u>2,278,359</u>	<u>2,278,359</u>	<u>—</u>
BUDGETARY FUND BALANCE, ending	<u>\$ 1,574,179</u>	<u>\$ 1,574,179</u>	<u>\$ 2,791,799</u>	<u>\$ 1,217,620</u>

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:

	\$ 2,701,512
1. Financial statement only interest income adjustment per GASB 31.	2,070
2. The Agency does not budget for accounts payable adjustments.	500
3. End of year encumbrances are included in actual expenditures budgetary basis, but are not included in the Statement of Revenues, Expenditures, and Fund Balance.	(5,940)
4. The Agency does not budget for the sale of assets held for resale.	<u>93,657</u>
Budgetary fund balance	<u>\$ 2,791,799</u>

REDDING REDEVELOPMENT AGENCY
 Canby-Hilltop-Cypress Special Projects Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Investment revenue	\$ 150,000	\$ 150,000	\$ —	\$ (150,000)
Total revenues	150,000	150,000	—	(150,000)
Net change in fund balance	150,000	150,000	—	(150,000)
FUND BALANCE, beginning	6,772,055	6,772,055	6,772,055	—
BUDGETARY FUND BALANCE, ending	\$ 6,922,055	\$ 6,922,055	\$ 6,772,055	\$ (150,000)

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:

	\$ —
1. Financial statement only interest income adjustment per GASB 31.	(10,920)
2. The Agency does not budget for transfers to the Housing Fund.	6,782,975
Budgetary fund balance	\$ 6,772,055

REDDING REDEVELOPMENT AGENCY
SHASTECC Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 217,600	\$ 217,600	\$ 278,345	\$ 60,745
Investment revenue	<u>12,000</u>	<u>12,000</u>	<u>18,083</u>	<u>6,083</u>
Total revenues	<u>229,600</u>	<u>229,600</u>	<u>296,428</u>	<u>66,828</u>
EXPENDITURES:				
Current:				
Administrative	<u>10,000</u>	<u>10,000</u>	<u>7,611</u>	<u>2,389</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>7,611</u>	<u>2,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>219,600</u>	<u>219,600</u>	<u>288,817</u>	<u>69,217</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(300,000)</u>	<u>(300,000)</u>	<u>—</u>	<u>300,000</u>
Total other financing sources (uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>—</u>	<u>300,000</u>
Net change in fund balance	(80,400)	(80,400)	288,817	369,217
FUND BALANCE, beginning	<u>700,539</u>	<u>700,539</u>	<u>700,539</u>	<u>—</u>
BUDGETARY FUND BALANCE, ending	<u>\$ 620,139</u>	<u>\$ 620,139</u>	<u>\$ 989,356</u>	<u>\$ 369,217</u>

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:

	\$ 988,283
1. Financial statement only interest income adjustment per GASB 31.	<u>1,073</u>
Budgetary fund balance	<u>\$ 989,356</u>

REDDING REDEVELOPMENT AGENCY
 Buckeye Special Revenue Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 27,233	\$ 27,503	\$ 43,756	\$ 16,253
Investment revenue	1,000	1,000	1,287	287
Total revenues	28,233	28,503	45,043	16,540
EXPENDITURES:				
Current:				
Administrative	1,000	1,270	1,267	3
Total expenditures	1,000	1,270	1,267	3
Net change in fund balance	27,233	27,233	43,776	16,543
FUND BALANCE, beginning	42,045	42,045	42,045	—
BUDGETARY FUND BALANCE, ending	\$ 69,278	\$ 69,278	\$ 85,821	\$ 16,543

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:

	\$ 85,697
1. Financial statement only interest income adjustment per GASB 31.	124
Budgetary fund balance	\$ 85,821

REDDING REDEVELOPMENT AGENCY
Midtown Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 10,000	\$ 25,350	\$ 25,276	\$ (74)
Intergovernmental revenue	—	267,440	267,432	(8)
Investment revenue	—	150	172	22
Other revenue	—	40	42	2
	10,000	292,980	292,922	(58)
EXPENDITURES:				
Current:				
Administrative	1,000	1,000	814	186
Pass throughs	2,900	2,900	2,884	16
Debt Service:				
Principal retirement	—	250,240	250,233	7
Interest and fiscal charges	6,100	38,840	38,838	2
	10,000	292,980	292,769	211
Net change in fund balance	—	—	153	153
FUND BALANCE (DEFICIT), beginning	(1,525,235)	(1,525,235)	(1,525,235)	—
Prior period adjustment	1,511,831	1,511,831	1,511,831	—
FUND BALANCE (DEFICIT), beginning as restated	(13,404)	(13,404)	(13,404)	—
BUDGETARY FUND BALANCE (DEFICIT), ending	\$ (13,404)	\$ (13,404)	\$ (13,251)	\$ 153

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:

	\$ (2,019)
1. The Agency budgets for interest on loans on a cash, not accrual basis.	(11,232)
Budgetary fund balance	\$ (13,251)

REDDING REDEVELOPMENT AGENCY
Market Street Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Tax increment	\$ 428,640	\$ 429,950	\$ 496,494	\$ 66,544
Investment revenue	<u>40,000</u>	<u>40,000</u>	<u>48,635</u>	<u>8,635</u>
Total revenues	<u>468,640</u>	<u>469,950</u>	<u>545,129</u>	<u>75,179</u>
EXPENDITURES:				
Current:				
Administrative	48,000	49,310	49,304	6
Debt Service:				
Principal retirement	170,000	170,000	170,000	—
Interest and fiscal charges	<u>250,640</u>	<u>250,640</u>	<u>244,203</u>	<u>6,437</u>
Total expenditures	<u>468,640</u>	<u>469,950</u>	<u>463,507</u>	<u>6,443</u>
Net change in fund balance	—	—	81,622	81,622
FUND BALANCE, beginning	<u>3,218,038</u>	<u>3,218,038</u>	<u>3,218,038</u>	<u>—</u>
BUDGETARY FUND BALANCE, ending	<u>\$ 3,218,038</u>	<u>\$ 3,218,038</u>	<u>\$ 3,299,660</u>	<u>\$ 81,622</u>

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:

	\$ 966,321
1. Financial statement only interest income adjustment per GASB 31.	(6,250)
2. The Agency does not budget for transfers in/out from the capital project fund.	<u>2,339,589</u>
Budgetary fund balance	<u>\$ 3,299,660</u>

REDDING REDEVELOPMENT AGENCY
 Buckeye Capital Project Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 108,930	\$ 119,700	\$ 174,973	\$ 55,273
Investment revenue	1,000	1,000	4,179	3,179
Other revenue	—	—	278	278
	<u>109,930</u>	<u>120,700</u>	<u>179,430</u>	<u>58,730</u>
EXPENDITURES:				
Current:				
Administrative	7,140	8,950	8,948	2
Professional services	1,300	1,260	51	1,209
Pass throughs	22,450	31,450	30,964	486
Debt service:				
Principal retirement	40,000	40,000	40,000	—
Interest	<u>4,500</u>	<u>4,500</u>	<u>2,491</u>	<u>2,009</u>
	<u>75,390</u>	<u>86,160</u>	<u>82,454</u>	<u>3,706</u>
Net change in fund balance	34,540	34,540	96,976	62,436
FUND BALANCE, beginning	<u>(33,929)</u>	<u>(33,929)</u>	<u>(33,929)</u>	<u>—</u>
BUDGETARY FUND BALANCE, ending	<u>\$ 611</u>	<u>\$ 611</u>	<u>\$ 63,047</u>	<u>\$ 62,436</u>

Explanation of differences from the Statement of Revenues, Expenditures and Changes in Fund Balance to Actual Amounts Budgetary Basis Fund Balance from the Statement of Revenues, Expenditures and Changes in Fund Balance:

\$ 102,261

1. Financial statement only interest income adjustment per GASB 31.
2. The Agency does not budget for accounts payable adjustments.
3. The Agency budgets for and records payments on loans in the expenditure accounts, but adjusts the actual loan to advances payable to other funds.

256

530

(40,000)

Budgetary fund balance

\$ 63,047

STATISTICAL SECTION

Statistical Section

This part of the Agency's 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 Agency's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have changed over time.	75
Revenue Capacity These schedules contain information to help the reader assess the Agency's most significant local revenue source, the property tax.	82
Debt Capacity These schedules present information to help the reader assess the affordability of the Agency's current levels of outstanding debt and the Agency's ability to issue additional debt in the future.	92
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Agency's financial activities take place.	96
Operating Information These schedules contain service data to help the reader understand how the information in the Agency's financial report relates to the services the Agency provides and the activities it performs. The Agency has no employees. Administrative and accounting services are provided by City of Redding personnel.	99

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Agency implemented GASB Statement 34 in fiscal year 2000-01; schedules presenting governmental-wide information include information beginning in that year.

REDDING REDEVELOPMENT AGENCY
 Net Assets by Component
 Last Five Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year				
	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 3,516	\$ 1,735	\$ 1,561	\$ 1,518	\$ 1,923
Restricted for housing	9,868	10,569	9,245	10,428	12,318
Unrestricted	<u>(2,932)</u>	<u>(8,538)</u>	<u>(9,150)</u>	<u>(9,036)</u>	<u>(8,763)</u>
Total governmental activities net assets	<u>\$ 10,452</u>	<u>\$ 3,766</u>	<u>\$ 1,656</u>	<u>\$ 2,910</u>	<u>\$ 5,478</u>

Source: RRA Comprehensive Annual Financial Report

REDDING REDEVELOPMENT AGENCY

Change in Net Assets
 Last Five Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

Expenses	Fiscal Year				
	2000-01	2001-02	2002-03	2003-04	2004-05
Governmental activities:					
General government	\$ 129	\$ 121	\$ 121	\$ 179	\$ 466
Public Safety	-	-	-	-	216
Public Works	2,811	6,256	2,827	6,423	2,245 ¹
Recreation and culture	-	5,437	2,899	1	3,875 ²
Community development	810	852	3,341	1,181	952
Pass throughs to other agencies	292	408	884	3,149 ⁵	4,088 ³
Interest and fiscal charges	1,314	1,844	1,731	1,985	2,001
Total governmental activities expenses	\$ 5,356	\$ 14,918	\$ 11,803	\$ 12,918	\$ 13,843
Program Revenues					
Governmental activities:					
Charges for services:					
Public works	-	-	1	-	40
Community development	212	10	52	-	1
Operating grants and contributions	140	-	-	4	740 ⁴
Capital grants and contributions	2,255	967	1,366	2,627	2,249
Total governmental activities program revenues	\$ 2,607	\$ 977	\$ 1,419	\$ 2,631	\$ 3,030
Net (expense) revenue	\$ (2,749)	\$ (13,941)	\$ (10,384)	\$ (10,287)	\$ (10,813)
General Revenue and Other Changes in Net Assets					
Governmental activities:					
Property taxes	5,699	6,251	7,277	10,462 ⁵	11,717
Investment earnings	1,567	1,143	985	1,028	1,304
Miscellaneous	8	1	12	19	45
Gain on sale of assets	-	-	-	32	237
Total governmental activities	\$ 7,274	\$ 7,395	\$ 8,274	\$ 11,541	\$ 13,303
Change in Net Assets	\$ 4,525	\$ (6,546)	\$ (2,110)	\$ 1,254	\$ 2,490

Source: RRA Comprehensive Annual Financial Report

¹ Decrease from the prior year due to decrease in infrastructure projects.

² Increases in FY 2004-05 are related to the new Shasta County Library for \$1.4 million and \$2 in parks projects.

³ As tax increment revenue increases, pass-through payments will increase since they are based on a percentage of tax increment revenue.

⁴ Increase in prior year due to the return of the unused portion of operating grants from the Community Development Block Grant Program.

⁵ In FY 2003-04 the Agency reported the pass-through payments and related tax increment to Shasta County and the Mosquito Abatement District for the first time since this was the first year these amounts were available.

REDDING REDEVELOPMENT AGENCY
Government Activities Tax Revenues by Source
Last Five Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>
2000-2001	5,699
2001-2002	6,251
2002-2003	7,277
2003-2004	10,462 ¹
2004-2005	11,718

Source: RRA Comprehensive Annual Financial Report

¹ In FY 2003-04 the Agency reported the pass-through payments and related tax increment to the County and the Mosquito Abatement District for the first time since this was the first year these amounts were available.

REDDING REDEVELOPMENT AGENCY
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Revenues										
Tax increment	\$ 3,714	\$ 3,900	\$ 4,319	\$ 4,709	\$ 4,946	\$ 5,591	\$ 6,320	\$ 7,244	\$ 10,433	\$ 11,720
Other use of money and property	15	18	2	40	70	91	10	55	30	88
Intergovernmental revenues	813	200	442	855	257	2,240	889	886	1,879	4,001
Investment revenue	1,280	1,467	1,265	1,194	1,331	1,511	1,080	918	837	1,205
Other revenue	-	-	968	53	174	275	14	265	125	80
Total revenues	5,822	5,585	6,996	6,851	6,778	9,708	8,313	9,368	13,304	17,094
Expenditures										
Current:										
Administrative	428	792	655	902	941	1,208	1,159	1,175	1,249	1,477
Professional services	60	44	18	25	15	96	22	14	11	14
Housing assistance	328	160	582	310	504	480	631	2,787	648	305
Pass throughs	22	-	130	210	341	294	418	896	3,149	4,088
Capital outlay:										
Project improvements	4,592	3,188	5,857	397	3,359	3,777	8,222	3,421	5,782	5,292
Real estate purchases	-	-	-	59	210	-	1,060	1,498	-	1,044
Equipment purchases	17	14	8	-	13	8	-	-	-	-
Debt service:										
Principal retirement	465	485	505	530	550	580	605	1,050	280	2,137
Interest and fiscal charges	1,390	1,365	1,365	1,345	1,315	1,322	1,350	1,739	1,866	1,942
Bond issuance costs	-	-	-	-	-	-	331	-	734	-
Total expenditures	7,302	6,048	9,120	3,778	7,248	7,765	13,798	12,580	13,719	16,299
Excess of revenues over (under) expenditures	(1,480)	(463)	(2,124)	3,073	(470)	1,943	(5,485)	(3,212)	(415)	795

REDDING REDEVELOPMENT AGENCY
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Other Financing Sources (Uses)										
Long-term debt issued	-	-	-	-	-	-	9,500	-	34,120 ⁴	1,141
Bond discount	-	-	-	-	-	-	(93)	-	(51) ⁴	-
Premium on bonds issued	-	-	-	-	-	-	-	-	76 ⁴	-
Payment to refunding bond escrow agent	-	-	-	-	-	-	-	-	(21,837) ⁴	-
Loss on sale of asset held for resale	-	-	-	-	-	-	-	-	-	(253)
Proceeds from sale of land	33	206	153	363	177	7	249	4	31	237
Transfers in	127	-	2,311	611	414	525	512	993	2,599	21,754 ²
Transfers out	(127)	-	(2,311)	(611)	(414)	(525)	(512)	(993)	(2,599)	(21,754) ²
Total other financing sources (uses)	33	206	153	363	177	7	9,656	4	12,339	1,125
Net change in fund balances	\$ (1,447)	\$ (257)	\$ (1,971)	\$ 3,436	\$ (293)	\$ 1,950	\$ 4,171	\$ (3,208)	\$ 11,924	\$ 1,920
Debt service as a percentage of noncapital expenditures	26%	33%	23%	52%	27%	31%	17%	23%	21%	27%
Debt service as a percentage of total expenditures	25%	31%	21%	50%	26%	24%	17%	22%	21%	25%
Capital outlay as a percentage of total expenditures	1%	9%	11%	4%	5%	21%	0%	3%	0%	6%

Source: RRA Comprehensive Annual Financial Report

¹ The increase in intergovernmental revenue is primarily related to grants for a wastewater detention basin project.

² The transfers in and out are primarily related to the transfer of bond proceeds.

³ In FY 2003-04 the Agency reported the pass-through payments and related tax increment to the County and the Mosquito Abatement District for the first time since this was the first year these amounts were available.

⁴ The Agency defeased debt and issued two new bond series in FY 2003-04.

REDDING REDEVELOPMENT AGENCY
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
All Governmental Funds	\$ 9,076	\$ 14,308	\$ 10,313	\$ 10,315	\$ 11,166	\$ 11,998	\$ 22,494	\$ 21,326	\$ 21,930	\$ 13,104
Reserved	1,454	2,378	3,054	3,179	3,279	3,791	3,240	2,310	3,066	13,667
Unreserved, reported in:	16,074	9,693	11,103	14,485	13,315	14,119	8,298	7,278	5,865	18,963
Special revenue funds	(996)	(1,028)	(1,091)	(1,164)	(1,237)	(1,321)	(1,414)	(1,504)	10,472	(2)
Capital projects funds	\$ 25,608	\$ 25,351	\$ 23,379	\$ 26,815	\$ 26,523	\$ 28,587	\$ 32,618	\$ 29,410	\$ 41,333	\$ 45,732
Debt service funds										
Total all governmental funds										

Source: RRA Comprehensive Annual Financial Report

¹ The changes from the prior period are due to the transfer of unspent bond proceeds.

REDDING REDEVELOPMENT AGENCY
Government Activities Tax Revenues by Source
Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>
1995-1996	\$ 3,714
1996-1997	3,900
1997-1998	4,319
1998-1999	4,709
1999-2000	4,946
2000-2001	5,591
2001-2002	6,320
2002-2003	7,244
2003-2004	10,433 ¹
2004-2005	11,720

Source: RRA Comprehensive Annual Financial Report

¹ In FY 2003-04 the Agency reported the pass-through payments and related tax increment to the County and the Mosquito Abatement District for the first time since this was the first year these amounts were available.

REDDING REDEVELOPMENT AGENCY
 Assessed Value of Taxable Property
 Last Ten Fiscal Years
 (in thousands of dollars)

Fiscal Year Ended June 30	Secured Roll	Unsecured Roll	Total Assessed Value	Total Direct Tax Rate
1996	\$ 836,198	\$ 98,093	\$ 934,291	1.00%
1997	867,770	101,890	969,660	1.00%
1998	992,392	102,654	1,095,046	1.00%
1999	1,033,602	140,797	1,174,399	1.00%
2000	1,071,866	149,522	1,221,388	1.00%
2001	1,120,131	157,029	1,277,160	1.00%
2002	1,235,183	183,173	1,418,356	1.00%
2003	1,340,190	197,482	1,537,672	1.00%
2004	1,450,942	206,606	1,657,548	1.00%
2005	1,546,176	207,966	1,754,142	1.00%

Note: The estimated actual value of property is not available in California. Property is assessed primarily when sold. The assessed value is then increased by a maximum of 2% per year. Under California Proposition 13 the basic tax rate is 1% without overrides. However, the Redevelopment portion is based on the incremental value which is 1% of the difference between the current year and base year assessed values.

Source: Shasta County Auditor-Controller

REDDING REDEVELOPMENT AGENCY
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy		Current Tax Collections		Current Supplemental Tax Collections		Percent of Current/ Supplemental Taxes Collected		Delinquent Tax Collections		Total Tax Collections		Ratio of Total Tax Collections to Total Tax Levy		Ratio of Outstanding Delinquent Taxes to Total Tax Levy		
	\$		\$		\$		%		\$		\$		%		\$		
1995-1996	4,728,706		4,495,649		51,158		96.15%		190,489		4,737,296		100.18%		585,311		12.38%
1996-1997	5,078,468		4,790,676		119,156		96.68		221,290		5,131,122		101.04		386,666		7.61
1997-1998	5,401,690		5,337,208		115,356		100.94		264,841		5,717,405		105.84		406,774		7.53
1998-1999	5,850,512		5,523,842		310,258		99.72		253,826		6,087,926		104.06		419,477		7.17
1999-2000	6,321,475		6,088,902		110,896		98.08		247,526		6,447,324		101.99		559,295		8.85
2000-2001	6,872,915		6,532,003		205,196		98.03		339,247		7,076,446		102.96		752,385		10.95
2001-2002	7,639,848		7,326,336		408,383		101.24		333,054		8,067,773		105.60		742,132		9.71
2002-2003	8,842,574		8,476,907		483,846		101.34		301,269		9,262,022		104.74		802,831		9.08
2003-2004	10,045,223		9,795,101		586,449		103.35		182,358		10,563,908		105.16		707,649		7.04
2004-2005	11,029,565		10,736,094		612,398		102.89		197,447		11,545,939		104.68		886,737		8.04

Note: Basis for property tax rates is per \$100 assessed valuation. The above amounts reflect the Agency as a whole. The actual amounts of tax increment revenue passed through to Shasta County & the Mosquito Abatement District were not available until FY 2003-04. In the years prior to FY 2003-04 the estimated pass-through amounts were allocated to Current, Supplemental & Delinquent Tax Collections as a percent of the actual Current, Supplemental & Delinquent Tax Collections remitted to the Agency. Shasta County does not report to the Agency the year to which the delinquent collections are related.

Source: Shasta County Auditor-Controller records
Redding Redevelopment Agency

REDDING REDEVELOPMENT AGENCY
Assessed Valuations of the Project Areas
Inception to Date

Canby-Hilltop-Cypress Project	Assessed Valuation		Percent Increase (Decrease)	
	Total	Over Base Year	Over Base Year	Over Previous Year
1984-1985	\$ 191,128,630	\$ 59,231,120	44.9%	- %
1985-1986	223,390,670	91,493,160	69.4	16.9
1986-1987	260,902,485	129,004,975	97.8	16.8
1987-1988	279,164,832	147,267,322	111.7	7.0
1988-1989	292,948,900	161,051,390	122.1	4.9
1989-1990	317,073,862	182,627,522	135.8	8.2
1990-1991	366,413,718	231,967,378	172.5	15.6
1991-1992	389,975,355	258,927,455	197.6	6.4
1992-1993	431,629,020	300,581,120	229.4	10.7
1993-1994	460,276,275	329,228,375	251.2	6.6
1994-1995	469,795,902	338,748,002	258.5	2.1
1995-1996	484,774,503	353,726,603	269.9	3.2
1996-1997	506,021,159	374,973,259	286.1	4.4
1997-1998	520,598,234	389,550,334	297.3	2.9
1998-1999	543,713,166	412,665,266	314.9	4.4
1999-2000	563,222,318	432,174,418	329.8	3.6
2000-2001	593,131,351	462,083,451	352.6	5.3
2001-2002	621,633,792	490,585,892	374.4	4.8
2002-2003	676,300,328	545,252,428	416.1	8.8
2003-2004	723,259,018	592,216,808	451.9	6.9
2004-2005	753,827,943	622,785,733	475.3	4.2
<hr/>				
Base Year 1980-81				
Original amount	134,446,340			
Current amount	131,042,210			

Note: Base year valuation changes as properties are placed into public ownership.
Amended by passage of AB454, established an adjusted base year assessed value by
County Assessor for 1991-92.

Source: Shasta County Auditor-Controller

REDDING REDEVELOPMENT AGENCY
Assessed Valuations of the Project Areas
Inception to Date (Continued)

Canby-Hilltop-Cypress Amendment #1	Assessed Valuation		Percent Increase (Decrease)	
	Total	Over Base Year	Over Base Year	Over Previous Year
1991-1992	\$ 62,549,271	\$ 14,006,857	28.9%	- %
1992-1993	69,136,799	20,594,385	42.4	10.5
1993-1994	75,514,477	26,972,063	55.6	9.2
1994-1995	78,958,994	30,416,580	62.7	4.6
1995-1996	77,735,509	29,193,095	60.1	(1.5)
1996-1997	81,876,625	33,334,211	68.7	5.3
1997-1998	82,150,413	33,607,999	69.2	0.3
1998-1999	83,906,739	35,364,325	72.9	2.1
1999-2000	86,362,665	37,820,251	77.9	2.9
2000-2001	89,279,973	40,737,559	83.9	3.4
2001-2002	92,543,521	44,001,107	90.6	3.7
2002-2003	97,071,226	48,528,812	100.0	4.9
2003-2004	104,856,273	56,313,859	116.0	8.0
2004-2005	117,208,594	68,666,180	141.5	11.8
<hr/>				
Base Year 1989-90				
Original amount	48,542,414			

Source: Shasta County Auditor-Controller

REDDING REDEVELOPMENT AGENCY
Assessed Valuations of the Project Areas
Inception to Date (Continued)

Midtown Project	Assessed Valuation		Percent Increase (Decrease)	
	Total	Over Base Year	Over Base Year	Over Previous Year
1980-1981	\$ 8,464,660	\$ 3,380,760	66.5%	- %
1981-1982	9,712,090	3,628,190	59.6	14.7
1982-1983	9,362,640	4,278,740	84.2	(3.6)
1983-1984	9,590,900	4,507,000	88.7	2.4
1984-1985	9,571,440	4,487,540	88.3	(0.2)
1985-1986	9,397,430	4,313,530	84.8	(1.8)
1986-1987	9,118,420	4,034,520	79.4	(3.0)
1987-1988	9,475,329	4,391,429	86.4	3.9
1988-1989	9,045,794	3,961,894	77.9	(4.5)
1989-1990	9,185,720	4,101,820	80.7	1.5
1990-1991	9,246,015	4,162,115	81.9	0.7
1991-1992	9,437,049	4,353,149	85.6	2.1
1992-1993	11,089,143	6,005,243	118.1	17.5
1993-1994	10,884,196	5,800,296	114.1	(1.8)
1994-1995	10,888,037	5,804,137	114.2	0.0
1995-1996	10,792,442	5,708,542	112.3	(0.9)
1996-1997	9,801,189	4,717,289	92.8	(9.2)
1997-1998	8,581,616	3,497,716	68.8	(12.4)
1998-1999	8,087,206	3,003,306	59.1	(5.8)
1999-2000	7,428,884	2,344,984	46.1	(8.1)
2000-2001	7,139,498	2,055,598	40.4	(3.9)
2001-2002	7,092,358	2,008,458	39.5	(0.7)
2002-2003	7,595,114	2,511,214	49.4	7.1
2003-2004	6,643,014	1,559,114	30.7	(12.5)
2004-2005	5,742,302	2,067,242	56.3	(13.6)
Base Year 1973-74				
Original amount	5,083,900			
Current amount	3,675,060			

Note: Base year valuation changes as properties are placed into public ownership.

Source: Shasta County Auditor-Controller

REDDING REDEVELOPMENT AGENCY
Assessed Valuations of the Project Areas
Inception to Date (Continued)

Market Street (Expanded Project)	Assessed Valuation		Percent Increase (Decrease)	
	Total	Over Base Year	Over Base Year	Over Previous Year
1991-1992	\$ 314,140,593	\$ 29,944,525	10.5%	- %
1992-1993	323,147,205	38,951,137	13.7	2.9
1993-1994	351,341,077	67,145,009	23.6	8.7
1994-1995	353,182,209	68,986,141	24.3	0.5
1995-1996	360,988,158	76,792,090	27.0	2.2
1996-1997	371,960,947	87,764,879	30.9	3.0
1997-1998	385,086,690	102,836,626	36.2	3.5
1998-1999	395,121,470	112,871,406	39.7	2.6
1999-2000	403,798,267	121,548,203	42.8	2.2
2000-2001	421,624,890	139,374,826	49.0	4.4
2001-2002	449,083,797	166,833,733	58.7	6.5
2002-2003	483,102,243	201,233,625	70.8	7.6
2003-2004	520,131,134	239,037,046	84.1	7.7
2004-2005	544,985,614	264,335,590	93.0	4.8
<hr/>				
Base Year 1989-90				
Original amount	284,196,068			
Current amount	280,650,024			

Note: Base year valuation changes as properties are placed into public ownership.

Source: Shasta County Auditor-Controller

REDDING REDEVELOPMENT AGENCY
 Assessed Valuations of the Project Areas
 Inception to Date (Continued)

SHASTEC Project	Assessed Valuation		Percent Increase (Decrease)	
	Total	Over Base Year	Over Base Year	Over Previous Year
1997-1998	\$ 98,629,815	* \$ 4,426,904	4.7%	- %
1998-1999	143,570,454	14,821,562	11.5	45.6
1999-2000	160,575,574	31,826,682	24.7	11.8
2000-2001	165,984,163	37,235,271	28.9	3.4
2001-2002	181,847,501	53,080,929	41.2	9.6
2002-2003	204,356,530	75,618,029	58.7	12.4
2003-2004	227,246,322	98,523,060	76.5	11.2
2004-2005	249,494,215	120,855,953	94.0	9.8
Base Year 1995-96				
Original amount	128,748,892			
Current amount	128,638,262			

Note: Base year valuation changes as properties are placed into public ownership.

Source: Shasta County Auditor-Controller

* Does not include unsecured taxes. Only secured tax increment is received in the initial year of the project area.

REDDING REDEVELOPMENT AGENCY
 Assessed Valuations of the Project Areas
 Inception to Date (Continued)

Buckeye Project	Assessed Valuation		Percent Increase (Decrease)	
	Total	Over Base Year	Over Base Year	Over Previous Year
2001-2002	\$ 66,155,557 *	\$ 2,116,557 *	4.7%	- %
2002-2003	69,246,778	5,207,778	8.1	4.7
2003-2004	75,411,879	11,372,879	17.8	8.9
2004-2005	82,883,490	18,844,490	29.4	9.9
Base Year 1999-2000				
Original amount	64,039,000			

Source: Shasta County Auditor-Controller

* Does not include unsecured taxes. Only secured tax increment is received in the initial year of the project area.

REDDING REDEVELOPMENT AGENCY
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (rate per \$100 of assessed value)

Fiscal Year	Basic County, City, School Levy	Overlapping Rates			Total Direct & Overlapping Rate
		School Districts	Bella Vista Water District	Community Services District	
1995-1996	\$ 1.0000	\$ 0.2097	\$ 0.3483	\$ 0.0373	\$ 1.5953
1996-1997	1.0000	0.3930	0.3368	0.1348	1.8646
1997-1998	1.0000	0.4722	0.3698	0.0104	1.8524
1998-1999	1.0000	0.3728	0.3613	-	1.7341
1999-2000	1.0000	0.5187	0.3423	-	1.8610
2000-2001	1.0000	0.5187	0.3584	-	1.8771
2001-2002	1.0000	0.4997	0.3634	-	1.8631
2002-2003	1.0000	0.4907	0.3631	-	1.8538
2003-2004	1.0000	0.4761	0.3360	-	1.8121
2004-2005	1.0000	0.4398	0.3472	-	1.7870

Source: Shasta County Auditor-Controller's records
 Shast County Tax Rate Schedule

Note: The above amounts reflect the Agency as a whole.

Overlapping rates are those of local and county governments that apply to property owners within the Redding Redevelopment Agency project areas. Not all overlapping rates apply to all the property owners in the RRA project areas; for example, rates for special districts apply only to the proportion of the RRA's property owners whose property is located within the geographic boundaries of the special district.

REDDING REDEVELOPMENT AGENCY
Principal Property Tax Payers
Fiscal Year 2004-05 and 1995-96

Taxpayer	2004-05			1995-96		
	Taxable Assessed Value	Rank	Percentage of Total RRA Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total RRA Taxable Assessed Value
National Medical Enterprises Hospital, Inc.	\$ 74,174,444	1	4.23%	\$ 44,427,957	1	4.76%
Mt. Shasta Mall Associates	29,472,895	2	1.68%			
Safeway Stores, Inc.	26,968,999	3	1.54%			
Shasta Enterprises	18,322,102	4	1.04%	18,541,342	4	1.98%
WRI Golden State LLC	14,254,631	5	0.81%			
Macys West	12,740,127	6	0.73%			
Dewey, Robert W.	11,806,794	7	0.67%			
Meyer Motels, Ltd.	10,896,881	5	0.62%	13,438,418	5	1.44%
Chatsworth Products, Inc.	10,704,849	9	0.61%			
HD Development of Maryland, Inc.	9,835,642	10	0.56%			
Leah F. McConnell 1992 Trust				26,697,554	2	2.86%
James J. Cordano Co., et al				19,897,666	3	2.13%
Vicovich, John T., et al.				11,953,980	6	1.28%
Wal-Mart				10,999,650	7	1.18%
Red Lion Motels, Inc.				10,334,026	8	1.11%
Western Investment Real Estate Trust				9,333,456	9	1.00%
Frances W. Kutras				8,954,971	10	0.96%
Total	\$ 219,177,364		12.49%	\$ 174,579,020		18.70%

Source: Redding Redevelopment Agency

REDDING REDEVELOPMENT AGENCY
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year Ended June 30	Governmental Activities			Percentage of Assessed Property Value ¹	Percentage of Personal Income ³	Per Capita
	Tax Allocation Bonds	Lease Revenue Bonds	Total Bonds			
1996	\$ 24,765	\$ 435	\$ 25,200	2.70%	1.65%	\$ 329
1997	24,330	385	24,715	2.55%	1.55%	320
1998	23,880	330	24,210	2.21%	1.44%	310
1999	23,410	270	23,680	2.02%	1.35%	301
2000	22,920	210	23,130	1.89%	1.25%	291
2001	22,405	145	22,550	1.77%	1.12%	273
2002	31,370	75	31,445	2.22%	1.58%	407
2003	30,395	-	30,395	1.98%	1.38%	355
2004	42,925	-	42,925	2.59%	1.88%	492
2005	41,425	-	41,425	2.36%	1.76%	468

Source: RRA Comprehensive Annual Financial Report

Note:

- ¹ Details regarding the Agency's outstanding debt can be found in Note 12 in the notes to the financial statements.
- ² Actual taxable value of property is not available in the State of California.
- ³ See the Schedule of Demographic and Economic Statistics on page 97 for personal income and population data.

REDDING REDEVELOPMENT AGENCY
Direct and Overlapping Governmental Activities Debt
As of June 30, 2005

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (4)</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping debt:			
City of Redding (1):			
City of Redding 1915 Act Bonds	\$ 7,512,590	100.000% ^a	\$ 7,512,590
Shasta County Schools (2):			
Anderson Union High School District	6,870,000	5.706%	392,002
Columbia School District	4,655,000	8.850%	411,968
Enterprise School District	19,685,000	40.984%	8,067,700
Gateway Unified School District	21,694,968	13.358%	2,898,014
Junction School District	1,546,827	11.958%	184,970
Redding School District	21,905,000	25.684%	5,626,080
Shasta College	9,800,000	16.586%	1,625,428
Shasta Union High School District	30,088,052	21.873%	6,581,160
Shasta Joint Powers Financing Authority (2)	<u>58,260,000</u>	16.531%	<u>9,630,961</u>
Subtotal, overlapping debt	<u>182,017,437</u>		<u>42,930,873</u>
Direct debt			
Redding Redevelopment Agency (3)	<u>41,425,000</u>	100.000%	<u>41,425,000</u>
Total direct and overlapping debt	<u><u>\$ 223,442,437</u></u>		<u><u>\$ 84,355,873</u></u>

- Source: (1) City of Redding
(2) Shasta County Auditor-Controller's Office
(3) Redding Redevelopment Agency
(4) Percentages calculated using the Shasta County valuations by taxing district for fiscal year 2004-05.

^a The City of Redding's percentage was used as the Redding Redevelopment Agency's percentage is not available.

REDDING REDEVELOPMENT AGENCY
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Project Area	Fiscal Year										
	1995-96	1996-97	1997-98	1998-99	2000-01	2001-02	2001-02	2001-02	2002-03	2003-04	2004-05
Canby-Hilltop-Cypress											
Debt limit	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Total net debt applicable to limit	18,231	17,322	18,707	18,355	17,803	17,375	26,399	25,380	35,531	34,168	34,168
Legal debt margin	\$ 81,769	\$ 82,678	\$ 81,293	\$ 81,645	\$ 82,197	\$ 82,625	\$ 73,601	\$ 74,620	\$ 64,469	\$ 65,832	\$ 65,832
Total net debt applicable to the limit as a percentage of debt limit	18.23%	17.32%	18.71%	18.36%	17.80%	17.38%	26.40%	25.38%	35.53%	34.17%	34.17%

Note: The Canby-Hilltop-Cypress Development Plan caps the bond debt limit to \$100,000,000 at any one time.

Legal Debt Margin Calculation for Fiscal Year 2004-05

Debt limit	\$ 100,000
Debt applicable to limit:	
Tax allocation bonds	36,410
Less: Amount set aside for repayment of debt	(2,242)
Total net debt applicable to limit	34,168
Legal debt margin	\$ 65,832

Project Area	Fiscal Year										
	1995-96	1996-97	1997-98	1998-99	2000-01	2001-02	2001-02	2001-02	2002-03	2003-04	2004-05
Market Street											
Debt limit	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Total net debt applicable to limit	2,062	2,033	1,999	1,963	1,939	1,890	1,857	1,814	4,766	4,594	4,594
Legal debt margin	\$ 97,938	\$ 97,967	\$ 98,001	\$ 98,037	\$ 98,061	\$ 98,110	\$ 98,143	\$ 98,186	\$ 95,234	\$ 95,406	\$ 95,406
Total net debt applicable to the limit as a percentage of debt limit	2.06%	2.03%	2.00%	1.96%	1.94%	1.89%	1.86%	1.81%	4.77%	4.59%	4.59%

Note: The Market Street Development Plan caps the bond debt limit to \$100,000,000 at any one time.

Legal Debt Margin Calculation for Fiscal Year 2004-05

Debt limit	\$ 100,000
Debt applicable to limit:	
Tax allocation bonds	5,015
Less: Amount set aside for repayment of debt	(421)
Total net debt applicable to limit	4,594
Legal debt margin	\$ 95,406

REDDING REDEVELOPMENT AGENCY
Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year Ended June 30	Tax Allocation Bonds - Market Street Project Area				Lease Revenue Bonds - Midtown Project Area			
	Property Taxes	Pass Throughs & Housing Set Aside	Net Available Revenue	Less:	Property Taxes	Debt Service	Debt Service	Coverage
	1	2	3	4	5	6	7	8
1996	\$ 781	\$ 260	\$ 521	\$ 152	\$ 62	\$ 50	\$ 30	2.95
1997	892	444	448	150	64	50	26	2.49
1998	1,146	543	603	148	41	55	23	3.39
1999	1,183	599	584	146	35	60	20	3.23
2000	1,221	709	512	143	28	60	16	2.87
2001	1,460	703	757	141	23	65	13	4.19
2002	1,801	1,100	701	138	24	70	9	3.94
2003	2,115	1,446	669	135	29	75	5	3.71
2004	2,515	1,404	1,111	190	-	-	-	5.85
2005	2,781	1,862	919	243	-	-	-	2.23

Fiscal Year	Tax Allocation Bonds - Canby-Hilltop-Cypress Project Area				Housing Set Aside Tax Allocation Bonds Canby-Hilltop-Cypress Project Area			
	Property Taxes	Pass Throughs & Housing Set Aside	Net Available Revenue	Less:	Property Taxes	Debt Service	Debt Service	Coverage
	1	2	3	4	5	6	7	8
1996	\$ 3,974	\$ 1,807	\$ 2,167	\$ 1,155	\$ -	\$ -	\$ -	1.40
1997	4,171	1,909	2,262	1,141	-	-	-	1.46
1998	4,384	1,995	2,389	1,125	-	-	-	1.55
1999	4,702	2,158	2,544	1,108	-	-	-	1.65
2000	4,805	2,249	2,556	1,089	-	-	-	1.66
2001	5,253	2,461	2,792	1,069	-	-	-	1.81
2002	5,664	2,572	3,092	1,048	-	-	-	2.00
2003	6,203	3,052	3,151	1,024	1,152	415	505	2.05
2004	6,665	3,385	3,280	1,103	1,255	280	495	2.97
2005	7,304	3,958	3,346	1,180	1,333	290	483	1.51

Source: RRA Comprehensive Annual Financial Report

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

¹ Included in fiscal years ending 1996 through 2003 is the estimated property taxes collected for Shasta County and the Mosquito Abatement District.

² Included in fiscal years ending 1996 through 2003 is the estimated pass throughs to Shasta County and the Mosquito Abatement District.

³ The Midtown Lease Revenue Bonds were paid off in FY 2002-03.

⁴ The CHC Housing Set Aside Tax Allocation Bonds were issued in FY 2001-02.

REDDING REDEVELOPMENT AGENCY
Principal Non-governmental Employers in the Greater Redding Metropolitan Area
Fiscal Year 2004-05 and 1995-96

<u>Employer</u>	<u>2004-05</u>			<u>1995-96</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Area Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Area Employment</u>
Mercy Medical Center	1,562	1	1.86%	1,048	2	1.45%
Holiday Markets	1,050	2	1.25%	325	6	
Shasta Regional Medical Center	850	3	1.01%			
Sierra Pacific Industries	690	4	0.82%			
Redding Rancheria	612	5	0.73%	385	4	
Blue Shield of California	600	6	0.71%			
J & A Food Service	600	7	0.71%			
Shasta Nursery	600	8	0.71%			
Wal Mart	456	9	0.54%			
Pacific Gas and Electric	275	10	0.33%	250	8	0.35%
Redding Medical Center				1,059	1	1.46%
Simpson Paper Company				667	3	0.92%
Shasta Community College				344	5	0.48%
United States Post Office				300	7	0.41%
Pacific Bell				247	9	0.34%
Meyer Motels				240	10	0.33%
Total	7,295		8.67%	4,865		5.74%

Source: Greater Redding Chamber of Commerce

REDDING REDEVELOPMENT AGENCY
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
1995-96	76,690	\$ 1,529,429	\$ 19,943	12,999	9.6%
1996-97	77,353	1,589,682	20,551	13,734	8.9%
1997-98	78,084	1,681,539	21,535	14,224	9.2%
1998-99	78,675	1,760,353	22,375	14,640	7.0%
1999-2000	79,593	1,854,915	23,305	14,266	5.8%
2000-01	82,543	2,017,599	24,443	14,928	5.7%
2001-02	84,560	2,171,585	25,681	14,934	6.8%
2002-03	85,703	2,202,567	25,700	14,595	7.4%
2003-04	87,280	2,283,332	26,161	14,477	7.3%
2004-05	88,459	2,355,663	26,630	14,530	6.5%

Source: (1) State of California
(2) Bureau of Economic Analysis, U.S. Department of Commerce
(3) Redding School Districts
(4) State of California Employment Development Department

Note: Per capita personal income is based on the calendar year information ending during that fiscal year. FY 2004-05 is an estimate.

REDDING REDEVELOPMENT AGENCY
 Size by Redevelopment Project Area
 Last Ten Fiscal Years

Fiscal Year	Redding Redevelopment Agency - Square Miles (1)				City of Redding
	Market Street	Canby Hilltop Cypress	SHASTECC	Buckeye	Square Miles (2)
1995-1996	4.05	3.20	-	-	60.00
1996-1997	4.05	3.20	6.42	-	60.00
1997-1998	4.05	3.20	6.42	-	60.00
1998-1999	4.05	3.20	6.42	-	60.00
1999-2000	4.05	3.20	6.42	-	60.00
2000-2001	4.05	3.20	6.42	1.67	60.00
2001-2002	4.05	3.20	6.42	1.67	60.00
2002-2003	4.05	3.20	6.42	1.67	59.76
2003-2004	4.05	3.20	6.42	1.67	59.76
2004-2005	4.05	3.20	6.42	1.67	59.76

Source: (1) Redding Redevelopment Agency
 (2) City of Redding Development Services Department

REDDING REDEVELOPMENT AGENCY
Operating Indicators by Function
Last Five Fiscal Years

<u>Function</u>	<u>Fiscal Year</u>				
	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
Public safety					
Projects under construction	-	-	-	-	1
Public works					
Projects under construction	10	13	9	11	18
Recreation and culture					
Projects under construction	4	6	5	3	5
Community development					
New construction					
Commerical/public buildings (square footage)	135,000	34,000	53,000	119,681	-
Restoration/rehabilitation					
Commerical/public buildings (square footage)	-	-	-	21,288	-
Business façade improvements	1	2	4	6	13
Jobs created	100	35	206	295	8
Housing:					
New construction (square footage)	51,100	88,000	-	45,942	47,407
Restoration/rehabilitation (square footage)	24,700	9,200	42,000	4,900	2,969
Households assisted	103	155	305	172	81

Source: Redding Redevelopment Agency

Note: Indicators are not available for the general government function.

REDDING REDEVELOPMENT AGENCY
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year										
	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2001-02</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
General government											
Mall structure	1	1	1	1	1	1	1	1	1	1	1
Public works											
Parcels of land for future development	11	11	11	11	12	12	10	11	11	11	12
Community development											
Parcels of land for future development	7	7	7	7	7	7	7	5	5	5	5
Building - future site of community theater	-	-	-	-	-	-	-	-	-	-	1

Source: Redding Redevelopment Agency

OTHER SUPPLEMENTAL INFORMATION



Hathaway &
Ksenzulak, LLP
Certified Public
Accountants

1681 East
Cypress Avenue
Redding, California
96002

530.222.2898
Fax 530.222.2980

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Redding Redevelopment Agency, a component unit of the City of Redding, California, as of and for the year ended June 30, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether Redding Redevelopment Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Redding Redevelopment Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hathaway & Ksenzulak, LLP
November 28, 2005