

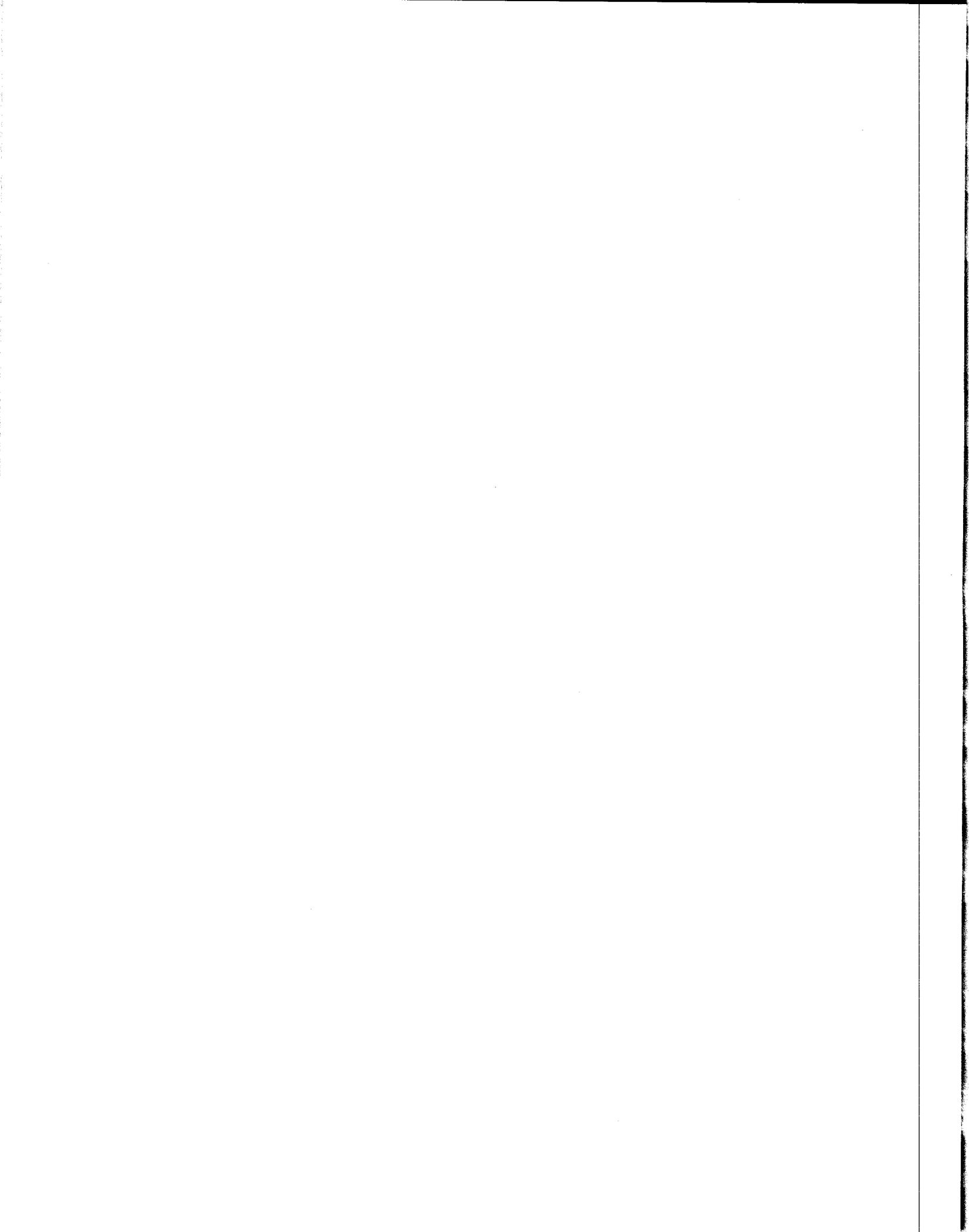
**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT
for the
REDDING REDEVELOPMENT AGENCY
(A Component Unit of the City of Redding)**

Redding, California

FISCAL YEAR ENDED JUNE 30, 2006

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, 2006

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	3
GFOA Certificate of Achievement	10
Organizational Chart	11
List of Officials	12
 FINANCIAL SECTION	
Independent Auditor's Report	14
Management's Discussion and Analysis	16
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	28
Statement of Activities	29
Fund Financial Statements:	
Balance Sheet - Governmental Funds	32
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets	35
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities ...	38
Notes to the Financial Statements	40
Required Supplementary Information:	
Budgetary Comparison Schedules:	
Canby-Hilltop-Cypress Special Revenue Fund	61
Market Street Special Revenue Fund	62
Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	68
Budgetary Comparison Schedules:	
Canby-Hilltop-Cypress Debt Service Fund	70
Market Street Capital Project Fund	71
Canby-Hilltop-Cypress Capital Project Fund	72
SHASTECCapital Project Fund	73
SHASTECSpecial Revenue Fund	74

	Page
Buckeye Special Revenue Fund	75
Midtown Debt Service Fund	76
Market Street Debt Service Fund	77
Buckeye Capital Project Fund	78

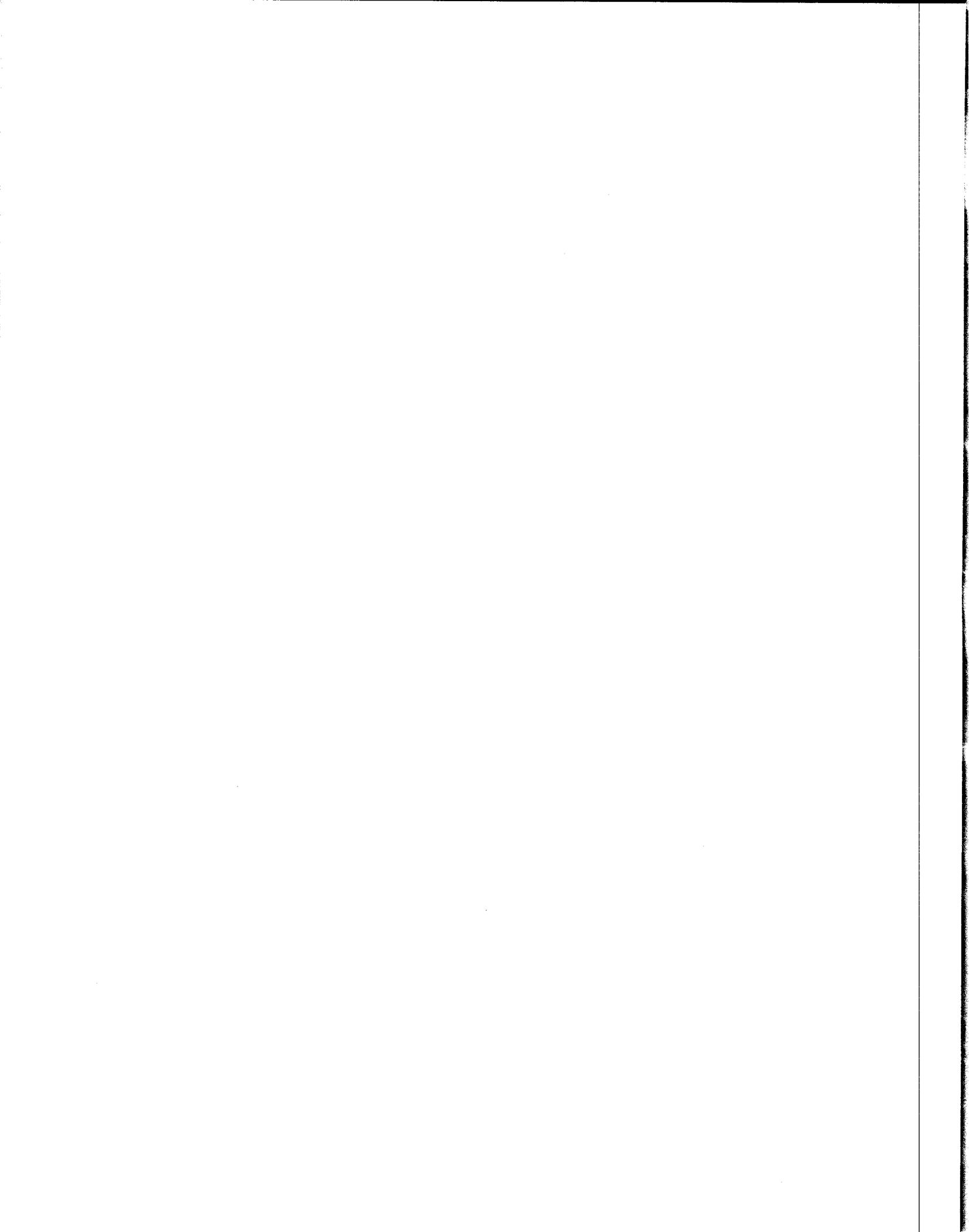
STATISTICAL SECTION

Net Assets by Component - Last Six Fiscal Years	81
Change in Net Assets - Last Six Fiscal Years	82
Tax Revenues by Source - Accrual Basis - Last Six Fiscal Years	83
Change in Fund Balances, Governmental Funds - Last Ten Fiscal Years	84
Fund Balances, Governmental Funds - Last Ten Fiscal Years	86
Tax Revenues by Source - Modified Accrual Basis - Last Ten Fiscal Years	87
Assessed Value of Taxable Property - Last Ten Fiscal Years	88
Property Tax Levies and Collections - Last Two Fiscal Years	89
Assessed Valuations of the Project Areas - Last Ten Fiscal Years	90
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	96
Principal Property Tax Payers	97
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	98
Direct and Overlapping Governmental Activities Debt	99
Legal Debt Margin Information - Last Ten Fiscal Years	100
Pledged-Revenue Coverage - Last Ten Fiscal Years	101
Principal Employers in the City of Redding	102
Demographic and Economic Statistics - Last Ten Fiscal Years	103
Size by Redevelopment Project Area - Last Ten Fiscal Years	104
Operating Indicators by Function - Last Six Fiscal Years	105
Capital Asset Statistics by Function - Last Ten Fiscal Years	106

OTHER SUPPLEMENTAL INFORMATION

Independent Auditor's Report on Compliance and on Internal Control	108
--	-----

INTRODUCTORY SECTION



Redding Redevelopment Agency

December 1, 2006

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, 2006.

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.

Caporicci and Larson, 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, 2006. 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 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 and/or funds, however, require the special approval of the Board of Directors.

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 89,973 has increased 11.3% 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 2006:

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
2006	89,973	1.71	181,368	1.78

Source: 1970-2000 data from U.S. Census; 2001-06 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 16.7%. 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 2006:

<u>Region</u>	<u>Single Family Homes</u>
Redding	\$320,000
Sacramento	384,240
Los Angeles	580,140
Orange County	725,190
San Francisco	760,930

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 employers in the City of Redding and the approximate number of their respective full time employees can be found in the statistical section on page 102.

According to the State Employment Development Department, the unemployment rate of the City's metropolitan area was 6.3% on June 30, 2006. 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 2006:

<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	9.2%
1999	73,100	5,100	7.0%
2000	75,700	4,400	5.8%
2001	77,200	4,400	5.7%
2002	82,400	5,600	6.7%
2003	83,900	6,200	7.4%
2004	83,800	6,200	7.4%
2005	82,500	5,700	6.9%
2006	82,200	5,200	6.3%

Source: State Department of Employment Development

Construction activity. For the past ten calendar years ending December 2005, the City issued building permits valued at a total of \$1,349,059,156. New construction over the ten-year period represents 74% of the total construction activity. For the 2005 calendar year 4,645 building permits were issued with a total permit valuation of \$222,735,090. The City of Redding is experiencing moderate growth at this time. Current trends indicate that the City of Redding's construction activity will decline in the upcoming year.

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>2003</u>	<u>2004</u>	<u>2005</u>
Value/single family *	\$85,405,901	\$73,217,109	\$120,544,146
Number of permits	471	383	720
Value - multi dwellings *	\$7,852,015	\$11,364,890	\$14,892,727
Number of permits	7	6	30
Number of units	129	225	216
Value - business *	\$25,138,672	\$20,032,702	\$32,379,315
Number of permits	74	70	68
Value - Total all permits	\$183,513,594	\$156,729,228	\$222,735,090
Total permits**	4,242	4,073	4,645

* 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 181,000 in the primary trade area and approximately 250,000 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 \$2,046,597,100 in calendar year 2005, a 7.8% increase over the same period for 2004.

<u>Year</u>	<u>Taxable Transactions (In Thousands)</u>	<u>Taxable Transactions Percentage Increase(Decrease)</u>
1997	1,165,153	4.2
1998	1,198,000	2.8
1999	1,327,370	10.8
2000	1,453,052	9.5
2001	1,561,842	7.5
2002	1,652,064	5.8
2003	1,748,793	5.9
2004	1,898,286	8.5
2005	2,046,597	7.8

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 65,000 for fiscal year 2005-06.

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 AT&T.

Community Services. Youth in the area attend school at one of 29 elementary schools, 13 middle schools, and 14 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 585 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 9 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 increased in amount by over \$500,000 while decreasing in percentage of total revenue (a ten-year decrease of 12 percent). The reason for this decline is that tax increment revenue, which is the largest single revenue, has continued to grow (a ten-year increase of 8 percent) which increases total revenue, whereas investment income has not grown as significantly making it a smaller percentage of total revenue.

Long-term financial planning

A five-year implementation plan has been adopted for the SHASTECC Project Area. Incorporated into the plan are capital projects totaling \$25 million for infrastructure improvements to the Stillwater Business Park. It is anticipated that approximately \$10 million of the capital improvements will be from Redevelopment funds, subject to a bond issue and a plan amendment to add certain properties to the SHASTECC Project Area.

Relevant financial policies

NME, formerly the owner of Redding Medical Center, is appealing four years of assessed valuations from the year 2000 through the year 2003. If the appeal is upheld, the impact to the South Market Street Project could be a gross loss of \$230,000 in tax increment revenue, resulting in a net loss of about \$138,000. This would be a one-time loss in fiscal year 2006-07 with no impact on future revenues.

Major initiatives

There are currently three major transportation-related projects. The first 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 \$7 million. The project is anticipated to be constructed by the fall 2007. The second project is the widening of Hilltop Drive crossing over Highway 44. The bridge widening is in the design phase. Its purpose is to improve capacity and to provide access to Highway 44 and Downtown Redding. The engineer's estimate for the project is \$3.5 million, which will be paid by a combination of funds from the Agency and the State Transportation Improvement Program. Construction should begin in May 2007 and be completed in the fall. The third project

is the Hilltop Drive Streetscape Project. An underground utility district and a business improvement district have been formed for the revitalization of Hilltop Drive between Cypress Avenue and the I-5 off-ramp leading into the City's primary hotel and business district. The undergrounding of utilities and the construction of street enhancements will take approximately three years at a total estimated cost of \$5 million. The Agency has committed up to \$2 million for the street improvements with matching funds coming from the business improvement district. The undergrounding of utilities is the responsibility of the City's electric utility.

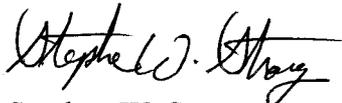
Awards and Acknowledgments

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, 2005. 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, 2005

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



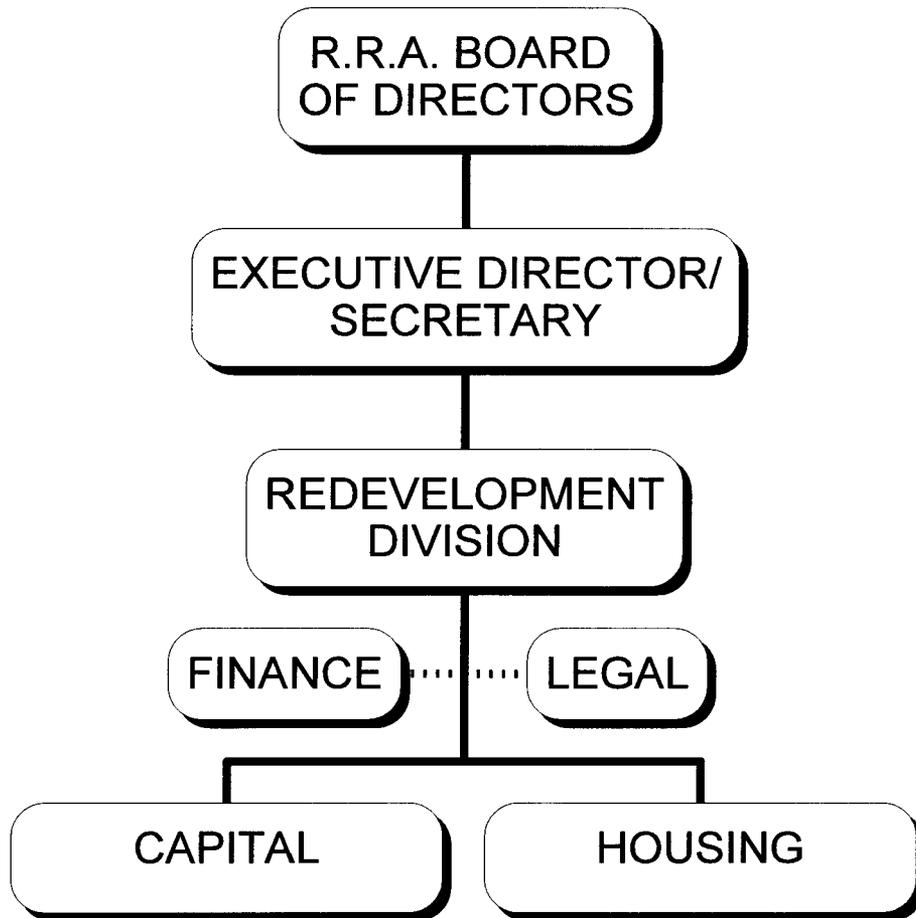
Carla E. Perry

President

Jeffrey R. Emer

Executive Director

Redding Redevelopment Agency Organizational Chart



REDDING REDEVELOPMENT AGENCY

Listing of Elected and Appointed Officials
June 30, 2006

Elected Officials

Dick Dickerson, Chair Person
Mary Leas Stegall, Vice Chair Person
John R. Mathena, Director
Ken D. Murray, Director
Michael J. Pohlmeyer, Director
Allyn F. Clark, City Treasurer
Connie Strohmayer, City Clerk

Appointed Officials

Kurt Starman, Executive Director/Secretary/City Manager
Stephen W. Strong, Finance Officer

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Chairman and Members
of the Redding Redevelopment Agency
Redding, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redding Redevelopment Agency (Agency), a component unit of the City of Redding, as of and for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 generally accepted auditing standards in the United States 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 basic financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the basic financial statements, the Agency adopted Statements of the Governmental Accounting Standards Board No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, No. 44, *Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)*, and No. 46, *Net Assets Restricted by Enabling Legislation*.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Agency as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006, on our consideration of Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Chairman and Members
of the Redding Redevelopment Agency
Redding, California
Page 2

The Required Supplementary Information, as listed in the foregoing table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This Required Supplementary Information is the responsibility of the management of the Agency. This Required Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects when considered in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carson

Oakland, California
November 3, 2006

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, 2006. The management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Agency's financial activity, (c) identify changes in the Agency's financial position (its ability to address future challenges), (d) identify any material deviations from the financial plan (approved budget), and (e) identify individual fund issues or concerns.

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 \$6,712,792 (net assets). Of this amount, \$8,060,569 is a deficit in unrestricted net assets.
- The Agency's total net assets increased by \$1,235,060. Tax increment revenue and investment income were \$375,042 and \$219,078, respectively, more than what was anticipated. The Agency budgeted for capital and housing 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 \$45,526,680, a decrease of \$205,556 in comparison with the prior year. Approximately 71.6 percent, \$32.6 million, of this total amount is available for spending at the government's discretion (unreserved fund balance).
- The Agency's total debt decreased by \$1,509,399 (3.7 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 is 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 developers' contributions of \$2,379 for two public works projects, a Home Grant totaling \$700,000 for a housing project, and contributions of \$386,911 for four housing projects. The capital grants and contributions are principally due to developers' contributions totaling \$55,041 for street projects and \$553,757 in grants and contributions for a parks/storm drainage basin project. The governmental activities of the Agency include general government, public safety, public works, recreation and culture, and community development.

The government-wide financial statements can be found on pages 28-29 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 12 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, Market Street Special Revenue, Canby-Hilltop-Cypress Debt Service, the Market Street Capital Project, the Canby-Hilltop-Cypress Capital Project, and the SHASTECC Capital Project. Data from the other six governmental funds are combined into a single, aggregated presentation.

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 32-38 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 40-57 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 pages 61-62 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 \$6,712,792 at the close of the most recent fiscal year.

Redding Redevelopment Agency				
Net Assets				
	Governmental			
	Activities			
	2006	2005	Variance	% Change
Current and other assets	\$48,415,576	\$48,640,611	(\$225,035)	-0.46%
Capital assets, net	2,189,439	2,230,751	(41,312)	-1.85%
Total assets	<u>50,605,015</u>	<u>50,871,362</u>	<u>(266,347)</u>	<u>-0.52%</u>
Current liabilities	3,110,857	3,035,814	75,043	2.47%
Long term liabilities	40,781,366	42,357,816	(1,576,450)	-3.72%
Total liabilities	<u>43,892,223</u>	<u>45,393,630</u>	<u>(1,501,407)</u>	<u>-3.31%</u>
Net assets:				
Invested in capital assets, net of related debt	1,881,334	1,922,646	(41,312)	-2.15%
Restricted	12,892,027	12,318,433	573,594	4.66%
Unrestricted (deficit)	<u>(8,060,569)</u>	<u>(8,763,347)</u>	<u>702,778</u>	<u>-8.02%</u>
Total net assets	<u><u>\$6,712,792</u></u>	<u><u>\$5,477,732</u></u>	<u><u>\$1,235,060</u></u>	<u><u>22.55%</u></u>

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 (28 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 \$8,060,569.

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 in 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.

The Agency's net assets increased by \$1,235,060 during the current fiscal year. The investment in capital assets, net of related debt, decreased by \$41,312 (2.1 percent). The decrease is related to the sale of property and depreciation of the assets. The reduction in the deficit of \$702,778 (8.0 percent) is primarily attributable to an increase in tax increment and investment revenue of \$313,058 and \$148,828, respectively, greater than what was anticipated. Amounts budgeted for capital projects were not expended in the current year. Net assets restricted for housing programs increased by \$573,594 (4.7 percent). Tax increment revenue and investment income were \$61,984 and \$70,250, respectively, greater than anticipated. Also, 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 \$1,235,060 is all related to governmental activities.

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 2005-06 and 2004-05. The change in net assets went from a positive \$2,490,105 in fiscal year 2004-05 to a positive \$1,235,060 in 2005-06. The change in net assets was greater in the prior year versus the current year because total revenues increased by only \$378,469 while expenses increased by \$1,633,514. The significant changes were as follows:

- Property tax increment revenue increased by \$1,361,720 (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 \$552,333 (42 percent) due to an increase in interest rates.
- Operating grants and contributions increased by \$349,462 (47 percent) due to a grant from the Home Program and developers' contributions for housing projects.
- Capital grants and contributions decreased by \$1,640,377 (73 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 a transitional housing project and pass throughs of tax increment revenue as reported in the Community Development Function. The increase in public works expense is related to improvements made to the Midtown Mall in anticipation of the construction of a new Health Sciences Building for Shasta College.

Redding Redevelopment Agency

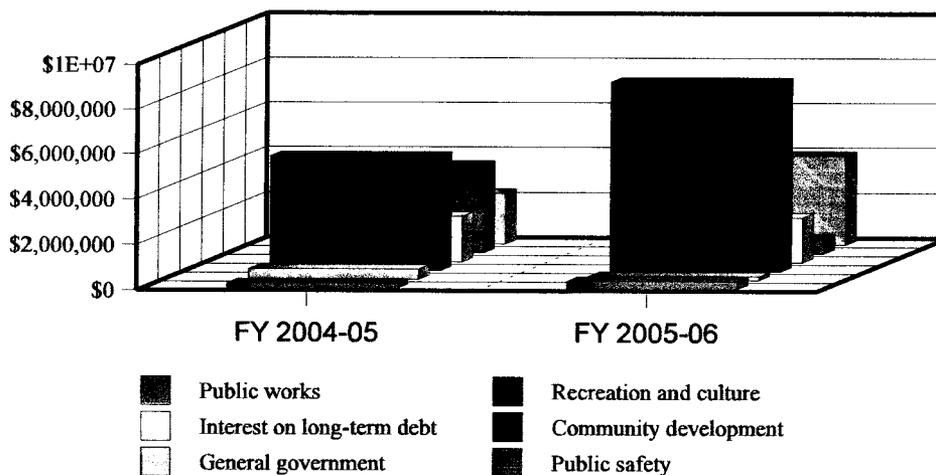
Changes in Net Assets

Governmental Activities

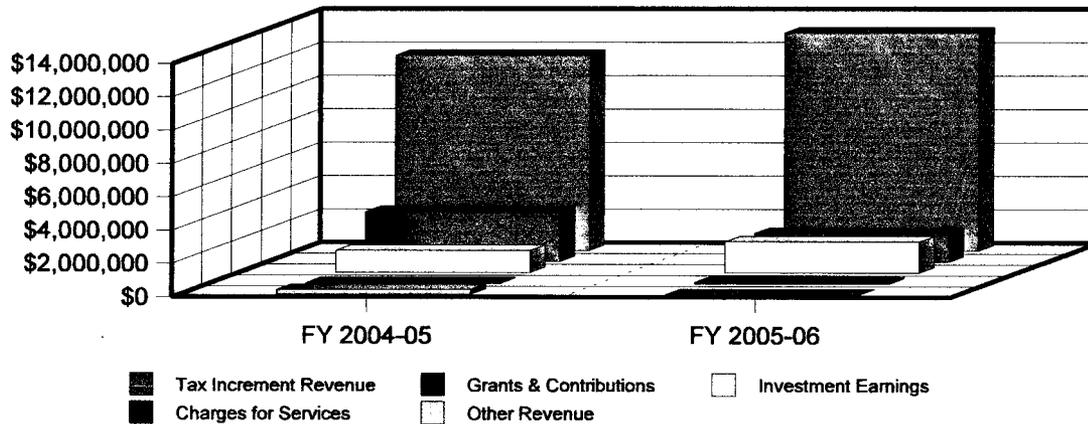
Revenues:	2006	2005	Variance	% Change
Program revenues:				
Charges for services	\$ 75,493	\$ 40,876	\$ 34,617	84.69%
Operating grants and contributions	1,089,290	739,828	349,462	47.24%
Capital grants and contributions	608,798	2,249,175	(1,640,377)	-72.93%
General revenues:				
Tax increment	13,079,261	11,717,541	1,361,720	11.62%
Interest	1,856,039	1,303,706	552,333	42.37%
Other	3,125	45,690	(42,565)	-93.16%
Gain on sale of asset	-	236,721	(236,721)	-100.00%
Total revenues	16,712,006	16,333,537	378,469	2.32%
Expenses:				
General government	167,610	466,005	(298,395)	-64.03%
Public safety	334,172	215,996	118,176	54.71%
Public works	3,928,183	2,245,495	1,682,688	74.94%
Recreation and culture	678,824	3,875,446	(3,196,622)	-82.48%
Community development	8,393,200	5,039,792	3,353,408	66.54%
Interest on long-term debt	1,974,957	2,000,698	(25,741)	-1.29%
Total expenses	15,476,946	13,843,432	1,633,514	11.80%
Increase in net assets	1,235,060	2,490,105	(1,255,045)	-50.40%
Net assets - beginning of year	5,477,732	2,910,462	2,567,270	88.21%
Prior period adjustment	-	77,165	(77,165)	-100.00%
Net assets - beginning of year, as	5,477,732	2,987,627	2,490,105	83.35%
Net assets - ending	\$ 6,712,792	\$ 5,477,732	\$ 1,235,060	22.55%

The following graphs show an illustrative picture of revenues and expenditures for fiscal year 2004-05 as compared with fiscal year 2005-06.

Expenses by Program



Revenue by Source



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 \$45.5 million, a decrease of \$0.2 million in comparison with the prior year. The unreserved, undesignated fund balance, which is available for spending at the government's discretion, decreased by \$1.2 million while the unreserved, designated portion of the fund balance increased by \$1.2 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 (\$6.1 million), 2) for noncurrent notes receivable (\$6.4 million), and 3) for school projects (\$0.4 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 \$13.8 million, while the total fund balance was increased to \$13.9 million. The net increase in fund balance by \$0.5 million is primarily related to an increase in investment revenue and a transfer in from the CHC Debt Service Fund. Although the unreserved, undesignated fund balance is zero, the total fund balance represents 323% of total fund expenditures.

The fund balance of the CHC Special Revenue Fund decreased by \$0.4 million. Key to this decrease is the \$1.7 million spent on a transitional housing project. The unreserved, undesignated fund balance decreased by \$1.2 million.

The fund balance of the Market Street Special Revenue Fund increased by \$0.6 million to a total fund balance of \$3.3 million. The net increase in fund balance is primarily related to an increase in tax increment and investment revenue. The unreserved, undesignated fund balance decreased by \$38,863.

The fund balance of the CHC Debt Service Fund increased by \$89 thousand to a total fund balance of \$5.1 million. The net increase in fund balance is primarily related a decrease in the percentage used to determine the property tax administrative fees paid to Shasta County.

The Market Street Capital Project Fund's fund balance decreased by \$1.5 million to a total fund balance of \$2.2 million. The net decrease in fund balance is primarily related to an increase in the pass throughs of tax increment revenue and an increase in public works projects. The unreserved, undesignated fund balance decreased by \$0.2 million.

The SHASTECC Capital Project Fund's fund balance increased by \$132 thousand to a total fund balance of \$2.8 million. Key to this increase is the increase in tax increment revenue. The unreserved, undesignated fund balance increased to \$0.2 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:

- \$65,390 for increases in tax increment revenues. Shasta County's estimate of the Agency's tax increment revenue was greater than anticipated during the original budget cycle.
- \$400,000 for an increase in investment income.
- \$56,860 for an increase in developers' contributions for the Hilltop Drive Street Project.
- \$111,210 for an increase in pass throughs of tax increment revenue to Shasta County and the Mosquito Abatement District.
- \$103,670 for an increase in the Hilltop Drive Street Project.

Capital Asset and Debt Administration

Capital assets. The Agency's investment in capital assets for its governmental-type activities as of June 30, 2006, amounted to \$2.2 million (net of accumulated depreciation). This investment in capital assets includes land and buildings. The total decrease in the Agency's investment in capital assets for the current fiscal year was \$41,312 which is primarily related to the transfer of property

to the City of Redding Parks Department, the sale of property for a housing project and depreciation on buildings.

Redding Redevelopment Agency		
Capital Assets (Net of Depreciation)		
	<u>2006</u>	<u>2005</u>
Land	\$ 1,969,965	\$ 2,001,161
Buildings	219,474	229,590
Total	<u>\$ 2,189,439</u>	<u>\$ 2,230,751</u>

Additional information on the Agency's capital assets can be found in Note 6 on pages 49-50 of this report.

Long-term debt. At the end of the current fiscal year, the Agency had total bonded debt outstanding of \$39.4 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 (3.7 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>2006</u>	<u>2005</u>
Tax allocation bonds, net	\$ 39,385,921	\$ 40,895,320
Total	<u>\$ 39,385,921</u>	<u>\$ 40,895,320</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 9 on pages 53-55 of this report.

Economic Factors and Next Year's Budget

- The City of Redding has experienced a steady increase in population since 1997 of 1 to 2 percent per year while the unemployment rate has decreased from 8.9 percent in 1997 to 6.3 percent in 2006.
- Inflationary trends in the region other than housing compare favorably to national indices.
- The Agency's property assessed valuation for all project areas increased \$130.3 million (7.43 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 \$672.5 million (513.3 percent) over the base year in the original area and \$82.9 million (170.7 percent) over the base year in the amended area.
- 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 2006-07.

During the current fiscal year, unreserved fund balance continued at \$32.6 million. The Agency has appropriated \$37.1 million for spending in the 2006-07 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

THIS PAGE INTENTIONALLY LEFT BLANK

Government-wide Financial Statements

Redding Redevelopment Agency

Statement of Net Assets

June 30, 2006

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 20,572,802
Receivables:	
Interest	846,604
Intergovernmental	239,186
Taxes	444,443
Other receivable	3,089
Deposits	25,000
Assets held for resale	1,197,608
Restricted assets:	
Cash and investments	16,844,713
Interest receivable	173,302
Taxes receivable	645,836
Total current assets	<u>40,992,583</u>
Noncurrent assets:	
Other long-term receivables	180,252
Notes receivable, net	6,384,047
Financing costs, net	858,694
Capital assets:	
Land	1,969,965
Other capital assets, net of depreciation	<u>219,474</u>
Total noncurrent assets	<u>9,612,432</u>
Total assets	<u>50,605,015</u>
LIABILITIES	
Current liabilities:	
Accounts payable	141,331
Accrued liabilities	210,639
Intergovernmental payable, due within one year	193,257
Accrued interest payable	972,531
Deposits	38,700
Long term debt, due within one year	<u>1,554,399</u>
Total current liabilities	<u>3,110,857</u>
Noncurrent liabilities:	
Unearned revenue	180,252
Intergovernmental payable, due in more than one year	2,769,592
Long-term debt, due in more than one year	<u>37,831,522</u>
Total noncurrent liabilities:	<u>40,781,366</u>
Total liabilities	<u>43,892,223</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,881,334
Restricted for:	
Housing	12,892,027
Unrestricted (deficit)	<u>(8,060,569)</u>
Total net assets	<u>\$ 6,712,792</u>

See accompanying Notes to Basic Financial Statements.

Redding Redevelopment Agency
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Assets
						Governmental Activities
Primary government:						
Governmental activities:						
General government	\$ 167,610	\$ 15,910	\$ -	\$ -	\$ 15,910	\$ (151,700)
Public safety	334,172	-	-	-	-	(334,172)
Public works	3,928,183	34,926	2,379	50,701	88,006	(3,840,177)
Recreation and culture	678,824	-	-	558,097	558,097	(120,727)
Community development	8,393,200	24,657	1,086,911	-	1,111,568	(7,281,632)
Interest and fiscal charges	1,974,957	-	-	-	-	(1,974,957)
Total government	\$ 15,476,946	\$ 75,493	\$ 1,089,290	\$ 608,798	\$ 1,773,581	(13,703,365)

General revenues:

Property taxes	13,079,261
Investment earnings	1,856,039
Other	3,125
Total general revenue	14,938,425
Change in net assets	1,235,060
Net assets - beginning of year	5,477,732
Net assets - end of year	\$ 6,712,792

See accompanying Notes to Basic Financial Statements.

THIS PAGE INTENTIONALLY LEFT BLANK

Fund Financial Statements

Redding Redevelopment Agency

Balance Sheet

Governmental Funds

June 30, 2006

	Canby Hilltop Cypress Special Revenue	Market Street Special Revenue	Canby Hilltop Cypress Debt Service
ASSETS			
Cash and investments	\$ 7,258,364	\$ 2,047,416	\$ -
Interest receivable	575,287	122,565	-
Intergovernmental receivable	47,853	-	-
Taxes receivable	154,676	81,294	-
Other receivable	3,089	-	-
Restricted assets:			
Cash and investments	1,916,401	-	4,949,174
Interest receivable	53,330	-	8,218
Taxes receivable	-	-	418,548
Deposits	-	-	-
Assets held for sale	537,608	660,000	-
Notes receivable, net	5,805,952	578,095	-
Total assets	\$ 16,352,560	\$ 3,489,370	\$ 5,375,940
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 20,914	\$ 526	\$ -
Accrued liabilities	-	-	-
Deferred revenue	622,261	178,382	262,464
Deposits	-	38,700	-
Intergovernmental payable	191	-	-
Total liabilities	643,366	217,608	262,464
Fund Balances:			
Reserved for:			
Noncurrent notes receivable	5,786,463	578,095	-
School projects	-	-	-
Debt service	-	-	5,113,476
Unreserved, designated reported in:			
Encumbrances - Special revenue funds	1,468,898	25,484	-
Encumbrances - Capital projects funds	-	-	-
Special revenue funds	8,453,833	2,180,020	-
Capital projects funds	-	-	-
Unreserved, undesignated reported in:			
Special revenue	-	488,163	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Total fund balances	15,709,194	3,271,762	5,113,476
Total liabilities and fund balances	\$ 16,352,560	\$ 3,489,370	\$ 5,375,940

See accompanying Notes to Basic Financial Statements.

Market Street Capital Project	Canby Hilltop Cypress Capital Project	SHASTEC Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 1,306,592	\$ 5,769,980	\$ 2,680,984	\$ 1,509,466	\$ 20,572,802
13,810	87,060	31,741	16,141	846,604
-	191,333	-	-	239,186
2,152	5,517	133,086	247,970	624,695
-	-	-	-	3,089
819,298	7,976,858	256,881	926,101	16,844,713
16,468	93,740	-	1,546	173,302
-	-	-	227,288	645,836
-	25,000	-	-	25,000
-	-	-	-	1,197,608
-	-	-	-	6,384,047
<u>\$ 2,158,320</u>	<u>\$ 14,149,488</u>	<u>\$ 3,102,692</u>	<u>\$ 2,928,512</u>	<u>\$ 47,556,882</u>

\$ 140	\$ 90,123	\$ 29,628	\$ -	\$ 141,331
-	-	210,639	-	210,639
-	-	73,804	361,658	1,498,569
-	-	-	-	38,700
-	137,484	-	3,288	140,963
<u>140</u>	<u>227,607</u>	<u>314,071</u>	<u>364,946</u>	<u>2,030,202</u>

-	-	-	-	6,364,558
280,281	159,899	-	-	440,180
-	-	-	1,007,498	6,120,974
-	-	-	-	1,494,382
130,000	252,584	263,626	-	646,210
-	-	-	23,000	10,656,853
1,747,899	13,509,398	2,321,310	206,770	17,785,377
-	-	-	1,238,730	1,726,893
-	-	203,685	90,204	293,889
-	-	-	(2,636)	(2,636)
<u>2,158,180</u>	<u>13,921,881</u>	<u>2,788,621</u>	<u>2,563,566</u>	<u>45,526,680</u>
<u>\$ 2,158,320</u>	<u>\$ 14,149,488</u>	<u>\$ 3,102,692</u>	<u>\$ 2,928,512</u>	<u>\$ 47,556,882</u>

THIS PAGE INTENTIONALLY LEFT BLANK

Redding Redevelopment Agency
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets
June 30, 2006

Total Fund Balances - Total Governmental Funds	\$ 45,526,680
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities were not current financial resources and, therefore, were not reported in the Governmental Funds Balance Sheet.	3,654,090
Accumulated depreciation has not been included in the governmental financial statements.	(1,464,651)
Tax revenues which are deferred on the fund balance sheets because they are not currently available are recognized as revenue in the Statement of Activities.	667,185
Notes receivable and/or interest on notes recorded as deferred revenue in the governmental funds were recognized as revenue in the Statement of Activities.	651,132
Governmental funds report bond issuance costs as expenditures. In the Statement of Activities, however, the cost of issuance is amortized over the life of the bond.	858,694
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet.	(972,531)
Long-term liabilities were not due and payable in the current period and, therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:	
Tax allocation bonds payable, due within one year	(1,585,000)
Bond discount/premium, due within one year	4,256
Unamortized deferred loss on defeased debt, due within one year	26,345
Tax allocation bonds payable, due in more than one year	(38,300,000)
Bond discount/premium, due in more than one year	42,780
Unamortized deferred loss on defeased debt, due in more than one year	425,698
Long-term intergovernmental payables, due within one year	(52,294)
Long-term intergovernmental payables, due in more than one year	(2,769,592)
Net Assets (Deficit) of Governmental Activities	\$ 6,712,792

See accompanying Notes to Basic Financial Statements.

Redding Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2006

	Canby Hilltop Cypress Special Revenue	Market Street Special Revenue	Canby Hilltop Cypress Debt Service
REVENUES:			
Tax increment	\$ 1,590,447	\$ 592,654	\$ 2,666,889
Other use of money and property	3,125	-	-
Intergovernmental revenues	700,000	-	-
Investment revenue	673,354	75,026	84,784
Other revenue	444,531	5,000	-
Total revenues	3,411,457	672,680	2,751,673
EXPENDITURES:			
Current:			
Administrative	585,081	14,318	92,644
Professional services	1,493	-	-
Housing assistance	2,423,915	88,112	-
Pass throughs	-	-	-
Capital outlay:			
Project improvements	-	-	-
Real estate purchases	-	-	-
Debt service:			
Principal retirement	305,000	-	1,060,000
Interest and fiscal charges	472,252	-	1,160,428
Total expenditures	3,787,741	102,430	2,313,072
REVENUES OVER (UNDER) EXPENDITURES	(376,284)	570,250	438,601
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	-	(350,062)
Total other financing sources (uses)	-	-	(350,062)
Net change in fund balances	(376,284)	570,250	88,539
FUND BALANCES:			
Beginning of year	16,085,478	2,701,512	5,024,937
End of year	\$ 15,709,194	\$ 3,271,762	\$ 5,113,476

See accompanying Notes to Basic Financial Statements.

Market Street Capital Project	Canby Hilltop Cypress Capital Project	SHASTEC Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 1,873,985	\$ 3,694,898	\$ 1,366,744	\$ 1,192,295	\$ 12,977,912
32,305	72,081	-	-	107,511
-	-	558,097	-	1,258,097
132,747	628,921	112,307	66,093	1,773,232
7,698	65,763	34,404	384	557,780
<u>2,046,735</u>	<u>4,461,663</u>	<u>2,071,552</u>	<u>1,258,772</u>	<u>16,674,532</u>
138,094	558,439	57,966	53,243	1,499,785
1,279	6,377	3,919	365	13,433
-	-	-	250,000	2,762,027
1,969,438	2,629,309	314,081	49,911	4,962,739
1,486,724	1,110,658	1,525,702	10,548	4,133,632
22,595	-	-	-	22,595
-	-	38,210	185,795	1,589,005
-	-	-	264,192	1,896,872
<u>3,618,130</u>	<u>4,304,783</u>	<u>1,939,878</u>	<u>814,054</u>	<u>16,880,088</u>
(1,571,395)	156,880	131,674	444,718	(205,556)
21,695	350,062	-	-	371,757
-	-	-	(21,695)	(371,757)
<u>21,695</u>	<u>350,062</u>	<u>-</u>	<u>(21,695)</u>	<u>-</u>
(1,549,700)	506,942	131,674	423,023	(205,556)
3,707,880	13,414,939	2,656,947	2,140,543	45,732,236
<u>\$ 2,158,180</u>	<u>\$ 13,921,881</u>	<u>\$ 2,788,621</u>	<u>\$ 2,563,566</u>	<u>\$ 45,526,680</u>

Redding Redevelopment Agency

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ (205,556)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital asset acquisition as expenditures. In the Statement of Activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount was reported as part of public works expenditures.	22,595
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 in the corresponding program. This is the net book value of the assets which were disposed.	(53,791)
In the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	(10,116)
Bond proceeds provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal was an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.	
This amount represents long-term notes payable debt repayments.	49,005
This amount represents long-term bond debt repayments.	1,540,000
This amount represents amortization of bond premium.	3,779
This amount represents amortization of bond discounts.	(8,035)
This amount represents amortization of deferred loss on defeased debt.	(26,345)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	56,275
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.	(23,422)
Governmental funds report bond issuance costs as expenditures. In the Statement of Net Assets, however, the cost of issuance is amortized over the life of the bond. This amount represents the annual amortization of the cost of issuance.	(56,005)
Interest expense on long-term debt is reported in the Statement of Activities, but it does not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represents the change in accrued interest from the prior year.	(53,324)
Change in Net Assets of Governmental Activities	\$ 1,235,060

See accompanying Notes to Basic Financial Statements.

Notes to the Financial Statements

Redding Redevelopment Agency

Notes to Basic Financial Statements

For the year ended June 30, 2006

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. *Financial Reporting 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. *Basis of Accounting and Measurement Focus*

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.

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.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Basis of Accounting and Measurement Focus, Continued

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 Market Street 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 SHASTEC Capital Project Fund accounts for all the projects in the SHASTEC 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) operating grants and contributions and 3) 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.

The Agency reports deferred revenue on its balance sheet. Deferred revenues arise when 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.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Net Assets

Net assets are 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 are recorded as transfers in and out.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Implementation of New GASB Pronouncements

In 2006, the Agency adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statement:

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* – The Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.
- Statement No. 44, *Economic Condition Reporting: The Statistical Section (Amendment of NCGA Statement 1)* – The Statement establishes the objectives of the statistical section and the five categories of information it contains; financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.
- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* – The Statement addresses selected issues and amends GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specified accounting and financial reporting requirements for restricted net assets.

2. CASH AND INVESTMENTS

The Agency maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the Agency invests to enhance interest earnings. The pooled interest earned is allocated to the funds quarterly, based on average daily cash and investment balances in these funds.

A. Cash Deposits

At June 30, 2006, the carrying amount of the Agency's deposits was \$47,132. Bank balances before reconciling items were \$47,132 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the Agency's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Agency's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Agency's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the Agency's cash deposits. California law also allows institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the Agency's total cash deposits. The Agency may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The Agency, however, has not waived the collateralization requirements.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

A. Cash Deposits, Continued

The Agency follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on a quarterly basis to the various funds based on average daily cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

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

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.

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, 2006, 2.567% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities. The City valued its investments in LAIF as of June 30, 2006, by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of .998185821. No rating is available from a nationally recognized statistical rating organization for LAIF.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

C. Summary of Cash and Investments

As of June 30, 2006, the Agency had the following cash and investments:

	Fair Value	Investment Maturity in Year Less Than One Year
	<u> </u>	<u> </u>
Cash and Investments:		
<i>Deposits:</i>		
Deposit	\$ 47,132	\$ 47,132
Total deposits	<u>47,132</u>	<u>47,132</u>
<i>Investments:</i>		
Local Agency Investment Funds	20,525,670	20,525,670
Total investments	<u>20,525,670</u>	<u>20,525,670</u>
Total Cash and Investments	<u><u>\$ 20,572,802</u></u>	<u><u>\$ 20,572,802</u></u>
Restricted Cash and Investments:		
<i>Investments:</i>		
Certificate of Deposit	\$ 256,881	\$ 256,881
Mutual Fund	3,225,246	3,225,246
Local Agency Investment Funds	<u>13,362,586</u>	<u>13,362,586</u>
Total Restricted Cash and Investments	<u><u>\$ 16,844,713</u></u>	<u><u>\$ 16,844,713</u></u>

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	\$ 2,717,337
Investments restricted for future debt service payments	3,157,990
Bond acquisition proceeds restricted for housing and capital projects	10,712,505
Certificate of deposit restricted for the purchase of wetlands property	<u>256,881</u>
Total	<u><u>\$ 16,844,713</u></u>

D. Risk Disclosures

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 91% of investments (Local Agency Investment Fund) being available on demand.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

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.

Concentration of Credit Risk - The Agency has about 91% 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 - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Agency's investments in securities are held in the name of the Agency. The Agency's custodial agreement policy prohibits counterparties holding securities not in the Agency's name.

3. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables as of June 30, 2006, are comprised of the following:

Special Revenue Funds:		
City of Redding - Prepaid rent	\$	47,853
Capital Project Funds:		
City of Redding - Prepaid rent		191,333
Total	\$	239,186

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

4. INTERFUND TRANSFERS

Transfers for the period ended June 30, 2006, were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>		
	<u>Debt Service Funds</u>		
	Canby-Hilltop Cypress	Non-major Governmental Funds	Total
Capital Project Funds:			
Canby-Hilltop-Cypress Project	\$ 350,062	\$ -	\$ 350,062
Market Street Project	-	21,695	21,695
Total	<u>\$ 350,062</u>	<u>\$ 21,695</u>	<u>\$ 371,757</u>

In the Canby-Hilltop-Cypress Debt Service Fund and Market Street Debt Service Fund revenue in excess of the debt service requirements was transferred to the capital projects funds.

5. NOTES RECEIVABLE

Notes receivable activity for the year ended June 30, 2006, was as follows:

	Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2006</u>
5%, 1% , and 0% Rehab Loan	\$ 73,037	\$ 130,710	\$ (16,799)	\$ 186,948
5% Rehab Loan	279,831	41,342	(21,028)	300,145
DAP Loan	1,105,324	420,000	(230,902)	1,294,422
Shasta Housing Development Corporation	189,750	-	-	189,750
Northern Valley Catholic Social Service Due 2055	1,121,906	-	-	1,121,906
Northern Valley Catholic Social Service Due 2039	250,000	-	-	250,000
Christian Church Home of North California Inc.	1,780,477	-	-	1,780,477
Catholic Charities of Sacramento	37,963	-	(37,963)	-
Northern Valley Catholic Social Service Due 2022	115,000	-	-	115,000
Redding Shadowbrook Limited	236,000	-	-	236,000
Senior Affordable Housing Corporation	275,000	-	-	275,000
Mercy Oaks Villages, Inc.	500,000	-	-	500,000
Parkview Neighborhood LLC	235,800	-	(120,201)	115,599
Linden Housing L.P.	-	18,800	-	18,800
Total	<u>\$ 6,200,088</u>	<u>\$ 610,852</u>	<u>\$ (426,893)</u>	<u>\$ 6,384,047</u>

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. NOTES RECEIVABLE, Continued

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

One 5%, one 1%, and three 0% notes receivable, payable in monthly installments of \$1,613 including interest. The notes, due through March 2036 are secured by residential real property.	\$186,948
Fourteen 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.	300,145
Fifty-six 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.	1,294,422
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
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
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

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. NOTES RECEIVABLE, Continued

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.	115,599
Note receivable from Linden Housing, L.P. due December 2060. The note is secured by real property and bears interest at 0%. Payments are due only when there are residual receipts from the project and/or maturity except that all payments are deferred until December 2025.	18,800
Total notes receivable	<u>\$6,384,047</u>

6. CAPITAL ASSETS

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

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,001,161	\$ 22,595	\$ (53,791)	\$ 1,969,965
Total capital assets, not being depreciated	<u>2,001,161</u>	<u>22,595</u>	<u>(53,791)</u>	<u>1,969,965</u>
Capital assets, being depreciated:				
Buildings	1,677,993	-	-	1,677,993
Equipment	6,132	-	-	6,132
Total capital assets being depreciated:	<u>1,684,125</u>	<u>-</u>	<u>-</u>	<u>1,684,125</u>
Less accumulated depreciation for:				
Buildings	(1,448,403)	(10,116)	-	(1,458,519)
Equipment	(6,132)	-	-	(6,132)
Total accumulated depreciation	<u>(1,454,535)</u>	<u>(10,116)</u>	<u>-</u>	<u>(1,464,651)</u>
Total capital assets, being depreciated, net	<u>229,590</u>	<u>(10,116)</u>	<u>-</u>	<u>219,474</u>
Governmental activities capital assets, net	<u>\$ 2,230,751</u>	<u>\$ 12,479</u>	<u>\$ (53,791)</u>	<u>\$ 2,189,439</u>

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. CAPITAL ASSETS, Continued

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

Governmental activities:	
Public works	\$ 10,116
Total depreciation expense - governmental activities	\$ 10,116

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

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>Project Area:</u>				
<u>Market Street</u>				
Land	\$ 696,619	\$ 22,595	\$ (23,942)	\$ 695,272
Buildings	222,260	-	-	222,260
Accumulated depreciation	(5,556)	(7,409)	-	(12,965)
Total Market Street	<u>913,323</u>	<u>15,186</u>	<u>(23,942)</u>	<u>904,567</u>
<u>Midtown</u>				
Buildings	1,455,733	-	-	1,455,733
Accumulated depreciation	(1,442,847)	(2,707)	-	(1,445,554)
Total Midtown	<u>12,886</u>	<u>(2,707)</u>	<u>-</u>	<u>10,179</u>
<u>Canby-Hilltop-Cypress</u>				
Land	1,304,542	-	(29,849)	1,274,693
Equipment	6,132	-	-	6,132
Accumulated depreciation	(6,132)	-	-	(6,132)
Total Canby-Hilltop-Cypress	<u>1,304,542</u>	<u>-</u>	<u>(29,849)</u>	<u>1,274,693</u>
Governmental activities capital assets, net	\$ 2,230,751	\$ 12,479	\$ (53,791)	\$ 2,189,439

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM INTERGOVERNMENTAL PAYABLES

Long-term intergovernmental payables as of June 30, 2006, 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 \$10,795 was paid in fiscal year 2005-2006. The balance of this long-term payable is \$720,863 with interest at 3%. None of this balance is current.

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 balance at June 30, 2006, was \$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, 2006, is \$240,321. None of this payable is current.

Repayment Agreement

The City of Redding and the Agency entered into a repayment agreement executed on May 18, 1999, for the SHASTECC 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 principal balance at June 30, 2006, was \$1,574,693. Interest payable as of June 30, 2006, is \$119,947. 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 SHASTECC Redevelopment project. None of this payable is current.

Long-term Obligations to the City of Redding

The Agency has no employees. Administrative and accounting services are provided by the City of Redding personnel. Consequently, the Agency has an obligation to the City of Redding for compensated absences and retirement plan contributions. The balance of this obligation at June 30, 2006, was \$165,931.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM INTERGOVERNMENTAL PAYABLES, Continued

Following is a summary of the changes in long-term intergovernmental payable amounts as of June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
<u>Reimburse Agreement</u>				
Midtown Debt Service Fund	\$ 731,658	\$ -	\$ (10,795)	\$ 720,863
Total reimbursement agreement	<u>731,658</u>	<u>-</u>	<u>(10,795)</u>	<u>720,863</u>
<u>Note Payable to City of Redding</u>				
Midtown Debt Service Fund	308,105	-	-	308,105
Total Note Payable to City of Redding	<u>308,105</u>	<u>-</u>	<u>-</u>	<u>308,105</u>
<u>Repayment Agreement</u>				
SHASTECC Capital Project Fund	1,612,903	-	(38,210)	1,574,693
Total Repayment Agreement	<u>1,612,903</u>	<u>-</u>	<u>(38,210)</u>	<u>1,574,693</u>
<u>Long-Term Obligations to the City of Redding</u>				
Canby-Hilltop-Cypress Special Revenue Fund	62,809	5,799	-	68,608
Canby-Hilltop-Cypress Capital Projects Fund	63,609	9,828	-	73,437
Market Street Capital Projects Fund	19,446	4,440	-	23,886
Total Long-term Obligations to the City of Redding	<u>145,864</u>	<u>20,067</u>	<u>-</u>	<u>165,931</u>
Total intergovernmental payable	<u><u>\$ 2,798,530</u></u>	<u><u>\$ 20,067</u></u>	<u><u>\$ (49,005)</u></u>	<u><u>\$ 2,769,592</u></u>

8. UNEARNED REVENUE

Unearned revenue of \$180,252 as of June 30, 2006, 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 Basic Financial Statements, Continued
For the year ended June 30, 2006

9. LONG-TERM DEBT

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

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year	Due in more Than One Year
<u>Project Area:</u>						
<u>Market Street</u>						
Tax Allocation Bonds 2003 Series	\$ 5,015,000	\$ -	\$ (175,000)	\$ 4,840,000	\$ 180,000	\$ 4,660,000
Less bond discounts	(46,614)	-	2,567	(44,047)	(2,567)	(41,480)
Less unamortized deferred						
loss on defeased debt	(129,910)	-	7,154	(122,756)	(7,154)	(115,602)
Total Market Street	4,838,476	-	(165,279)	4,673,197	170,279	4,502,918
<u>Canby-Hilltop-Cypress</u>						
Tax Allocation Bonds (Series A)	5,015,000	-	(305,000)	4,710,000	320,000	4,390,000
Tax Allocation Bonds (Series B)	3,500,000	-	-	3,500,000	-	3,500,000
Tax Allocation Bonds 2003 (Series A)	27,895,000	-	(1,060,000)	26,835,000	1,085,000	25,750,000
Add bond premiums	68,617	-	(3,779)	64,838	3,779	61,059
Less bond discounts	(73,295)	-	5,468	(67,827)	(5,468)	(62,359)
Less unamortized deferred						
loss on defeased debt	(348,478)	-	19,191	(329,287)	(19,191)	(310,096)
Total Canby-Hilltop-Cypress	36,056,844	-	(1,344,120)	34,712,724	1,384,120	33,328,604
Total long-term debt	\$ 40,895,320	\$ -	\$ (1,509,399)	\$ 39,385,921	\$ 1,554,399	\$ 37,831,522

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. LONG-TERM DEBT, Continued

Long-term debt consisted of the following as of June 30, 2006:

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. \$4,840,000

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 housing projects. 4,710,000

Tax Allocation Housing 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 housing projects. 3,500,000

Tax Allocation Housing 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. 26,835,000

Total bonds outstanding 39,885,000

Discount on Market St., Series 2003 (44,047)

Discount on Canby-Hilltop-Cypress Tax Allocation Bonds, Series A (34,412)

Discount on Canby-Hilltop-Cypress Tax Allocation Bonds, Series B (33,415)

Premium on Canby-Hilltop-Cypress Tax Allocation Bonds, Series A 2003 64,838

Unamortized deferred loss on defeased debt (452,043)

Total discount/premium and unamortized deferred loss on defeased debt (499,079)

Total long-term debt \$39,385,921

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. LONG-TERM DEBT, Continued

Annual requirements to amortize long-term debt outstanding as of June 30, 2006, are set forth below:

Fiscal Year	Principal	Interest	Total
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	1,825,000	1,571,431	3,396,431
2012-2016	10,450,000	6,493,885	16,943,885
2017-2021	13,250,000	3,643,220	16,893,220
2022-2024	7,700,000	540,822	8,240,822
	<u>\$ 39,885,000</u>	<u>\$ 19,198,982</u>	<u>\$ 59,083,982</u>

The Canby-Hill-Cypress Housing Setaside Tax Allocation Bonds, Series 2001A & B, the Canby-Hill-Cypress Tax Allocation Bonds, Series A 2003 and the Market Street Tax Allocation Bonds, Series 2003 had issuance costs of \$1,054,100, which were recorded as deferred charges on the Statement of Net Assets. This amount is being amortized over the life of the bonds at \$56,005 annually. As of June 30, 2006, the amount unamortized was \$858,694.

10. FUND BALANCE DEFICITS

Midtown Project Debt Service Fund (\$2,636) - 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 2003. Funds will now be available to start repaying the advances made from the City.

11. 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 SHASTEC Project Area base year is 1995-96. The Buckeye Project Area base year is 1999-2000.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

12. RISK MANAGEMENT

The Redevelopment Agency participates in the City's 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's Risk Management Fund, an internal service fund. Redding Redevelopment Agency is a component unit of the City. 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's 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's 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, 2006.

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, 2006.

13. COMMITMENTS

The only construction contract that existed as of June 30, 2006, was for a traffic signal 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>
Capital Project:			
SHASTECC	Airport Rd / Highway 44 Traffic	<u>\$ 166,903</u>	Tax Increment revenue

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

13. COMMITMENTS, Continued

The Agency entered into an agreement with Parkview Neighborhood, LLC (formerly New Urban Builders, Inc.) for the development of the "Leland Avenue Site" and the "Grange Street Site" for the development of market rate and low-income housing units. The unexpended funds are \$292,500 for the Leland Avenue Site and \$1 million for the Grange Street Site.

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 in Downtown Redding. The Agency pledged amount for these expenditures is \$510,000.

The Agency has committed up to \$2 million for a redesign of the Hilltop Drive corridor between Cypress Avenue and the I-5 ramp to Hilltop Drive. The Agency's funds for the project, known as the Hilltop Drive Streetscape, require matching funds from the newly formed Hilltop Hotel Business Improvement District.

The Agency plans to acquire approximately 5.8 commercial acres at a cost of \$1.9 million for the realignment of the southern end of Churn Creek Road.

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, 2006, the total outstanding principal on the bonds was \$5,075,000.

14. SUBSEQUENT EVENT

On August 2, 2006, the Agency issued \$15 million in tax allocation bonds for the SHASTEK Redevelopment Project Area. Interest on these bonds varies from 4 to 5 percent. Principal payments are due September 1 in annual redemptions ranging from \$245,000 to \$920,000. The final payment is due September 1, 2036. The bond proceeds will be used to finance various capital projects within the SHASTEK Redevelopment Project Area.

THIS PAGE INTENTIONALLY LEFT BLANK

Required Supplementary Information

**Redding Redevelopment Agency
Required Supplementary Information
For the year ended June 30, 2006**

1. BUDGETARY PRINCIPLES

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.
- B. The Agency budgets for encumbrances (commitments made but not yet expended).

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.

Redding Redevelopment Agency
Required Supplementary Information - Budgetary Comparison Schedule
Canby-Hilltop-Cypress Special Revenue Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 1,453,340	\$ 1,560,000	\$ 1,590,447	\$ 30,447
Other use of money and property	270,000	372,250	349,103	(23,147)
Intergovernmental revenues	252,000	700,000	700,000	-
Investment revenue	290,000	655,170	718,271	63,101
Other revenue	26,100	481,010	480,531	(479)
Total revenues	2,291,440	3,768,430	3,838,352	69,922
EXPENDITURES:				
Current:				
Administrative	917,230	917,330	631,207	286,123
Professional services	4,000	4,000	1,493	2,507
Housing assistance	9,574,310	9,919,231	4,492,408	5,426,823
Debt service:				
Principal retirement	305,000	305,000	305,000	-
Interest and fiscal charges	479,580	479,580	472,252	7,328
Total expenditures	11,280,120	11,625,141	5,902,360	5,722,781
Net change in fund balance	(8,988,680)	(7,856,711)	(2,064,008)	5,792,703
FUND BALANCE:				
Beginning of year	16,085,478	16,085,478	16,085,478	-
End of year	\$ 7,096,798	\$ 8,228,767	\$ 14,021,470	\$ 5,792,703

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 Balances.

	\$ 15,709,194
1. Financial statement only interest income adjustment per GASB 31.	(6,350)
2. The Agency budgets for and records loan payments received in the revenue accounts, but adjusts the actual payments to loans receivable.	345,978
3. The Agency does not budget for benefit accruals.	(104)
4. The Agency does not budget for accounts payable adjustments.	13,233
5. The Agency budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.	(592,052)
6. End of year encumbrances are included in the actual expenditures budgetary basis, but are not included in the Statement of Revenue, Expenditures and Fund Balances.	(1,489,673)
7. The Agency budgets for prepaid rent, but adjusts the actual payment to prepaid expenditures in assets and interest revenue.	(47,853)
8. The Agency budgets for sale of asset held for resale, but adjusts the revenue to reduce Assets Held for Resale and the gain/loss on the sale.	36,000
9. The Agency budgets for interest income on notes receivable on cash basis.	53,097
Budgetary fund balance	<u>\$ 14,021,470</u>

Redding Redevelopment Agency
Required Supplementary Information - Budgetary Comparison Schedule
Market Street Special Revenue Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 527,940	\$ 570,000	\$ 592,654	\$ 22,654
Other use of money and property	-	42,960	42,951	(9)
Investment revenue	35,000	68,440	74,477	6,037
Other revenue	-	5,000	5,000	-
Total revenues	562,940	686,400	715,082	28,682
EXPENDITURES:				
Current:				
Administrative	23,050	23,050	14,318	8,732
Professional services	700	700	-	700
Housing assistance	1,921,500	1,926,500	549,546	1,376,954
Total expenditures	1,945,250	1,950,250	563,864	1,386,386
Net change in fund balance	(1,382,310)	(1,263,850)	151,218	1,415,068
FUND BALANCE:				
Beginning of year	2,701,512	2,701,512	2,701,512	-
End of year	\$ 1,319,202	\$ 1,437,662	\$ 2,852,730	\$ 1,415,068

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 Balances.

	\$ 3,271,762
1. Financial statement only interest income adjustment per GASB 31.	(549)
2. The Agency does not budget for accounts payable adjustments.	(950)
3. End of year encumbrances are included in the actual expenditures budgetary basis, but are not included in the Statement of Revenue, Expenditures and Fund Balance.	(25,484)
4. The Agency budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.	42,951
5. The Agency budgets for land purchases in the expenditure accounts, but adjusts the actual payment to asset held for resale of property.	(435,000)
Budgetary fund balance	<u>\$ 2,852,730</u>

Supplementary Information

THIS PAGE INTENTIONALLY LEFT BLANK

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.

SHASTEK 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, 2006

	SHASTE Special Revenue	Buckeye Special Revenue	Midtown Special Revenue	Midtown Debt Service
ASSETS				
Cash and investments	\$ 1,083,387	\$ 147,164	\$ -	\$ -
Interest receivable	11,466	1,523	-	-
Taxes receivable	32,965	6,910	180,252	-
Restricted assets:				
Cash and investments	-	-	-	-
Interest receivable	-	-	-	-
Taxes receivable	-	-	-	1,927
Total assets	\$ 1,127,818	\$ 155,597	\$ 180,252	\$ 1,927
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue	\$ 18,451	\$ 3,234	\$ 180,252	\$ 1,275
Intergovernmental payable	-	-	-	3,288
Total liabilities	18,451	3,234	180,252	4,563
Fund Balances (deficit):				
Reserved for:				
Debt service	-	-	-	-
Unreserved, designated for:				
Special revenue funds	20,000	3,000	-	-
Capital projects funds	-	-	-	-
Unreserved, undesignated for:				
Special revenue funds	1,089,367	149,363	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	(2,636)
Total fund balances	1,109,367	152,363	-	(2,636)
Total liabilities and fund balances	\$ 1,127,818	\$ 155,597	\$ 180,252	\$ 1,927

Market Street Debt Service	Buckeye Capital Project	Total Non-Major Governmental Funds
\$ -	\$ 278,915	\$ 1,509,466
-	3,152	16,141
-	27,843	247,970
926,101	-	926,101
1,546	-	1,546
225,361	-	227,288
<u>\$ 1,153,008</u>	<u>\$ 309,910</u>	<u>\$ 2,928,512</u>
\$ 145,510	\$ 12,936	\$ 361,658
-	-	3,288
<u>145,510</u>	<u>12,936</u>	<u>364,946</u>
1,007,498	-	1,007,498
-	-	23,000
-	206,770	206,770
-	-	1,238,730
-	90,204	90,204
-	-	(2,636)
<u>1,007,498</u>	<u>296,974</u>	<u>2,563,566</u>
<u>\$ 1,153,008</u>	<u>\$ 309,910</u>	<u>\$ 2,928,512</u>

Redding Redevelopment Agency
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2006

	SHASTE Special Revenue	Buckeye Special Revenue	Midtown Special Revenue	Midtown Debt Service
REVENUES:				
Tax increment	\$ 341,905	\$ 63,888	\$ -	\$ 34,434
Investment revenue	36,038	4,118	-	88
Other revenues	-	-	-	40
Total revenues	377,943	68,006	-	34,562
EXPENDITURES:				
Current:				
Administrative	6,859	1,340	-	710
Professional services	-	-	-	-
Housing assistance	250,000	-	-	-
Pass throughs	-	-	-	1,751
Capital outlay:				
Project improvements	-	-	-	-
Debt service:				
Principal retirement	-	-	-	10,795
Interest and fiscal charges	-	-	-	21,923
Total expenditures	256,859	1,340	-	35,179
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	121,084	66,666	-	(617)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	121,084	66,666	-	(617)
FUND BALANCES:				
Beginning of year	988,283	85,697	-	(2,019)
End of year	\$ 1,109,367	\$ 152,363	\$ -	\$ (2,636)

Market Street Debt Service	Buckeye Capital Project	Total Non-Major Governmental Funds
\$ 496,629	\$ 255,439	\$ 1,192,295
15,967	9,882	66,093
-	344	384
<u>512,596</u>	<u>265,665</u>	<u>1,258,772</u>
34,409	9,925	53,243
-	365	365
-	-	250,000
-	48,160	49,911
-	10,548	10,548
175,000	-	185,795
240,315	1,954	264,192
<u>449,724</u>	<u>70,952</u>	<u>814,054</u>
62,872	194,713	444,718
<u>(21,695)</u>	<u>-</u>	<u>(21,695)</u>
<u>(21,695)</u>	<u>-</u>	<u>(21,695)</u>
41,177	194,713	423,023
966,321	102,261	2,140,543
<u>\$ 1,007,498</u>	<u>\$ 296,974</u>	<u>\$ 2,563,566</u>

Redding Redevelopment Agency
Budgetary Comparison Schedule
Canby-Hilltop-Cypress Debt Service Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 2,186,330	\$ 2,501,750	\$ 2,666,889	\$ 165,139
Investment revenue	200,000	60,000	79,521	19,521
Total revenues	2,386,330	2,561,750	2,746,410	184,660
EXPENDITURES:				
Current:				
Administrative	152,470	102,470	92,644	9,826
Debt service:				
Principal retirement	1,060,000	1,060,000	1,060,000	-
Interest and fiscal charges	1,173,860	1,173,860	1,160,428	13,432
Total expenditures	2,386,330	2,336,330	2,313,072	23,258
Net change in fund balance	-	225,420	433,338	207,918
FUND BALANCE:				
Beginning of year	5,024,937	5,024,937	5,024,937	-
End of year	\$ 5,024,937	\$ 5,250,357	\$ 5,458,275	\$ 207,918

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 Balances.

	\$ 5,113,476
1. Financial statement only interest income adjustment per GASB 31.	(5,263)
2. The Agency does not budget for transfers in/out from the capital project fund.	350,062
Budgetary fund balance	\$ 5,458,275

Redding Redevelopment Agency
Budgetary Comparison Schedule
Market Street Capital Project
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 1,663,180	\$ 1,809,500	\$ 1,873,985	\$ 64,485
Other use of money and property	-	32,310	32,305	(5)
Intergovernmental revenues	60,000	125,000	-	(125,000)
Investment revenue	35,000	128,000	128,298	298
Other revenue	2,500	7,300	7,698	398
Total revenues	1,760,680	2,102,110	2,042,286	(59,824)
EXPENDITURES:				
Current:				
Administrative	231,230	231,230	138,094	93,136
Professional services	10,000	9,990	1,279	8,711
Pass throughs	1,360,000	2,027,830	1,969,438	58,392
Capital outlay	2,852,070	3,252,570	1,674,519	1,578,051
Total expenditures	4,453,300	5,521,620	3,783,330	1,738,290
Net change in fund balance	(2,692,620)	(3,419,510)	(1,741,044)	1,678,466
FUND BALANCE:				
Beginning of year	3,707,880	3,707,880	3,707,880	-
End of year	\$ 1,015,260	\$ 288,370	\$ 1,966,836	\$ 1,678,466

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 Balances.

	\$ 2,158,180
1. Financial statement only interest income adjustment per GASB 31.	(4,449)
2. The Agency does not budget for transfers in/out from the debt service fund.	(21,695)
3. The Agency does not budget for accounts payable adjustments.	(12,700)
4. End of year encumbrances are included in the actual expenditures budgetary basis, but are not included in the Statement of Revenue, Expenditures and Changes in Fund Balances.	(152,500)
Budgetary fund balance	\$ 1,966,836

Redding Redevelopment Agency
Budgetary Comparison Schedule
Canby-Hilltop-Cypress Capital Project
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 3,629,470	\$ 3,694,860	\$ 3,694,898	\$ 38
Other use of money and property	82,100	72,090	72,081	(9)
Investment revenue	102,000	502,000	617,663	115,663
Other revenue	10,000	67,960	65,763	(2,197)
Total revenues	3,823,570	4,336,910	4,450,405	113,495
EXPENDITURES:				
Current:				
Administrative	877,060	877,160	742,452	134,708
Professional services	48,500	48,500	6,377	42,123
Pass throughs	2,540,000	2,651,210	2,629,309	21,901
Capital outlay	9,517,120	9,620,790	1,595,067	8,025,723
Total expenditures	12,982,680	13,197,660	4,973,205	8,224,455
Net change in fund balance	(9,159,110)	(8,860,750)	(522,800)	8,337,950
FUND BALANCE:				
Beginning of year	13,414,939	13,414,939	13,414,939	-
End of year	\$ 4,255,829	\$ 4,554,189	\$ 12,892,139	\$ 8,337,950

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 Balances.

	\$ 13,921,881
1. Financial statement only interest income adjustment per GASB 31.	(3,938)
2. The Agency budgets for prepaid rent, but adjusts the actual payment to prepaid expenditures in assets and interest revenue.	(191,333)
3. The Agency does not budget for transfers in/out from the debt service fund.	(350,062)
4. The Agency does not budget for accounts payable adjustments.	(148,196)
5. End of year encumbrances are included in the actual expenditures budgetary basis, but are not included in the Statement of Revenue, Expenditures and Changes in Fund Balances.	(336,213)
Budgetary fund balance	\$ 12,892,139

Redding Redevelopment Agency
Budgetary Comparison Schedule
SHASTEC Capital Project
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 1,042,930	\$ 1,347,590	\$ 1,366,744	\$ 19,154
Intergovernmental revenues	571,210	571,210	558,097	(13,113)
Investment revenue	30,000	100,000	111,336	11,336
Other revenue	1,500	34,300	34,404	104
Total revenues	1,645,640	2,053,100	2,070,581	17,481
EXPENDITURES:				
Current:				
Administrative	77,900	78,240	57,966	20,274
Professional services	14,000	13,650	3,919	9,731
Pass throughs	262,810	314,090	314,081	9
Capital outlay	3,456,710	3,305,110	1,802,527	1,502,583
Debt service:				
Principal retirement	-	38,210	38,210	-
Total expenditures	3,811,420	3,749,300	2,216,703	1,532,597
REVENUES OVER (UNDER) EXPENDITURES	(2,165,780)	(1,696,200)	(146,122)	1,550,078
OTHER FINANCING SOURCES (USES):				
Transfer in	300,000	-	-	-
Total other financing sources (uses)	300,000	-	-	-
Net change in fund balance	(1,865,780)	(1,696,200)	(146,122)	(1,550,078)
FUND BALANCE:				
Beginning of year	2,656,947	2,656,947	2,656,947	-
End of year	\$ 791,167	\$ 960,747	\$ 2,510,825	\$ (1,550,078)

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 Balances.

	\$ 2,788,621
1. Financial statement only interest income adjustment per GASB 31.	(971)
2. The Agency does not budget for accounts payable adjustments.	16,413
3. End of year encumbrances are included in the actual expenditures budgetary basis, but are not included in the Statement of Revenue, Expenditures and Changes in Fund Balances.	(293,238)
Budgetary fund balance	\$ 2,510,825

Redding Redevelopment Agency
Budgetary Comparison Schedule
SHASTEC Special Revenue Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 260,730	\$ 335,910	\$ 341,905	\$ 5,995
Investment revenue	20,000	35,000	35,815	815
Total revenues	280,730	370,910	377,720	6,810
EXPENDITURES:				
Current:				
Administrative	15,000	15,000	6,859	8,141
Housing assistance	250,000	250,000	250,000	-
Total expenditures	265,000	265,000	256,859	8,141
REVENUES OVER (UNDER) EXPENDITURES	15,730	105,910	120,861	14,951
OTHER FINANCING SOURCES (USES):				
Transfer out	(300,000)	-	-	-
Total other financing sources (uses)	(300,000)	-	-	-
Net change in fund balance	(284,270)	105,910	120,861	14,951
FUND BALANCE:				
Beginning of year	988,283	988,283	988,283	-
End of year	\$ 704,013	\$ 1,094,193	\$ 1,109,144	\$ 14,951

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 Balances.

1. Financial statement only interest income adjustment per GASB 31.

Budgetary fund balance

\$	1,109,367
	(223)
<u>\$</u>	<u>1,109,144</u>

Redding Redevelopment Agency
Budgetary Comparison Schedule
Buckeye Special Revenue Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 44,270	\$ 61,000	\$ 63,888	\$ 2,888
Investment revenue	1,500	3,900	4,197	297
Total revenues	45,770	64,900	68,085	3,185
EXPENDITURES:				
Current:				
Administrative	2,500	2,500	1,340	1,160
Total expenditures	2,500	2,500	1,340	1,160
Net change in fund balance	43,270	62,400	66,745	4,345
FUND BALANCE:				
Beginning of year	85,697	85,697	85,697	-
End of year	\$ 128,967	\$ 148,097	\$ 152,442	\$ 4,345

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 Balances.

	\$ 152,363
1. Financial statement only interest income adjustment per GASB 31.	79
Budgetary fund balance	<u>\$ 152,442</u>

Redding Redevelopment Agency
Budgetary Comparison Schedule
Midtown Debt Service Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 25,000	\$ 34,760	\$ 34,434	\$ (326)
Investment revenue	70	140	88	(52)
Other revenue	30	70	40	(30)
Total revenues	25,100	34,970	34,562	(408)
EXPENDITURES:				
Current:				
Administrative	1,000	1,000	710	290
Pass throughs	2,900	1,760	1,751	9
Debt service:				
Principal retirement	-	10,800	10,795	5
Interest and fiscal charges	21,200	21,200	21,139	61
Total expenditures	25,100	34,760	34,395	365
Net change in fund balance	-	210	167	(43)
FUND BALANCE:				
Beginning of year	(2,019)	(2,019)	(2,019)	-
End of year	\$ (2,019)	\$ (1,809)	\$ (1,852)	\$ (43)

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 Balances.

	\$ (2,636)
1. Financial statement only interest income adjustment per GASB 31.	784
Budgetary fund balance	\$ (1,852)

Redding Redevelopment Agency
Budgetary Comparison Schedule
Market Street Debt Service Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 448,950	\$ 442,500	\$ 496,629	\$ 54,129
Investment revenue	30,000	18,000	19,746	1,746
Total revenues	478,950	460,500	516,375	55,875
EXPENDITURES:				
Current:				
Administrative	57,200	35,800	34,409	1,391
Debt service:				
Principal retirement	175,000	175,000	175,000	-
Interest and fiscal charges	246,750	246,750	240,315	6,435
Total expenditures	478,950	457,550	449,724	7,826
Net change in fund balance	-	2,950	66,651	63,701
FUND BALANCE:				
Beginning of year	966,321	966,321	966,321	-
End of year	<u>\$ 966,321</u>	<u>\$ 969,271</u>	<u>\$ 1,032,972</u>	<u>\$ 63,701</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 Balances.

	\$ 1,007,498
1. Financial statement only interest income adjustment per GASB 31.	3,779
2. The Agency does not budget for transfers in/out from the capital project fund.	21,695
Budgetary fund balance	<u>\$ 1,032,972</u>

Redding Redevelopment Agency
Budgetary Comparison Schedule
Buckeye Capital Project
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 177,000	\$ 245,000	\$ 255,439	\$ 10,439
Investment revenue	3,500	9,700	10,016	316
Other revenue	200	320	344	24
Total revenues	180,700	255,020	265,799	10,779
EXPENDITURES:				
Current:				
Administrative	13,830	13,830	9,925	3,905
Professional services	1,300	1,300	365	935
Pass throughs	40,650	49,200	48,690	510
Capital outlay	100,000	100,000	10,548	89,452
Debt service:				
Principal retirement	82,100	82,100	72,081	10,019
Interest and fiscal charges	2,000	2,000	1,954	46
Total expenditures	239,880	248,430	143,563	104,867
Net change in fund balance	(59,180)	6,590	122,236	115,646
FUND BALANCE:				
Beginning of year	102,261	102,261	102,261	-
End of year	\$ 43,081	\$ 108,851	\$ 224,497	\$ 115,646

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 Balances.

	\$ 296,974
1. Financial statement only interest income adjustment per GASB 31.	134
2. The Agency does not budget for accounts payable adjustments.	(530)
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.	(72,081)
Budgetary fund balance	<u>\$ 224,497</u>

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	81
These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have changed over time.	
Revenue Capacity	88
These schedules contain information to help the reader assess the Agency's most significant local revenue source, the property tax.	
Debt Capacity	98
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.	
Demographic and Economic Information	102
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Agency's financial activities take place.	
Operating Information	105
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 employees.	

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 Six Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Governmental activities						
Invested in capital assets, net of related debt	\$ 3,516	\$ 1,735	\$ 1,561	\$ 1,518	\$ 1,923	\$ 1,881
Restricted for housing	9,868	10,569	9,245	10,428	12,318	12,892
Unrestricted	(2,932)	(8,538)	(9,150)	(9,036)	(8,763)	(8,060)
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>	<u>\$ 6,713</u>

Source: RRA Comprehensive Annual Financial Report

REDDING REDEVELOPMENT AGENCY

Change in Net Assets

Last Six Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

Expenses	Fiscal Year					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Governmental activities:						
General government	\$ 129	\$ 121	\$ 121	\$ 179	\$ 466	\$ 168
Public safety	-	-	-	-	216	334
Public works	2,811	6,256	2,827	6,423	2,245	3,928 ¹
Recreation and culture	-	5,437	2,899	1	3,875 ²	679
Community development	1,102	1,260	4,225	4,330 ⁵	5,040	8,393 ³
Interest and fiscal charges	1,314	1,844	1,731	1,985	2,001	1,975
Total governmental activities expenses	\$ 5,356	\$ 14,918	\$ 11,803	\$ 12,918	\$ 13,843	\$ 15,477
Program Revenues						
Governmental activities:						
Charges for services:						
General government	-	-	-	-	-	16
Public works	-	-	1	-	40	35
Community development	212	10	52	-	1	25
Operating grants and contributions	140	-	-	4	740	1,089 ⁴
Capital grants and contributions	2,255	967	1,366	2,627	2,249	609
Total governmental activities program revenues	\$ 2,607	\$ 977	\$ 1,419	\$ 2,631	\$ 3,030	\$ 1,774
Net (expense) revenue	\$ (2,749)	\$ (13,941)	\$ (10,384)	\$ (10,287)	\$ (10,813)	\$ (13,703)
General Revenue and Other Changes in Net Assets						
Governmental activities:						
Property taxes	5,699	6,251	7,277	10,462 ⁵	11,717	13,079
Investment earnings	1,567	1,143	985	1,028	1,304	1,856
Miscellaneous	8	1	12	19	45	3
Gain on sale of assets	-	-	-	32	237	-
Total governmental activities	\$ 7,274	\$ 7,395	\$ 8,274	\$ 11,541	\$ 13,303	\$ 14,938
Change in Net Assets	\$ 4,525	\$ (6,546)	\$ (2,110)	\$ 1,254	\$ 2,490	\$ 1,235

Source: RRA Comprehensive Annual Financial Report

¹ Increase from the prior year due to increase in infrastructure projects.

² Increases in FY 2004-05 are related to the new Shasta County Library for \$1.4 million and \$2 million 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 Increases in FY 2005-06 are primarily due to grants and developer's contributions for a large housing project.

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 Six 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
2005-2006	13,079

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									
	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenues										
Tax increment	\$ 3,900	\$ 4,319	\$ 4,709	\$ 4,946	\$ 5,591	\$ 6,320	\$ 7,244	\$ 10,433	\$ 11,720	\$ 12,978
Other use of money and property	18	2	40	70	91	10	55	30	88	108
Intergovernmental revenues	200	442	855	257	2,240	889	886	1,879	4,001 ²	1,258
Investment revenue	1,467	1,265	1,194	1,331	1,511	1,080	918	837	1,205	1,773
Other revenue	-	968	53	174	275	14	265	125	80	558
Total revenues	5,585	6,996	6,851	6,778	9,708	8,313	9,368	13,304	17,094	16,675
Expenditures										
Current:										
Administrative	792	655	902	941	1,208	1,159	1,175	1,249	1,477	1,500
Professional services	44	18	25	15	96	22	14	11	14	13
Housing assistance	160	582	310	504	480	631	2,787	648	305	2,762
Pass throughs	-	130	210	341	294	418	896	3,149	4,088	4,963
Capital outlay:										
Project improvements	3,188	5,857	397	3,359	3,777	8,222	3,421	5,782	5,292	4,134
Real estate purchases	-	-	59	210	-	1,060	1,498	-	1,044	23
Equipment purchases	14	8	-	13	8	-	-	-	-	-
Debt service:										
Principal retirement	485	505	530	550	580	605	1,050	280	2,137	1,589
Interest and fiscal charges	1,365	1,365	1,345	1,315	1,322	1,350	1,739	1,866	1,942	1,897
Bond issuance costs	-	-	-	-	-	331	-	734	-	-
Total expenditures	6,048	9,120	3,778	7,248	7,765	13,798	12,580	13,719	16,299	16,881
Excess of revenues over (under) expenditures	(463)	(2,124)	3,073	(470)	1,943	(5,485)	(3,212)	(415)	795	(206)

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

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

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Other Financing Sources (Uses)										
Long-term debt issued	-	-	-	-	-	9,500	-	34,120 ³	1,141	-
Bond discount	-	-	-	-	-	(93)	-	(51) ³	-	-
Premium on bonds issued	-	-	-	-	-	-	-	76 ³	-	-
Payment to refunding bond escrow agent	-	-	-	-	-	-	-	(21,837) ³	-	-
Gain (loss) on sale of land	206	153	363	177	7	249	4	31	(16)	-
Transfers in	-	2,311	611	414	525	512	993	2,599	21,754	372
Transfers out	-	(2,311)	(611)	(414)	(525)	(512)	(993)	(2,599)	(21,754)	(372)
Total other financing sources (uses)	206	153	363	177	7	9,656	4	12,339	1,125	-
Net change in fund balances	\$ (257)	\$ (1,971)	\$ 3,436	\$ (293)	\$ 1,950	\$ 4,171	\$ (3,208)	\$ 11,924	\$ 1,920	\$ (206)
Debt service as a percentage of noncapital expenditures	33%	23%	52%	27%	31%	17%	23%	21%	27%	21%
Debt service as a percentage of total expenditures	31%	21%	50%	26%	24%	17%	22%	21%	25%	21%
Capital outlay as a percentage of total expenditures	9%	11%	4%	5%	21%	0%	3%	0%	6%	0%

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.

² Intergovernmental revenue in FY 2004-05 is primarily related to grants for a wastewater detention basin project.

³ 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									
	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
All Governmental Funds										
Reserved	\$ 14,308	\$ 10,313	\$ 10,315	\$ 11,166	\$ 11,998	\$ 22,494	\$ 21,326	\$ 21,930	\$ 13,104	\$ 12,926
Unreserved, reported in:										
Special revenue funds	2,378	3,054	3,179	3,279	3,791	3,240	2,310	3,066	13,667	13,878
Capital projects funds	9,693	11,103	14,485	13,315	14,119	8,298	7,278	5,865	18,963	18,726
Debt service funds	(1,028)	(1,091)	(1,164)	(1,237)	(1,321)	(1,414)	(1,504)	10,472	(2)	(3)
Total all governmental funds	<u>\$ 25,351</u>	<u>\$ 23,379</u>	<u>\$ 26,815</u>	<u>\$ 26,523</u>	<u>\$ 28,587</u>	<u>\$ 32,618</u>	<u>\$ 29,410</u>	<u>\$ 41,333</u>	<u>\$ 45,732</u>	<u>\$ 45,527</u>

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>
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
2005-2006	12,978

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
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%
2006	1,656,258	228,163	1,884,421	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 Two Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 11,029,565	\$ 10,736,094	97.34%	\$ 124,586	\$ 10,860,680	98.47%
2006	12,345,088	12,102,988	98.04%	-	12,102,988	98.04%

Note: The collections in subsequent years was first made available to the Agency by Shasta County in fiscal year 2005-06. Therefore, the Agency can only report two years of levies and collections.

Source: Shasta County Auditor-Controller

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
2005-2006	803,477,949	672,478,957	513.3	6.6
Base Year 1980-81				
Original amount	134,446,340			
Current amount	130,998,992			

Note: Base year valuation changes as properties are placed into public ownership. The Agency receives the increase in taxes over the base year (tax increment). The County maintains all tax allocation amounts & records. Such information is not available to the Agency at this time.

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
2005-2006	131,404,189	82,861,775	170.7	12.1
<hr/>				
Base Year 1989-90				
Original amount	48,542,414			

Note: The Agency receives the increase in taxes over the base year (tax increment). The County maintains all tax allocation amounts & records. Such information is not available to the Agency at this time.

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)
2005-2006	6,455,369	2,780,309	75.7	12.4
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. The Agency receives the increase in taxes over the base year (tax increment). The County maintains all tax allocation amounts & records. Such information is not available to the Agency at this time.

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	94.2	4.8
2005-2006	561,527,891	280,963,695	100.1	3.0
<hr/>				
Base Year 1989-90				
Original amount	284,196,068			
Current amount	280,564,196			

Note: Base year valuation changes as properties are placed into public ownership.
The Agency receives the increase in taxes over the base year (tax increment). The County maintains all tax allocation amounts & records. Such information is not available to the Agency at this time.

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
2005-2006	288,565,739	160,101,103	124.6	15.7
Base Year 1995-96				
Original amount	128,748,892			
Current amount	128,464,636			

Note: Base year valuation changes as properties are placed into public ownership. The Agency receives the increase in taxes over the base year (tax increment). The County maintains all tax allocation amounts & records. Such information is not available to the Agency at this time.

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
2005-2006	92,989,450	28,950,450	45.2	12.2
Base Year 1999-2000				
Original amount	64,039,000			

Note: The Agency receives the increase in taxes over the base year (tax increment). The County maintains all tax allocation amounts & records. Such information is not available to the Agency at this time.

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	
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
2005-2006	1.0000	0.4211	0.3544	-	1.7755

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 2005-06 and 1996-97

Taxpayer	2005-06			1996-97		
	Taxable Assessed Value	Rank	Percentage of Total RRA Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total RRA Taxable Assessed Value
Shasta Regional Medical Center LLC *	\$ 58,587,890	1	3.11%	\$ 44,427,957	1	4.58%
Mt. Shasta Mall Associates	30,062,347	2	1.60%			
Safeway Stores, Inc.	25,426,095	3	1.35%			
Shasta Enterprises	20,566,788	4	1.09%	18,541,342	4	1.91%
WRI Golden State LLC	14,539,718	5	0.77%			
Macys West	12,727,673	6	0.68%			
Dewey, Robert W.	12,042,927	7	0.64%			
Knighten, Gary & Patsy	11,697,775	8	0.62%			
HD Development of Maryland, Inc.	11,680,530	9	0.62%			
Meyer Motels, Ltd.	10,840,116	10	0.58%	13,438,418	5	1.39%
Leah F. McConnell 1992 Trust				26,697,554	2	2.75%
James J. Cordano Co., et al				19,897,666	3	2.05%
Vicovich, John T., et al.				11,953,980	6	1.23%
Wal-Mart				10,999,650	7	1.13%
Red Lion Motels, Inc.				10,334,026	8	1.07%
Western Investment Real Estate Trust				9,333,456	9	0.96%
Frances W. Kutras				8,954,971	10	0.92%
Total	\$ 208,171,859		11.06%	\$ 174,579,020		17.99%

Source: Redding Redevelopment Agency

* Note: Name changed from National Medical Enterprises Hospital, Inc. in fiscal year 2005-06.

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			
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%	1.45%	372
2003	30,395	-	30,395	1.98%	1.38%	355
2004	42,925	-	42,925	2.59%	1.87%	492
2005	41,425	-	41,425	2.36%	1.71%	468
2006	39,885	-	39,885	2.12%	1.55%	443

Source: RRA Comprehensive Annual Financial Report

Note:

- ¹ Details regarding the Agency's outstanding debt can be found in Note 9 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 103 for personal income and population data.

REDDING REDEVELOPMENT AGENCY
Direct and Overlapping Governmental Activities Debt
As of June 30, 2006

<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	\$ 6,300,000	28.282%	\$ 1,781,766
Shasta County Schools (2):			
Anderson Union High School District	4,315,000	5.694%	245,696
Columbia School District	4,495,000	8.767%	394,077
Enterprise School District	19,130,000	40.316%	7,712,451
Gateway Unified School District	21,579,968	14.453%	3,118,953
Redding School District	20,760,000	24.546%	5,095,750
Shasta College	32,500,000	16.138%	5,244,850
Shasta Union High School District	29,142,640	21.196%	6,177,074
Shasta Joint Powers Financing Authority (2)	<u>53,935,000</u>	16.087%	<u>8,676,523</u>
Subtotal, overlapping debt	<u>192,157,608</u>		<u>38,447,140</u>
Direct debt:			
Redding Redevelopment Agency (3)	<u>39,885,000</u>	100.000%	<u>39,885,000</u>
Total direct and overlapping debt	<u>\$ 232,042,608</u>		<u>\$ 78,332,140</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 2005-06.

REDDING REDEVELOPMENT AGENCY

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

Project Area	Fiscal Year									
	1996-97	1997-98	1998-99	2000-01	2001-02	2001-02	2002-03	2003-04	2004-05	2005-06
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
Total net debt applicable to limit	<u>17,322</u>	<u>18,707</u>	<u>18,355</u>	<u>17,803</u>	<u>17,375</u>	<u>26,399</u>	<u>25,380</u>	<u>35,531</u>	<u>34,168</u>	<u>32,758</u>
Legal debt margin	<u>\$ 82,678</u>	<u>\$ 81,293</u>	<u>\$ 81,645</u>	<u>\$ 82,197</u>	<u>\$ 82,625</u>	<u>\$ 73,601</u>	<u>\$ 74,620</u>	<u>\$ 64,469</u>	<u>\$ 65,832</u>	<u>\$ 67,242</u>
Total net debt applicable to the limit as a percentage of debt limit	17.32%	18.71%	18.36%	17.80%	17.38%	26.40%	25.38%	35.53%	34.17%	32.76%

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 2005-06

Debt limit	\$ 100,000
Debt applicable to limit:	
Tax allocation bonds	35,045
Less: Amount set aside for repayment of debt	(2,287)
Total net debt applicable to limit	<u>32,758</u>
Legal debt margin	<u>\$ 67,242</u>

Project Area	Fiscal Year									
	1996-97	1997-98	1998-99	2000-01	2001-02	2001-02	2002-03	2003-04	2004-05	2005-06
Market Street										
Debt limit	\$ 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	<u>2,033</u>	<u>1,999</u>	<u>1,963</u>	<u>1,939</u>	<u>1,890</u>	<u>1,857</u>	<u>1,814</u>	<u>4,766</u>	<u>4,594</u>	<u>4,410</u>
Legal debt margin	<u>\$ 97,967</u>	<u>\$ 98,001</u>	<u>\$ 98,037</u>	<u>\$ 98,061</u>	<u>\$ 98,110</u>	<u>\$ 98,143</u>	<u>\$ 98,186</u>	<u>\$ 95,234</u>	<u>\$ 95,406</u>	<u>\$ 95,590</u>
Total net debt applicable to the limit as a percentage of debt limit	2.03%	2.00%	1.96%	1.94%	1.89%	1.86%	1.81%	4.77%	4.59%	4.41%

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 2005-06

Debt limit	\$ 100,000
Debt applicable to limit:	
Tax allocation bonds	4,840
Less: Amount set aside for repayment of debt	(430)
Total net debt applicable to limit	<u>4,410</u>
Legal debt margin	<u>\$ 95,590</u>

Source: RRA Comprehensive Annual Financial Report

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 ¹	Net Available Revenue	Less: Debt Service	Property Taxes	Debt Service	Interest	Coverage
			Principal	Interest		Principal	Interest	
1997	\$ 892	\$ 444	\$ 448	\$ 30	\$ 150	\$ 50	\$ 26	2.49
1998	1,146	543	603	30	148	55	23	3.39
1999	1,183	599	584	35	146	60	20	3.23
2000	1,221	709	512	35	143	60	16	2.87
2001	1,460	703	757	40	141	65	13	4.19
2002	1,801	1,100	701	40	138	70	9	3.94
2003	2,115	1,446	669	45	135	75	5	3.71
2004	2,515	1,404	1,111	-	190	-	-	5.85
2005	2,781	1,862	919	170	243	-	-	2.23
2005	2,963	2,562	401	175	239	-	-	0.97

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 ¹	Net Available Revenue	Less: Debt Service	Property Taxes	Debt Service	Interest	Coverage
			Principal	Interest		Principal	Interest	
1997	\$ 4,171	\$ 1,909	\$ 2,262	\$ 405	\$ 1,141	\$ -	\$ -	1.46
1998	4,384	1,995	2,389	420	1,125	-	-	1.55
1999	4,702	2,158	2,544	435	1,108	-	-	1.65
2000	4,805	2,249	2,556	455	1,089	-	-	1.66
2001	5,253	2,461	2,792	475	1,069	-	-	1.81
2002	5,664	2,572	3,092	495	1,048	-	-	2.00
2003	6,203	3,052	3,151	515	1,024	-	-	2.05
2004	6,665	3,385	3,280	-	1,103	415	505	2.97
2005	7,304	3,958	3,346	1,040	1,180	280	495	1.51
2005	7,952	4,220	3,732	1,060	1,159	290	483	1.68
						305	470	

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 1997 through 2003 is the estimated property taxes collected for Shasta County and the Mosquito Abatement District.

² Included in fiscal years ending 1997 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 Employers in the City of Redding

Fiscal Year 2005-06 and 1996-97

Employer	2005-06			1996-97		
	Employees	Rank	Percentage of Total Area Employment	Employees	Rank	Percentage of Total Area Employment
Shasta County *	1,915	1	2.49%	1,672	1	2.50%
Mercy Medical Center	1,643	2	2.13%	1,300	3	1.94%
City of Redding **	854	3	1.11%	740	5	1.11%
Shasta Regional Medical Center	775	4	1.01%			
Shasta Community College	700	5	0.91%	333	8	0.50%
Redding Rancheria	450	6	0.58%	412	7	0.62%
Wal Mart	450	7	0.58%			
Blue Shield of California	435	8	0.56%			
United States Post Office	300	9	0.39%	300	10	0.45%
Motel 6	282	10	0.37%			
Redding Medical Center				1,390	2	2.08%
Sierra Pacific Industries				640	4	0.96%
Simpson Paper Company				500	6	0.75%
Pacific Gas and Electric				303	9	0.45%
Total	7,804		10.13%	7,590		11.36%

* Full-time equivalent budgeted positions. This includes employees who work outside of the City.

** Full-time budget positions

In 2005-06 there were 820 full-time and 318 part-time/temporary positions filled.

In 1996-97 there were 711 full-time and 240 part-time/temporary positions filled.

REDDING REDEVELOPMENT AGENCY

Demographic and Economic Statistics

Last Ten Fiscal Years

Year	Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (2)	Unemployment Rate (4)
1996-97	77,353	\$ 1,589,682	\$ 20,551	8.9%
1997-98	78,084	1,681,539	21,535	9.2%
1998-99	78,675	1,760,353	22,375	7.0%
1999-2000	79,593	1,854,915	23,305	5.8%
2000-01	82,543	2,017,599	24,443	5.7%
2001-02	84,560	2,172,093	25,687	6.7%
2002-03	85,703	2,208,823	25,773	7.4%
2003-04	87,280	2,295,813	26,304	7.4%
2004-05	88,459	2,425,192	27,416	6.9%
2005-06	89,973	2,570,978	28,575	6.3%

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

Note: Per capita personal income is based on the calendar year information ending during that fiscal year. FY 2005-06 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)
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
2005-2006	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 Six Fiscal Years

Function	Fiscal Year					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Public safety						
Projects under construction	-	-	-	-	1	-
Public works						
Projects under construction	10	13	9	11	18	16
Recreation and culture						
Projects under construction	4	6	5	3	5	4
Community development						
New construction						
Commerical/public buildings (square footage)	135,000	34,000	53,000	119,681	-	7,988
Restoration/rehabilitation						
Commerical/public buildings (square footage)	-	-	-	21,288	-	-
Business façade improvements	1	2	4	6	13	13
Jobs created	100	35	206	295	8	-
Housing:						
New construction (square footage)	51,100	88,000	-	45,942	47,407	72,700
Restoration/rehabilitation (square footage)	24,700	9,200	42,000	4,900	2,969	4,565
Households assisted	103	155	305	172	81	123

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									
	1997-98	1998-99	1999-00	2000-01	2001-02	2001-02	2002-03	2003-04	2004-05	2005-06
General government										
Mall structure	1	1	1	1	1	1	1	1	1	1
Public works										
Parcels of land for future development	11	11	11	12	12	11	11	11	11	11
Community development										
Parcels of land for future development	7	7	7	7	7	5	5	5	5	1
Building - future site of community theater	-	-	-	-	-	-	-	-	1	1

Source: Redding Redevelopment Agency

OTHER SUPPLEMENTAL INFORMATION



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

To the Honorable Chairman and Members
of the Redding Redevelopment Agency
Redding, California

We have audited the basic financial statements of the Redding Community Redevelopment Agency (Agency), a component unit of the City of Redding, as of and for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. We conducted our audit in accordance with generally accepted auditing standards in the United States 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 the basic financial statements of the Agency 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 basic financial statement amounts. Such provisions include those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. 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 the 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 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 for the information of the Agency's Board, management, and the State Controller. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson

Oakland, California
November 3, 2006

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

Oakland
180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County
9 Corporate Park, Suite 100
Irvine, California 92606

108

Sacramento
777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego
4858 Mercury, Suite 106
San Diego, California 92111