



Redding Redevelopment Agency

A Component Unit of the City of Redding, California

**Comprehensive Annual Financial Report
Fiscal Year Ended
June 30, 2007**

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

Redding, California

FISCAL YEAR ENDED JUNE 30, 2007

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, 2007

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INTRODUCTORY SECTION



Redding Redevelopment Agency

November 27, 2007

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, 2007.

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, 2007. 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. In 2006, SHASTEK was amended to include an additional 870 acres. 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 1-2% per year. The City's population of 90,045 has increased 11.4% over the 2000 U.S. Census tabulation. The City's population represents approximately 50% of Shasta County's population. The following table indicates population growth for the City and Shasta County from 1970 to 2007:

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	89,162	0.79	179,835	0.92
2007	90,045	0.99	181,401	0.87

Source: 1970-2000 data from U.S. Census; 2001-07 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 14,200 representing an increase of approximately 15.8%. 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 2007:

<u>Region</u>	<u>Single Family Homes</u>
Redding	\$308,850
Sacramento	300,000
Los Angeles	550,000
Orange County	645,000
San Francisco	825,000

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 117.

According to the State Employment Development Department, the unemployment rate of the City's metropolitan area was 6.9% on June 30, 2007. 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 1998 through June 2007:

<u>June 30</u>	<u>Labor Force</u>	<u>Unemployment Number</u>	<u>Rate</u>
1998	72,400	6,600	9.1%
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	84,100	6,300	7.5%
2005	83,200	5,900	7.1%
2006	84,400	5,300	6.3%
2007	85,800	6,000	6.9%

Source: State Department of Employment Development

Construction activity. For the past ten calendar years ending December 2006, the City issued building permits valued at a total of \$1,415,515,427. New construction over the ten-year period represents 73% of the total construction activity. For the 2006 calendar year 3,885 building permits were issued with a total permit valuation of \$170,142,515. The City of Redding has experienced high growth over the past ten-year period. Following overall statewide trends, year 2006 saw a downturn in permit and related construction activity. These trends are expected to continue 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>2004</u>	<u>2005</u>	<u>2006</u>
Value/single family *	\$73,217,109	\$120,544,146	\$55,897,416
Number of permits	383	720	287
Value - multi dwellings *	\$11,364,890	\$14,892,727	\$12,019,895
Number of permits	6	30	37
Number of units	225	216	131
Value - business *	\$29,032,702	\$32,379,315	\$38,299,649
Number of permits	70	68	63
Value - Total all permits	\$156,729,228	\$222,735,090	\$170,142,515
Total permits**	4,073	4,645	3,885

* 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 \$2,104,055,100 in calendar year 2006, a 2.8% increase over the same period for 2005.

<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
2006	2,104,055	2.8

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 61,000 for fiscal year 2006-07.

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 43 elementary schools, 8 middle schools, 11 charter schools, and 13 high schools. Shasta College, a two-year institution, offers both day and evening courses to approximately 16,300 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 53 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 and the Caldwell Recreation Center.

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 519 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 have increased not only in amount, but also as a percentage of total expenses (a ten-year increase of 7 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 more than \$1.3 million while decreasing in percentage of total revenue (a ten-year decrease of 11 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 13 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

The SHASTECH Redevelopment Project Area was amended to include 870 additional acres, of which 678 acres are being developed as a medium- to large-parcel business park known as the "Stillwater Business Park." The Business Park is expected to develop over the next 20 years. In anticipation of the amendment, \$15 million in SHASTECH Redevelopment Project Tax Allocation Bonds were issued. Of that amount, \$10 million has been allocated to assist with construction of the "backbone" infrastructure necessary for development of the Business Park. The balance is for capital improvements listed on the Six-Year Capital Improvement Program ending 2010-11 and for other public improvements outside the Business Park, but within the boundaries of the SHASTECH Project Area.

The City Council of the City of Redding has adopted the Oasis Road Specific Plan (ORSP) which provides a framework for the development of approximately 665 acres surrounding the Oasis Road and Interstate 5 interchange. A significant portion of the ORSP lies within the boundaries of the Buckeye Redevelopment Project Area. Planned traffic projects within the ORSP are about \$41 million and include the Interstate 5 interchange. It is expected that the City will be requesting approximately \$16.9 million in funding from tax increment to be generated by new development in the Buckeye Project Area. Any use of the tax increment funds will require the approval of both the Redding Redevelopment Agency and the County of Shasta Redevelopment Agency.

In 1999, the City of Redding made a loan of \$2 million to the SHASTECH Redevelopment Project Area to help fund construction of an \$11 million storm-drainage facility. The loan is repayable from certain developer fees and starting in 2009-10, from tax-increment revenues generated from the Project Area. The loan is expected to be fully repaid by the year 2019.

Relevant financial policies

California Community Redevelopment Law, Health and Safety Code Section 33000, et.seq., requires a redevelopment agency to adopt a redevelopment plan for each of its project areas. The plan enables the Agency to collect tax increment, which is a portion of the property taxes generated from a project area. Article XVI, Section 16(b) of the constitution stipulates that agencies may only collect tax increment revenues in order to pay debt. The County of Shasta charges an administrative fee for collecting the tax increment. Redevelopment law requires that twenty percent (20%) of the collected gross tax increment be placed in a separate account and expended on increasing, improving, and preserving the supply of affordable housing. In addition, either by law or agreement, the Agency is obligated to pass through a portion of the tax increment revenues to other taxing entities.

A provision in the Revenue and Taxation Code allowed NME, formerly the owner of Redding Medical Center, to appeal four years of assessed valuations from the year 2000 through the year 2003. A \$23,833,568 reduction was granted to NME, resulting in a refund of \$303,004.24. The loss of tax increment caused by the one-time refund was apportioned out to various taxing entities. The total loss to the Agency of \$21,900 was substantially less than anticipated.

Major initiatives

There are currently three major transportation-related projects in the City of Redding and two in the County of Shasta that are located within a redevelopment project area and are receiving financial assistance from tax increment revenue. The first three projects are located in the Canby-Hilltop-Cypress (CHC) Redevelopment Project Area. The first project is the realignment and widening of the southerly portion of Churn Creek Road. Total cost of the project, including right-of-way acquisition, is estimated to be \$7 million. Of this amount, approximately \$3.2 million will be reimbursed by developers' contributions. Right-of-way has been acquired and construction should be underway by spring 2008. An offset from the project is the potential development of a neighborhood commercial center. The second project is the widening of Hilltop Drive crossing over Highway 44. This project is currently underway at a cost of just less than \$4.4 million. The Agency's contribution is \$1.46 million. The balance is from the State Transportation Improvement Program. 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 \$5 million project is currently being redesigned in response to concerns expressed by the business owners along Hilltop Drive. The Agency has committed up to \$2 million for the street improvements with matching funds coming from the business improvement district. The City's Electric Utility will be responsible for the undergrounding of utilities. Moving forward on the project is pending review and approval of the design.

The last two transportation-related projects are located in the SHASTECH Redevelopment Project Area and within the jurisdictional boundaries of the County of Shasta. SHASTECH is a collaborative project area with the Cities of Anderson and Redding and the County of Shasta. The County is the lead agency for both projects. The first project is the widening of the Sacramento River bridge that connects Airport Road in the County of Shasta with North Street in the City of Anderson. The bridge, at an estimated cost of \$30.2 million, should be under construction by the end of 2007.

SHASTECC's contribution is \$1 million. The second project is the widening of a portion of Old Oregon Trail. The SHASTECC budget contains \$400,000 for the acquisition of right-of-way and \$1.25 million for design and construction of the widening. This project is scheduled for construction in summer 2008.

Working in conjunction with the Shasta-Tehama-Trinity Joint Community College District's development of its \$16.7 million Health Sciences and University Center in the Market Street Redevelopment Project Area, the Agency undertook a \$1.9 million project which removed the roof over portions of the Downtown Mall and converted an area formerly under the roof into a pedestrian plaza. The Agency has budgeted an additional \$3.3 million to remove the roof over the remaining enclosed portion. It is anticipated that a loan in the approximate amount of \$1.6 million will be required, with repayment occurring from future tax increment revenue.

An appraisal was conducted and agreements drafted for the possible acquisition and redevelopment of two car dealerships located in the CHC Project Area. Approximately \$9 million has been included in the Agency budget for the acquisition. Acquisition and redevelopment of the subject properties will afford the Agency an opportunity to enhance the area both aesthetically and economically by promoting new development and reuse of the property.

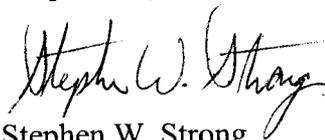
Awards and Acknowledgments

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, 2006. 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, 2006

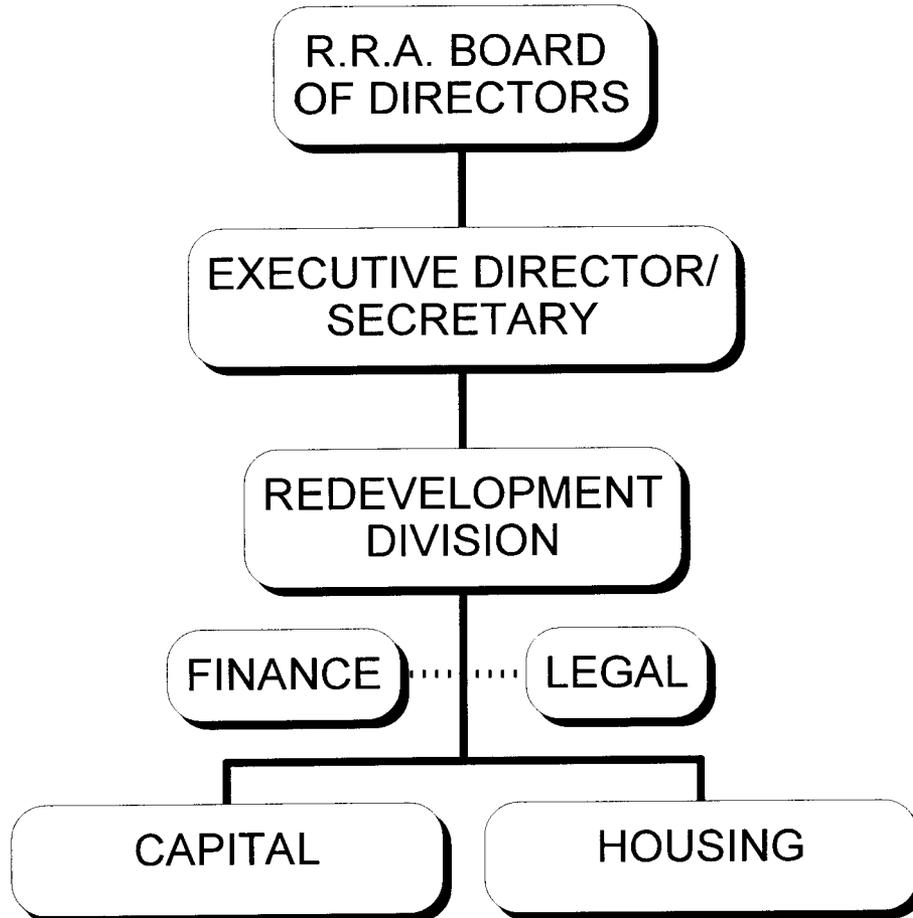
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Redding Redevelopment Agency Organizational Chart



REDDING REDEVELOPMENT AGENCY

Listing of Elected and Appointed Officials
June 30, 2007

Elected Officials

Mary Leas Stegall, Chair Person
Rick Bosetti, Vice Chair Person
Dick Dickerson, Director
Patrick Jones, Director
Ken D. Murray, Director
Leslie Detwiler, City Treasurer
Connie Strohmayer, City Clerk

Appointed Officials

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

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the Redding Community Redevelopment Agency
Redding, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redding Community Redevelopment Agency (Agency), a component unit of the City of Redding, as of and for the year ended June 30, 2007, 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.

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, 2007, 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 9, 2007 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. 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.

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.

To the Honorable Mayor and Members
of the Redding Community Redevelopment Agency
Redding, California
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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 & Carlson

Oakland, California
November 9, 2007

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, 2007. 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 3-10 of this report.

Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$11,124,808 (net assets). Of this amount, \$5,577,806 is a deficit in unrestricted net assets.
- The Agency's total net assets increased by \$5,066,645. Tax increment revenue and investment income were \$15,026,242 and \$2,927,473, respectively, which were more than what was anticipated.
- As of the close of the current fiscal year, the Agency's funds reported combined ending fund balances of \$62,994,177, an increase of \$18,122,126 in comparison with the prior year. Approximately 71.7 percent, \$45.1 million, of this total amount is available for spending at the government's discretion (unreserved fund balance). The major component of this increase was the \$15 million in bonds issued by the SHASTECH Redevelopment Project Area.
- The Agency's total debt increased by \$13,381,162 (34.0 percent) during the current fiscal year. The key factor in this increase was the issuance of the \$15 million in bonds.

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 \$5,065 and contributions of \$5,139 for two housing projects. The capital grants and contributions are principally due to a developer's contribution totaling \$73,948 for a street project, a \$125,000 grant from the State of California for a street project, and a \$13,105 grant 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 32-33 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 13 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, SHASTE C Special Revenue, Canby-Hilltop-Cypress Debt Service, the Market Street Capital Project, the Canby-Hilltop-Cypress Capital Project, and the SHASTE C 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 governmental fund financial statements can be found on pages 36-42 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 44-64 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 67-69 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 \$11,124,808 at the close of the most recent fiscal year.

Redding Redevelopment Agency				
Net Assets				
	Governmental			
	Activities			
	2007	2006		
	As restated	Variance	% Change	
Current and other assets	\$67,887,902	\$48,415,576	\$19,472,326	40.22%
Capital assets, net	2,467,843	2,189,439	278,404	12.72%
Total assets	<u>70,355,745</u>	<u>50,605,015</u>	<u>19,750,730</u>	<u>39.03%</u>
Current liabilities	4,465,301	3,110,857	1,354,444	43.54%
Long term liabilities	54,765,636	41,435,995	13,329,641	32.17%
Total liabilities	<u>59,230,937</u>	<u>44,546,852</u>	<u>14,684,085</u>	<u>32.96%</u>
Net assets:				
Invested in capital assets, net of related debt	2,159,738	1,881,334	278,404	14.80%
Restricted	14,542,876	12,237,398	2,305,478	18.84%
Unrestricted (deficit)	<u>(5,577,806)</u>	<u>(8,060,569)</u>	<u>2,482,763</u>	<u>-30.80%</u>
Total net assets	<u>\$11,124,808</u>	<u>\$6,058,163</u>	<u>\$5,066,645</u>	<u>83.63%</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 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 \$5,577,806.

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 \$5,066,645 during the current fiscal year. The investment in capital assets, net of related debt, increased by \$278,404 (14.8 percent). The increase is related to the purchase of property for a street project. The reduction in the deficit of \$2,482,763 (30.8 percent) is primarily attributable to an increase in tax increment and investment revenue to \$12,024,282 and \$1,998,371, respectively. Net assets restricted for housing programs increased by \$2,305,478 (18.8 percent). Tax increment revenue and investment income were \$3,001,960 and \$929,104, respectively. Housing revenue exceeded housing expenses.

Governmental activities. The increase in net assets of the Agency of \$5,066,645 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 2006-07 and 2005-06. The change in net assets went from a positive \$1,039,121 in fiscal year 2005-06 to a positive \$5,066,645 in 2006-07. The change in net assets was greater in the current year versus the prior year because total revenues increased by \$1,490,258 while expenses decreased by \$2,537,266. The significant changes were as follows:

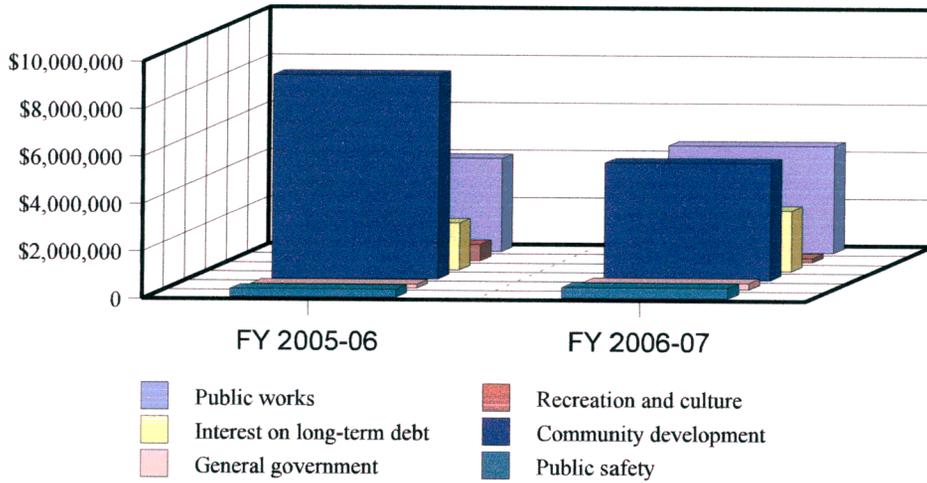
- Property tax increment revenue increased by \$1,946,981 (15 percent) during the year. Tax increment revenue has increased yearly in all project areas due to an increase in property values and new construction.
- Investment income increased by \$1,071,434 (58 percent) due to an increase in interest rates and an increase in the amount of money available for investment. The SHASTE C Redevelopment Project Area issued \$15 million in bonds in August 2006. The majority of these bond proceeds have not been spent.
- Operating grants and contributions decreased by \$1,079,086 (99 percent). The Agency received developer contributions towards property sales expense and two housing projects in fiscal year 2006-07.
- Capital grants and contributions decreased by \$396,745 (65 percent). All of these state and private grant revenues furnished resources for infrastructure projects.
- The net decrease in expenses is primarily related to a decrease in funds spent on housing and park projects and a reprieve on contributing to the Educational Revenue Augmentation Fund (ERAF) with the State of California. In fiscal year 2005-06 the Agency paid \$811,961 in ERAF monies to the State; whereas, in the current fiscal year the Agency was not required to make a contribution. The increase in interest on long-term debt is related to the new bond issue for the SHASTE C Redevelopment Project Area.

Redding Redevelopment Agency
Changes in Net Assets

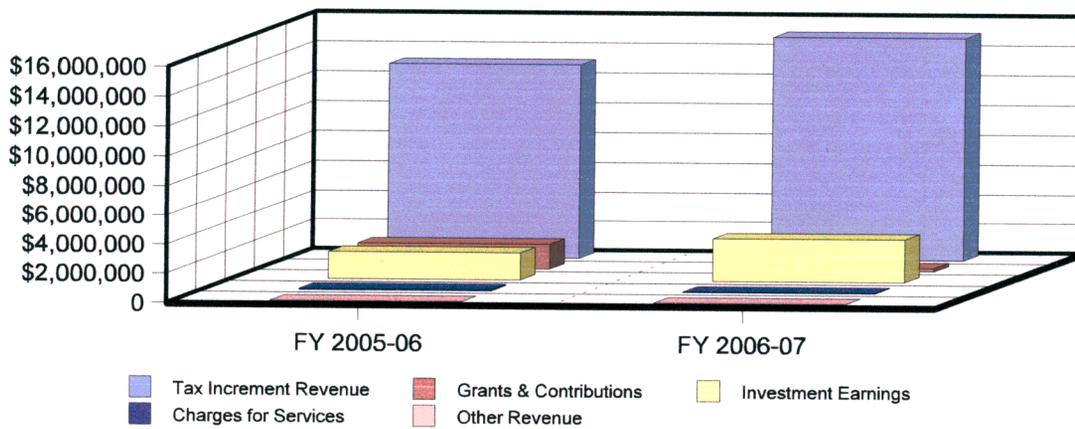
	Governmental Activities			
	2007	2006 As Restated	Variance	% Change
Revenues:				
Program revenues:				
Charges for services	\$ 25,292	\$ 75,493	\$ (50,201)	-66.50%
Operating grants and contributions	10,204	1,089,290	(1,079,086)	-99.06%
Capital grants and contributions	212,053	608,798	(396,745)	-65.17%
General revenues:				
Tax increment	15,026,242	13,079,261	1,946,981	14.89%
Interest	2,927,473	1,856,039	1,071,434	57.73%
Other	1,000	3,125	(2,125)	-68.00%
Total revenues	18,202,264	16,712,006	1,490,258	8.92%
Expenses:				
General government	275,631	167,610	108,021	64.45%
Public safety	450,392	334,172	116,220	34.78%
Public works	4,504,618	3,928,183	576,435	14.67%
Recreation and culture	165,978	678,824	(512,846)	-75.55%
Community development	5,181,652	8,589,139	(3,407,487)	-39.67%
Interest on long-term debt	2,557,348	1,974,957	582,391	29.49%
Total expenses	13,135,619	15,672,885	(2,537,266)	-16.19%
Increase in net assets	5,066,645	1,039,121	4,027,524	387.59%
Net assets, beginning of year	6,058,163	5,477,732	580,431	10.60%
Prior period adjustment	-	(458,690)	458,690	-100.00%
Net assets, beginning of year, as restated	6,058,163	5,019,042	1,039,121	-89.40%
Net assets - ending	\$ 11,124,808	\$ 6,058,163	\$ 5,066,645	83.63%

The following graphs show an illustrative picture of revenues and expenditures for fiscal year 2005-06 as compared with fiscal year 2006-07.

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 \$63.0 million, an increase of \$18 million in comparison with the prior year. The unreserved, undesignated fund balance, which is available for spending at the government's discretion, increased by \$12.1 million while the unreserved, designated portion of the fund balance increased by \$1.1 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 (\$7.2 million), 2) for noncurrent notes receivable (\$6.8 million), 3) for assets held for resale (\$3.2 million) and 4) for school projects (\$0.6 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 \$9.4 million, while the total fund balance was increased to \$15.1 million. The net increase in fund balance by \$1.2 million is primarily related to an increase in tax increment and investment revenue and a transfer in from the CHC Debt Service Fund. The unreserved, undesignated fund balance is \$4.1, which represents 86.4% of total fund expenditures.

The fund balance of the CHC Special Revenue Fund increased by \$0.8 million. Key to this increase is a reduction of \$2.1 million spent on housing projects. The unreserved, undesignated fund balance increased by \$3.0 million.

The fund balance of the Market Street Special Revenue Fund increased by \$0.8 million to a total fund balance of \$4.1 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 \$258,828.

The fund balance of the SHASTEK Special Revenue Fund increased by \$0.2 million to a total of \$0.8 million. The net increase in fund balance is primarily related to an increase in tax increment and investment revenue. The unreserved, undesignated fund balance increased by \$254,905.

The fund balance of the CHC Debt Service Fund increased by \$19,351 to a total fund balance of \$5.1 million. The net increase in fund balance is primarily related to an increase in investment revenue which was due to interest rate increases.

The Market Street Capital Project Fund’s fund balance increased by \$0.3 million to a total fund balance of \$2.4 million. The net increase in fund balance is primarily related to an increase in tax increment revenue and a decrease in pass throughs and public works projects. The unreserved, undesignated fund balance increased by \$1.2 million.

The SHASTEC Capital Project Fund’s fund balance increased by \$13.6 million to a total fund balance of \$16.4 million. Key to this increase is the issuance of \$15 million in tax allocation bonds. The unreserved, undesignated fund balance increased to \$3.6 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:

- \$291,210 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.
- \$25,000 for an increase in developers’ contributions.
- \$291,210 for an increase in pass throughs of tax increment revenue to Shasta County and the Mosquito Abatement District.
- \$844,230 for increases in various capital projects.

Capital Asset and Debt Administration

Capital assets. The Agency’s investment in capital assets for its governmental-type activities as of June 30, 2007, amounted to \$2.5 million (net of accumulated depreciation), an increase of \$278,404. This investment in capital assets includes land and buildings. The Agency transferred property to the City of Redding to be used for the new Cypress Bridge right-of-way. The Agency also purchased property to be used for the Churn Creek Road realignment project.

Redding Redevelopment Agency		
Capital Assets (Net of Depreciation)		
	<u>2007</u>	<u>2006</u>
Land	\$ 2,258,485	\$ 1,969,965
Buildings	209,358	219,474
Total	<u>\$ 2,467,843</u>	<u>\$ 2,189,439</u>

Additional information on the Agency’s capital assets can be found in Note 6 on pages 53-54 of this report.

Long-term debt. At the end of the current fiscal year, the Agency had total bonded debt outstanding of \$52.8 million. All of this debt represents bonds secured solely by specified revenue sources (i.e., tax allocation bonds). The Agency’s total bond debt increased by \$13,381,162. The SHASTECC Redevelopment Project Area issued \$15 million in tax allocation bonds to finance capital and infrastructure projects.

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

	2007	2006
Tax allocation bonds, net	\$ 52,767,083	\$ 39,385,921
Total	\$ 52,767,083	\$ 39,385,921

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 Poor’s and Fitch’s due to bond insurance. The underlying rating is an A- with Standard and Poor’s. The Market Street Redevelopment Project Area Tax Allocation Bonds, Series 2003, and the SHASTECC Project Area Tax Allocation Bonds, Series 2006, have both been rated “BBB+” by Standard and Poor’s and Fitch’s.

Additional information on the Agency’s long-term debt can be found in Note 10 on pages 59-61 of this report.

Economic Factors and Next Year’s Budget

- The City of Redding has experienced a steady increase in population since 2000 of 1 to 2 percent per year while the unemployment rate has increased from 5.8 percent in 2000 to 6.9 percent in 2007.
- Inflationary trends in the region other than housing compare favorably to national indices.
- The Agency’s property assessed valuation for all project areas increased \$191.2 million (10.2 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 \$755.4 million (576.7 percent) over the base year in the original area and \$107.7 million (221.9 percent) over the base year in the amended area.
- In July 2004, Redding Medical Center, now known as Shasta Regional Medical Center, was sold to Hospital Partners of America at a reduction of \$16 million in assessed valuations. The hospital was resold in 2007 to Medical Properties Trust, Inc., of Alabama, for \$60 million. It is not known at this time how many holdings were sold and whether the sale is above or below the current assessed valuations. The Shasta County Assessor’s Office is in the process of gathering all the data relating to the sale. The hospital lies within the Market Street Redevelopment Project Area.

All of these factors were considered in preparing the Agency's budget for fiscal year 2007-08.

During the current fiscal year, unreserved fund balance increased to \$45.1 million. The Agency has appropriated \$22.2 million for spending in the 2007-08 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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Redding Redevelopment Agency
Statement of Net Assets
June 30, 2007

ASSETS	Governmental Activities
Current assets:	
Cash and investments	\$ 25,466,698
Receivables:	
Interest	999,829
Intergovernmental	230,492
Taxes	332,470
Other	1,740
Prepaid items	2,146
Assets held for resale	3,239,455
Restricted assets:	
Cash and investments	28,524,850
Interest receivable	278,383
Taxes receivable	811,771
Total current assets	59,887,834
Noncurrent assets:	
Other long-term receivables	187,428
Notes receivable, net	6,817,476
Financing costs, net	995,164
Capital assets:	
Land	2,258,485
Other capital assets, net of depreciation	209,358
Total noncurrent assets	10,467,911
Total assets	70,355,745
LIABILITIES	
Current liabilities:	
Accounts payable	489,284
Accrued liabilities	83,286
Intergovernmental payable, due within one year	682,272
Accrued interest payable	1,270,176
Deposits	93,100
Long term debt, due within one year	1,847,183
Total current liabilities	4,465,301
Noncurrent liabilities:	
Unearned revenue	187,428
Intergovernmental payable, due in more than one year	3,658,308
Long-term debt, due in more than one year	50,919,900
Total noncurrent liabilities:	54,765,636
Total liabilities	59,230,937
NET ASSETS	
Invested in capital assets, net of related debt	2,159,738
Restricted for:	
Housing	14,542,876
Unrestricted (deficit)	(5,577,806)
Total net assets	\$ 11,124,808

See accompanying Notes to Basic Financial Statements.

Redding Redevelopment Agency
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ 275,631	\$ 16,558	\$ -	\$ -	\$ 16,558	\$ (259,073)
Public safety	450,392	-	-	-	-	(450,392)
Public works	4,504,618	7,568	5,065	198,948	211,581	(4,293,037)
Recreation and culture	165,978	-	-	13,105	13,105	(152,873)
Community development	5,181,652	1,166	5,139	-	6,305	(5,175,347)
Interest and fiscal charges	2,557,348	-	-	-	-	(2,557,348)
Total government	\$ 13,135,619	\$ 25,292	\$ 10,204	\$ 212,053	\$ 247,549	(12,888,070)

General revenues:

Property taxes	15,026,242
Investment earnings	2,927,473
Other	1,000
Total general revenue	17,954,715
Change in net assets	5,066,645
Net assets - beginning of year	6,712,792
Prior period adjustment	(654,629)
Net assets - beginning of year, as restated	6,058,163
Net assets - end of year	\$ 11,124,808

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Redding Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2007

	Canby-Hilltop- Cypress Special Revenue	Market Street Special Revenue	SHASTEC Special Revenue
ASSETS			
Cash and investments	\$ 8,374,432	\$ 2,889,176	\$ 1,509,852
Interest receivable	660,041	151,454	18,771
Intergovernmental receivable	43,237	-	-
Taxes receivable	164,399	76,455	38,049
Other receivable	1,740	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and investments	1,160,622	-	-
Interest receivable	15,076	-	-
Taxes receivable	-	-	-
Assets held for sale	537,608	1,248,000	-
Notes receivable, net	6,273,084	544,392	-
Total assets	\$ 17,230,239	\$ 4,909,477	\$ 1,566,672
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 10,465	\$ 1,781	\$ -
Accrued liabilities	-	-	-
Deferred revenue	701,655	192,189	26,375
Deposits	-	73,100	-
Intergovernmental payable	20,159	588,000	777,987
Total liabilities	732,279	855,070	804,362
Fund Balances:			
Reserved for:			
Prepaid items	-	-	-
Assets held for resale	537,608	1,248,000	-
Debt service	-	-	-
School projects	-	-	-
Noncurrent notes receivable	6,264,449	544,392	-
Unreserved, designated reported in:			
Encumbrances - Special revenue funds	1,590,385	100,310	-
Encumbrances - Capital project funds	-	-	-
Special revenue funds			
Community development	4,306,780	1,932,370	-
Debt service	772,700	-	-
Capital project funds			
Public works	-	-	-
Recreation and culture	-	-	-
Unreserved, undesignated reported in:			
Special revenue	3,026,038	229,335	762,310
Capital project funds	-	-	-
Total fund balances	16,497,960	4,054,407	762,310
Total liabilities and fund balances	\$ 17,230,239	\$ 4,909,477	\$ 1,566,672

See accompanying Notes to Basic Financial Statements.

Canby-Hilltop- Cypress Debt Service	Market Street Capital Project	Canby-Hilltop- Cypress Capital Project	SHASTECC Capital Project	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,146,154	\$ 6,862,153	\$ 2,952,934	\$ 731,997	\$ 25,466,698
-	24,462	105,191	30,904	9,006	999,829
-	-	174,150	13,105	-	230,492
-	1,958	5,161	1,399	232,477	519,898
-	-	-	-	-	1,740
-	-	2,146	-	-	2,146
4,930,626	329,164	6,723,865	13,479,169	1,901,404	28,524,850
64,607	11,419	106,309	61,063	19,909	278,383
444,941	-	-	-	366,830	811,771
-	-	1,453,847	-	-	3,239,455
-	-	-	-	-	6,817,476
<u>\$ 5,440,174</u>	<u>\$ 2,513,157</u>	<u>\$ 15,432,822</u>	<u>\$ 16,538,574</u>	<u>\$ 3,261,623</u>	<u>\$ 66,892,738</u>
\$ -	\$ 100,039	\$ 258,498	\$ 68,497	\$ 50,004	\$ 489,284
-	3,524	-	79,762	-	83,286
307,347	-	-	13,105	466,764	1,707,435
-	-	20,000	-	-	93,100
-	-	20,941	-	118,369	1,525,456
<u>307,347</u>	<u>103,563</u>	<u>299,439</u>	<u>161,364</u>	<u>635,137</u>	<u>3,898,561</u>
-	-	2,146	-	-	2,146
-	-	1,453,847	-	-	3,239,455
5,132,827	-	-	-	2,038,325	7,171,152
-	406,608	225,455	-	-	632,063
-	-	-	-	-	6,808,841
-	-	-	-	-	1,690,695
-	218,580	1,524,439	180,003	-	1,923,022
-	-	-	-	4,230	6,243,380
-	-	-	-	-	772,700
-	468,020	7,163,610	12,355,650	-	19,987,280
-	112,140	662,010	260,770	-	1,034,920
-	-	-	-	123,387	4,141,070
-	1,204,246	4,101,876	3,580,787	460,544	9,347,453
<u>5,132,827</u>	<u>2,409,594</u>	<u>15,133,383</u>	<u>16,377,210</u>	<u>2,626,486</u>	<u>62,994,177</u>
<u>\$ 5,440,174</u>	<u>\$ 2,513,157</u>	<u>\$ 15,432,822</u>	<u>\$ 16,538,574</u>	<u>\$ 3,261,623</u>	<u>\$ 66,892,738</u>

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Redding Redevelopment Agency
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets
June 30, 2007

Total Fund Balances - Total Governmental Funds	\$ 62,994,177
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.	3,942,610
Accumulated depreciation has not been included in the governmental financial statements.	(1,474,767)
Revenues which are deferred on the fund balance sheets because they are not currently available are recognized as revenue in the Statement of Activities.	1,520,007
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.	995,164
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.	(1,270,176)
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	(1,880,000)
Bond discount/premium, due within one year	6,472
Unamortized deferred loss on defeased debt, due within one year	26,345
Tax allocation bonds payable, due in more than one year	(51,420,000)
Bond discount/premium, due in more than one year	100,747
Unamortized deferred loss on defeased debt, due in more than one year	399,353
Intergovernmental payables, due within one year	(53,172)
Intergovernmental payables, due in more than one year	(2,761,952)
Net Assets (Deficit) of Governmental Activities	\$ 11,124,808

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, 2007

	Canby-Hilltop- Cypress Special Revenue	Market Street Special Revenue	SHASTE Special Revenue
REVENUES:			
Tax increment	\$ 1,809,760	\$ 705,181	\$ 374,504
Other use of money and property	1,000	-	-
Intergovernmental revenues	-	-	-
Investment revenue	650,021	126,214	65,677
Other revenue	6,305	-	-
Total revenues	2,467,086	831,395	440,181
EXPENDITURES:			
Current:			
Administrative	533,228	21,311	9,251
Professional services	1,498	-	-
Housing assistance	365,374	27,439	196,025
Pass throughs	-	-	-
Capital outlay:			
Project improvements	-	-	-
Real estate purchases	-	-	-
Debt service:			
Principal retirement	320,000	-	-
Interest and fiscal charges	458,220	-	-
Bond issuance costs	-	-	-
Total expenditures	1,678,320	48,750	205,276
REVENUES OVER (UNDER) EXPENDITURES	788,766	782,645	234,905
OTHER FINANCING SOURCES (USES):			
Long-term debt issued	-	-	-
Bond discount	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	788,766	782,645	234,905
FUND BALANCES:			
Beginning of year	15,709,194	3,271,762	1,109,367
Prior period adjustment	-	-	(581,962)
Beginning of year, as restated	15,709,194	3,271,762	527,405
End of year	\$ 16,497,960	\$ 4,054,407	\$ 762,310

See accompanying Notes to Basic Financial Statements.

Canby-Hilltop- Cypress Debt Service	Market Street Capital Project	Canby-Hilltop- Cypress Capital Project	SHASTEC Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 2,657,979	\$ 2,318,896	\$ 4,581,061	\$ 364,228	\$ 2,103,785	\$ 14,915,394
-	-	5,997	-	-	6,997
-	125,000	-	-	-	125,000
128,522	139,291	876,268	776,279	87,463	2,849,735
-	5,275	88,745	2,587	536	103,448
<u>2,786,501</u>	<u>2,588,462</u>	<u>5,552,071</u>	<u>1,143,094</u>	<u>2,191,784</u>	<u>18,000,574</u>
137,058	125,845	515,479	44,081	107,809	1,494,062
-	1,448	6,434	5,539	566	15,485
-	-	-	-	45,702	634,540
-	1,301,998	2,391,206	236,600	51,756	3,981,560
-	963,232	1,377,357	1,724,382	135,569	4,200,540
-	-	455,131	-	-	455,131
1,085,000	-	-	-	190,105	1,595,105
1,140,054	-	-	-	638,737	2,237,011
-	-	-	198,544	-	198,544
<u>2,362,112</u>	<u>2,392,523</u>	<u>4,745,607</u>	<u>2,209,146</u>	<u>1,170,244</u>	<u>14,811,978</u>
<u>424,389</u>	<u>195,939</u>	<u>806,464</u>	<u>(1,066,052)</u>	<u>1,021,540</u>	<u>3,188,596</u>
-	-	-	14,048,534	951,466	15,000,000
-	-	-	(62,254)	(4,216)	(66,470)
-	55,475	405,038	668,361	-	1,128,874
(405,038)	-	-	-	(723,836)	(1,128,874)
<u>(405,038)</u>	<u>55,475</u>	<u>405,038</u>	<u>14,654,641</u>	<u>223,414</u>	<u>14,933,530</u>
<u>19,351</u>	<u>251,414</u>	<u>1,211,502</u>	<u>13,588,589</u>	<u>1,244,954</u>	<u>18,122,126</u>
5,113,476	2,158,180	13,921,881	2,788,621	1,454,199	45,526,680
-	-	-	-	(72,667)	(654,629)
<u>5,113,476</u>	<u>2,158,180</u>	<u>13,921,881</u>	<u>2,788,621</u>	<u>1,381,532</u>	<u>44,872,051</u>
<u>\$ 5,132,827</u>	<u>\$ 2,409,594</u>	<u>\$ 15,133,383</u>	<u>\$ 16,377,210</u>	<u>\$ 2,626,486</u>	<u>\$ 62,994,177</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, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 18,122,126

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. 455,131

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. (166,611)

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 bond proceeds, net (14,933,530)

This amount represents long-term bond debt repayments. 1,585,000

This amount represents amortization of bond premium. 3,779

This amount represents amortization of bond discounts. (10,066)

This amount represents amortization of deferred loss on defeased debt. (26,345)

This amount represents long-term notes payable debt repayments. 10,105

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. 201,688

Some expenses reported in the Statement of Activities, that accrue to the benefit of the City of Redding, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (3,343)

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 cost of issuance for new bonds. 198,544

This amount represents the annual amortization of the cost of issuance. (62,072)

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. (297,645)

Change in Net Assets of Governmental Activities \$ 5,066,645

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

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.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Basis of Accounting and Measurement Focus, Continued

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Agency reports the following major governmental funds:

- The Canby-Hilltop-Cypress Special Revenue Fund accounts for housing set aside required under redevelopment law.
- The Market Street Special Revenue Fund accounts for housing set aside required under redevelopment law.
- The SHASTECC 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 SHASTECC Capital Project Fund accounts for all the projects in the SHASTECC Project Area.

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

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, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, and Net Assets or Equity

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.

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.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

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

On June 30, 2007, the carrying amount and bank balance of the Agency's deposits were \$20,551. The total amount 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.

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, 2007, 3.466% of LAIF's

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

investment portfolio was invested in structured notes and other asset-backed securities. The Agency valued its investments in LAIF as of June 30, 2007, 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 .999545022.

C. Summary of Cash and Investments

As of June 30, 2007, 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	\$ 20,551	\$ 20,551
Total deposits	<u>20,551</u>	<u>20,551</u>
<i>Investments:</i>		
Local Agency Investment Funds	24,299,147	24,299,147
Guaranteed Investment Contract (GIC)	<u>1,147,000</u>	<u>1,147,000</u>
Total investments	<u>25,446,147</u>	<u>25,446,147</u>
Total Cash and Investments	<u><u>\$ 25,466,698</u></u>	<u><u>\$ 25,466,698</u></u>
Restricted Cash and Investments:		
<i>Investments:</i>		
Certificate of Deposit	\$ 270,248	\$ 270,248
Mutual Fund	871,231	871,231
Local Agency Investment Funds	11,042,944	11,042,944
Guaranteed Investment Contract	15,406,651	15,406,651
U.S. Government Securities	<u>933,776</u>	<u>933,776</u>
Total Restricted Cash and Investments	<u><u>\$ 28,524,850</u></u>	<u><u>\$ 28,524,850</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:

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

2. CASH AND INVESTMENTS, Continued

C. Summary of Cash and Investments, Continued

Bond reserve accounts restricted for potential deficiencies in debt service payments	\$ 3,672,744
Investments restricted for future debt service payments	3,160,486
Bond acquisition proceeds restricted for housing and capital projects	21,421,372
Certificate of deposit restricted for the purchase of wetlands property	270,248
Total	\$ 28,524,850

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 92% of investments being available on demand (Local Agency Investment Fund and GIC).

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. No rating is available from a nationally recognized statistical rating organization for LAIF. As of June 30, 2007, the Federal Home Loan Bank securities were rated Aaa/AAA by Moody's and Standard & Poor's respectively.

Concentration of Credit Risk - The Agency has about 65% of its cash invested with the LAIF and an additional 27% invested in two guaranteed investment contracts. 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 Agency 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.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

3. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables as of June 30, 2007, are comprised of the following:

Special Revenue Funds:	
City of Redding - Prepaid rent	\$ 43,237
Capital Project Funds:	
City of Redding - Prepaid rent	172,880
City of Redding - Short-term advance	1,270
State of California, Department of Water Resources	13,105
Total	\$ 230,492

4. INTERFUND TRANSFERS

Transfers for the period ended June 30, 2007, were as follows:

	<u>Transfers Out</u>		
	<u>Debt Service Funds</u>		<u>Total</u>
<u>Transfers In</u>	<u>Canby-Hilltop Cypress</u>	<u>Non-major Governmental Funds</u>	
Capital Project Funds:			
Canby-Hilltop-Cypress Project	\$ 405,038	\$ -	\$ 405,038
Market Street Project	-	55,475	55,475
SHASTECC Project	-	668,361	668,361
Total	\$ 405,038	\$ 723,836	\$ 1,128,874

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

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

5. NOTES RECEIVABLE

Notes receivable activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
5%, 1% , and 0% Rehab Loan	\$ 186,948	\$ 128,227	\$ (8,458)	\$ 306,717
5% Rehab Loan	300,145	24,535	(42,234)	282,446
DAP Loan	1,294,422	401,750	(111,325)	1,584,847
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	12,070	-	1,792,547
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	115,599	-	(94,320)	21,279
Linden Housing L.P.	18,800	-	-	18,800
Community Revitalization and Development Corp.	-	-	62,786	62,786
Community Revitalization and Development Corp.	-	-	8,966	8,966
Shasta Builders' Exchange Community Fund	-	-	51,432	51,432
Total	\$ 6,384,047	\$ 566,582	\$ (133,153)	\$ 6,817,476

Notes receivable as of June 30, 2007, consisted of the following:

One 5%, two 1%, and three 0% notes receivable, payable in monthly installments of \$715 including interest. The notes, due through March 2036, are secured by residential real property. \$ 306,717

Twelve 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. 282,446

Fifty-seven 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. 1,584,847

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

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

5. NOTES RECEIVABLE, Continued

Notes receivable as of June 30, 2007, consisted of the following (Continued):

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.	1,792,547
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
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.	21,279
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

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

5. NOTES RECEIVABLE, Continued

Notes receivable as of June 30, 2007, consisted of the following (Continued):

Note receivable from Community Revitalization and Development Corporation for residential construction. The note is secured by real property and bears interest at 0%. Payments are deferred until either the title to the property is transferred to a qualified buyer or until August 2008.	62,786
Note receivable from Community Revitalization and Development Corporation for the acquisition of property. The note is secured by real property and bears interest at 0%. Payments are deferred until either the title to the property is transferred to a qualified buyer or until August 2008.	8,966
Note receivable from Shasta Builders' Exchange Community Fund. The note is secured by real property and bears interest at 0%. The note is due either upon sale of the AGREE Park Units to eligible buyers or by May 2009, which ever occurs first.	51,432
Total notes receivable	<u>\$ 6,817,476</u>

6. CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,969,965	\$ 455,131	\$ (166,611)	\$ 2,258,485
Total capital assets, not being depreciated	<u>1,969,965</u>	<u>455,131</u>	<u>(166,611)</u>	<u>2,258,485</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	(1,458,519)	(10,116)	-	(1,468,635)
Equipment	(6,132)	-	-	(6,132)
Total accumulated depreciation	<u>(1,464,651)</u>	<u>(10,116)</u>	<u>-</u>	<u>(1,474,767)</u>
Total capital assets, being depreciated, net	<u>219,474</u>	<u>(10,116)</u>	<u>-</u>	<u>209,358</u>
Governmental activities capital assets, net	<u>\$ 2,189,439</u>	<u>\$ 445,015</u>	<u>\$ (166,611)</u>	<u>\$ 2,467,843</u>

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

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, 2006	Additions	Deletions	Balance June 30, 2007
<u>Project Area:</u>				
<u>Market Street</u>				
Land	\$ 695,272	\$ -	\$ -	\$ 695,272
Buildings	222,260	-	-	222,260
Accumulated depreciation	(12,965)	(7,409)	-	(20,374)
Total Market Street	904,567	(7,409)	-	897,158
<u>Midtown</u>				
Buildings	1,455,733	-	-	1,455,733
Accumulated depreciation	(1,445,554)	(2,707)	-	(1,448,261)
Total Midtown	10,179	(2,707)	-	7,472
<u>Canby-Hilltop-Cypress</u>				
Land	1,274,693	455,131	(166,611)	1,563,213
Equipment	6,132	-	-	6,132
Accumulated depreciation	(6,132)	-	-	(6,132)
Total Canby-Hilltop-Cypress	1,274,693	455,131	(166,611)	1,563,213
Governmental activities capital assets, net	\$ 2,189,439	\$ 445,015	\$ (166,611)	\$ 2,467,843

7. INTERGOVERNMENTAL PAYABLES

Intergovernmental payables as of June 30, 2007, consisted of the following:

Notes Payable to the City of Redding

The Agency has two notes payable to the City of Redding.

The Agency made a promissory note with the City on November 6, 2006, to acquire a parking lot for \$588,000. The note will be repaid when the Agency sells this property to facilitate a housing project in downtown Redding. This notes payable is current.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

7. INTERGOVERNMENTAL PAYABLES, Continued

The second note was approved by City Council on August 25, 1972, for \$550,000 from the City of Redding Electric Utility Fund to the Agency. The balance at June 30, 2007, 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, 2007, was \$249,564. None of this payable is current. This debt was issued for the Agency's capital assets, and therefore, is included in the calculation of the net assets invested in capital assets, net of related debt.

Reimbursement Agreements

The City of Redding and the Agency have entered into two reimbursement agreements.

The first agreement is a reciprocal one 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 \$10,105 was paid in fiscal year 2006-2007. The balance of this long-term payable is \$710,758 with interest at 3%. None of this balance is current.

The second agreement provides for the Agency, as funds become available, to reimburse the City for expenses incurred on behalf of the Agency's Buckeye, Canby-Hilltop-Cypress, Market Street and SHASTEC project areas. Interest accrues at ten percent per annum. The Agency does not have a current balance as of June 30, 2007.

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 accrued salaries, compensated absences and retirement plan contributions. The balance of this obligation at June 30, 2007, was \$94,272 for amounts due within one year and \$168,396 for the long-term portion.

Repayment Agreement

The City of Redding and the Agency entered into a repayment agreement executed on May 18, 1999, for the SHASTEC Project Area. The City agreed to provide funds in an amount not to exceed \$2,000,000 from its Risk Management Fund for the Clover Creek Drainage Project. The loan will accrue interest at the same rate as the City's pooled cash account. The principal balance at June 30, 2007, was \$1,574,693. Interest payable as of June 30, 2007, was \$190,078. The Agency agreed to make annual payments of principal and interest starting in fiscal year 2009-2010. The funding source for such payments will be tax increment revenue or bond proceeds secured by the SHASTEC Redevelopment project. None of this payable is current.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

7. INTERGOVERNMENTAL PAYABLES, Continued

Contractual Obligations to Shasta County and the City of Anderson

The SHASTECC Redevelopment Project Area was formed by a cooperative agreement between the redevelopment agencies of Shasta County, the City of Anderson and the City of Redding. As of June 30, 2007, the SHASTECC Project Area has an obligation of \$690,792.13 to Shasta County and an obligation of \$87,194.83 to the City of Anderson for their housing programs.

The Buckeye Redevelopment Project Area was formed by a cooperative agreement between the redevelopment agencies of Shasta County and the City of Redding. As of June 30, 2007, the Buckeye Project Area has an obligation of \$118,369.61 to Shasta County for its housing programs.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

7. INTERGOVERNMENTAL PAYABLES, Continued

Following is a summary of the changes in intergovernmental payable amounts as of June 30, 2007:

	Balance July 1, 2006 As restated	Additions	Reductions	Balance June 30, 2007
<u>Short-term intergovernmental payable</u>				
<u>Reimbursement Agreements</u>				
Midtown Debt Service Fund	\$ 3,288	\$ 21,585	\$ (24,873)	\$ -
Canby-Hilltop-Cypress Capital Project Fund	111,244	-	(111,244)	-
Total reimbursement agreement	114,532	21,585	(136,117)	-
<u>Note Payable to City of Redding</u>				
Market Street Housing Fund	-	588,000	-	588,000
Total Note Payable to City of Redding	-	588,000	-	588,000
<u>Short-Term Obligations to the City of Redding</u>				
Canby-Hilltop-Cypress Special Revenue Fund	22,015	13,355		35,370
Canby-Hilltop-Cypress Capital Project Fund	49,232	2,692	-	51,924
Market Street Capital Project Fund	7,478	-	(500)	6,978
Total Short-term Obligations to the City of Redding	78,725	16,047	(500)	94,272
Total short-term intergovernmental payable	193,257	625,632	(136,617)	682,272
<u>Long-term intergovernmental payable</u>				
<u>Reimbursement Agreement</u>				
Midtown Debt Service Fund	720,863	-	(10,105)	710,758
Total reimbursement agreement	720,863	-	(10,105)	710,758
<u>Note Payable to City of Redding</u>				
Midtown Debt Service Fund	308,105	-	-	308,105
Total Note Payable to City of Redding	308,105	-	-	308,105
<u>Repayment Agreement</u>				
SHASTECCapital Project Fund	1,574,693	-	-	1,574,693
Total Repayment Agreement	1,574,693	-	-	1,574,693
<u>Long-Term Obligations to the City of Redding</u>				
Canby-Hilltop-Cypress Special Revenue Fund	68,608	-	(20,436)	48,172
Canby-Hilltop-Cypress Capital Projects Fund	73,437	24,686	-	98,123
Market Street Capital Project Fund	23,886	-	(1,785)	22,101
Total Long-term Obligations to the City of Redding	165,931	24,686	(22,221)	168,396
<u>Long-Term Obligations to the Shasta County and the City of Anderson</u>				
SHASTECSpecial Revenue Fund	581,962	196,025	-	777,987
Buckeye Special Revenue Fund	72,667	45,702	-	118,369
Total Long-term Obligations to Shasta County and the City of Anderson	654,629	241,727	-	896,356
Total long-term intergovernmental payable	3,424,221	266,413	(32,326)	3,658,308
Total intergovernmental payable	\$ 3,617,478	\$ 892,045	\$ (168,943)	\$ 4,340,580

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

8. UNEARNED REVENUE

Unearned revenue of \$187,428 as of June 30, 2007, 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.

9. DEFERRED REVENUE

Total deferred revenue of \$1,707,435 on the Balance Sheet as of June 30, 2007, consists of both revenue that is deferred because it is unavailable and revenue that is deferred because it is unearned. Deferred revenue consists of the following for the year ended June 30, 2007:

Unavailable tax increment	\$ 778,033
Unearned tax increment	187,428
Unavailable notes revenue	728,869
Unavailable grant revenue	<u>13,105</u>
Total deferred revenue	<u>\$ 1,707,435</u>

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

10. LONG-TERM DEBT

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

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year	Due in more Than One Year
<u>Project Area:</u>						
<u>Market Street</u>						
Tax Allocation Bonds 2003 Series	\$ 4,840,000	\$ -	\$ (180,000)	\$ 4,660,000	\$ 190,000	\$ 4,470,000
Less bond discounts	(44,047)	-	2,567	(41,480)	(2,567)	(38,913)
Less unamortized deferred loss on defeased debt	(122,756)	-	7,154	(115,602)	(7,154)	(108,448)
Total Market Street	4,673,197	-	(170,279)	4,502,918	180,279	4,322,639
<u>Canby-Hilltop-Cypress</u>						
Tax Allocation Bonds (Series A)	4,710,000	-	(320,000)	4,390,000	340,000	4,050,000
Tax Allocation Bonds (Series B)	3,500,000	-	-	3,500,000	-	3,500,000
Tax Allocation Bonds 2003 (Series A)	26,835,000	-	(1,085,000)	25,750,000	1,105,000	24,645,000
Add bond premiums	64,838	-	(3,779)	61,059	3,779	57,280
Less bond discounts	(67,827)	-	5,468	(62,359)	(5,468)	(56,891)
Less unamortized deferred loss on defeased debt	(329,287)	-	19,191	(310,096)	(19,191)	(290,905)
Total Canby-Hilltop-Cypress	34,712,724	-	(1,384,120)	33,328,604	1,424,120	31,904,484
<u>SHASTECC</u>						
Tax Allocation Bonds (Series 2006)	-	15,000,000	-	15,000,000	245,000	14,755,000
Less bond discounts	-	(66,470)	2,031	(64,439)	(2,216)	(62,223)
Total SHASTECC	-	14,933,530	2,031	14,935,561	242,784	14,692,777
Total long-term debt	\$ 39,385,921	\$ 14,933,530	\$ (1,552,368)	\$ 52,767,083	\$ 1,847,183	\$ 50,919,900

Long-term debt consisted of the following as of June 30, 2007:

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. \$ 4,660,000

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

10. LONG-TERM DEBT, Continued

Long-term debt consisted of the following as of June 30, 2007 (Continued):

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.	4,390,000
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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
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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.	25,750,000
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Tax Allocation Bonds, Series 2006:

Interest from 4.0% to 5.0% payable March 1 and September 1; maturities are payable September 1 in annual redemptions from \$245,000 to \$5,585,000; final payment September 1, 2036. Original issue: \$15,000,000. Proceeds from the Series 2006 Bonds are used to finance various capital improvements within the SHASTECC Redevelopment Area.	15,000,000
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Total bonds outstanding	53,300,000
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Discount on Market St. Tax Allocation Bonds, Series 2003	(41,480)
Discount on Canby-Hilltop-Cypress Tax Allocation Bonds, Series A	(31,110)
Discount on Canby-Hilltop-Cypress Tax Allocation Bonds, Series B	(31,249)
Premium on Canby-Hilltop-Cypress Tax Allocation Bonds, Series A 2003	61,059
Discount on SHASTECC Tax Allocation Bonds, Series 2006	(64,439)
Unamortized deferred loss on defeased debt	(425,698)

Total discount/premium and unamortized deferred loss on defeased debt	(532,917)
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Total long-term debt	\$ 52,767,083
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Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

10. LONG-TERM DEBT, Continued

Annual requirements to amortize long-term debt outstanding as of June 30, 2007, are set forth below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,880,000	\$ 2,470,687	\$ 4,350,687
2009	1,945,000	2,399,706	4,344,706
2010	2,015,000	2,324,534	4,339,534
2011	2,100,000	2,240,052	4,340,052
2012	2,190,000	2,145,800	4,335,800
2013-2017	12,580,000	9,082,595	21,662,595
2018-2022	15,955,000	5,653,109	21,608,109
2023-2027	7,195,000	2,388,373	9,583,373
2018-2032	3,260,000	1,469,250	4,729,250
2033-2037	4,180,000	543,000	4,723,000
	<u>\$ 53,300,000</u>	<u>\$ 30,717,106</u>	<u>\$ 84,017,106</u>

The Canby-Hill-Cypress Housing Setaside Tax Allocation Bonds, Series 2001A & B, the Canby-Hill-Cypress Tax Allocation Bonds, Series A 2003, the Market Street Tax Allocation Bonds, Series 2003, and the SHASTE C Tax Allocation Bonds, Series 2006, had issuance costs of \$1,252,645, which were recorded as deferred charges on the Statement of Net Assets. This amount is being amortized over the life of the bonds at \$62,072 annually. As of June 30, 2007, the amount unamortized was \$995,164.

None of the bonded debt was issued for the Agency's capital assets. All of the capital assets financed by the bonded debt have been transferred to the City of Redding, and therefore, are not included in the calculation of net assets invested in capital assets, net of related debt.

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 SHASTE C Project Area base year is 1995-96. The amended SHASTE C Project Area base year is 2006-07. The Buckeye Project Area base year is 1999-2000.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

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 \$40 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 interfund services provided and used. Incurred but not reported claims liabilities have been included in the claims payable amount as of June 30, 2007.

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 services provided and used. Incurred but not reported claims liabilities have been included in the claims payable amount as of June 30, 2007.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

13. COMMITMENTS

As of June 30, 2007, the Agency's commitments with construction contractors were as follows:

Fund	Project	Remaining Commitment	Financing Sources
Capital Project:			
CHC	North Market Streetscape	\$ 308,954	Tax Increment revenue
CHC	Highway 44/Hilltop Dr. Overcrossing	1,143,958	Tax Increment revenue
SHASTEC	Clover Creek Preserve Maintenance Building	101,996	Tax Increment revenue
Total Commitments		<u>\$ 1,554,908</u>	

The Agency has committed up to \$85,000 for certain off-site improvements in relation to the disposition of Agency-owned property and the development of a medical facility in the Market Street Project Area.

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

The Agency committed \$1,461,000 to help fund the Hilltop Drive widening over State Highway 44 Project. The \$3.7 million construction contract was awarded in May 2007.

\$15 million in SHASTEC Redevelopment Project Tax Allocation bonds were issued. Of that amount, \$10 million has been allocated to assist with the construction of road and bridge improvements relating to development of the Stillwater Business Park.

The Agency committed \$1.2 million to the North Market Street Landscaping and Lighting Project. Of that amount, \$308,954 remains encumbered to complete the project.

The Agency entered into an agreement for the development of streetscape and off-site public improvements to enable renovation of property encumbering a primary corner in Redding's Downtown. A total of \$690,000 was committed for public improvements, of which \$100,417 remains to be spent.

Construction contracts were entered into on behalf of the Agency for installation of a drinking fountain and construction of a maintenance building for a storm-drainage detention facility and natural recreation area known as the Clover Creek Preserve. The Agency has encumbered \$101,996 to complete the improvements.

The Agency has committed \$1 million to assist with the development of a new residential subdivision to be located in a targeted neighborhood.

Redding Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

13. COMMITMENTS, Continued

The Agency entered into a Development Funding Agreement for acquisition of property and construction of an affordable single-family residence on in-fill property located in a targeted neighborhood. The Agency's commitment is not to exceed \$225,000.

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, 2007, the total outstanding principal on the bonds was \$4,965,000.

14. PRIOR PERIOD ADJUSTMENTS TO NET ASSETS AND FUND BALANCE

Government-wide Statements

During the fiscal year ended June 30, 2007, the Agency recorded a prior period adjustment to correct an accounting error.

	Net assets as Previously Reported	Accounting Adjustment Expenses	Net Assets as Restated
Government-wide Activities:			
Net assets - Governmental Activities	\$ 6,712,792	\$ (654,629)	\$ 6,058,163

Fund Financial Statements

The Agency recorded the following prior period adjustments to correct an accounting error.

	Beginning Fund Balance	Adjustments Expenditures	Restated Fund Balance
Special Revenue Funds:			
SHASTEC Special Revenue Fund	\$ 1,109,367	\$ (581,962)	\$ 527,405
Other Governmental Funds	1,454,199	(72,667)	1,381,532

An accounting correction was made to long-term intergovernmental payables in the SHASTEC Special Revenue Fund. This records the amount due to Shasta County and the City of Anderson for their housing programs.

An accounting correction was made to long-term intergovernmental payables in the Buckeye Special Revenue Fund. This records the amount due to Shasta County for their housing programs.

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 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, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 1,586,800	\$ 1,586,800	\$ 1,809,760	\$ 222,960
Other use of money and property	344,300	344,300	222,919	(121,381)
Investment revenue	415,000	415,000	650,021	235,021
Other revenue	100	5,240	6,305	1,065
Total revenues	2,346,200	2,351,340	2,689,005	337,665
EXPENDITURES:				
Current:				
Administrative	899,820	899,820	527,128	372,692
Professional services	4,000	4,000	1,498	2,502
Housing assistance	7,408,510	7,413,650	2,657,035	4,756,615
Debt service:				
Principal retirement	320,000	320,000	320,000	-
Interest and fiscal charges	462,500	462,500	458,220	4,280
Total expenditures	9,094,830	9,099,970	3,963,881	5,136,089
Net change in fund balance	(6,748,630)	(6,748,630)	(1,274,876)	5,473,754
FUND BALANCE:				
Beginning of year	15,709,194	15,709,194	15,709,194	-
End of year	\$ 8,960,564	\$ 8,960,564	\$ 14,434,318	\$ 5,473,754

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	\$ 16,497,960
1. The Agency budgets for and records loan payments received in the revenue accounts, but adjusts the actual payments to loans receivable.	221,919
2. The Agency does not budget for benefit accruals.	(191)
3. The Agency does not budget for accounts payable adjustments.	(10,448)
4. The Agency budgets for and records loans made in the expenditure accounts, but adjusts the actual disbursement to loans receivable.	(689,717)
5. 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.	(1,591,495)
6. The Agency budgeted and paid for rent in a previous period. This amount represent the rent and interest revenue related to the current period.	6,290
Budgetary fund balance	\$ 14,434,318

Redding Redevelopment Agency
Required Supplementary Information - Budgetary Comparison Schedule
Market Street Special Revenue Fund
For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Tax increment	\$ 642,890	\$ 642,890	\$ 705,181	\$ 62,291
Other use of money and property	41,310	41,310	33,703	(7,607)
Investment revenue	43,000	43,000	126,213	83,213
Total revenues	727,200	727,200	865,097	137,897
EXPENDITURES:				
Current:				
Administrative	28,110	28,110	21,311	6,799
Professional services	700	700	-	700
Housing assistance	2,151,210	2,744,210	716,259	2,027,951
Total expenditures	2,180,020	2,773,020	737,570	2,035,450
REVENUES OVER (UNDER) EXPENDITURES	(1,452,820)	(2,045,820)	127,527	2,173,347
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	588,000	-	(588,000)
Total other financing sources (uses)	-	588,000	-	(588,000)
Net change in fund balance	(1,452,820)	(1,457,820)	127,527	1,585,347
FUND BALANCE:				
Beginning of year	3,271,762	3,271,762	3,271,762	-
End of year	\$ 1,818,942	\$ 1,813,942	\$ 3,399,289	\$ 1,585,347

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	\$ 4,054,407
1. The Agency does not budget for accounts payable adjustments.	1,254
2. 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.	(102,075)
3. The Agency budgets for and records loan payments received in the revenue accounts, but adjusts the actual payment to loans receivable.	33,703
4. The Agency budgets for land purchases in the expenditure accounts, but adjusts the actual payment to asset held for resale of property.	(588,000)
Budgetary fund balance	\$ 3,399,289

Redding Redevelopment Agency
Required Supplementary Information - Budgetary Comparison Schedule
SHASTEK Special Revenue Fund
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 373,530	\$ 373,530	\$ 374,504	\$ 974
Investment revenue	50,000	50,000	65,677	15,677
Total revenues	423,530	423,530	440,181	16,651
EXPENDITURES:				
Current:				
Administrative	20,000	20,000	9,251	10,749
Housing assistance	20,000	20,000	-	20,000
Total expenditures	40,000	40,000	9,251	30,749
Net change in fund balance	383,530	383,530	430,930	47,400
FUND BALANCE:				
Beginning of year	1,109,367	1,109,367	1,109,367	-
Prior period adjustment	(581,962)	(581,962)	(581,962)	-
Beginning of year, as restated	527,405	527,405	527,405	-
End of year	\$ 910,935	\$ 910,935	\$ 958,335	\$ 47,400

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	\$ 762,310
1. The Agency does not budget for intergovernmental payable adjustments.	196,025
Budgetary fund balance	<u>\$ 958,335</u>

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SUPPLEMENTARY INFORMATION

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Nonmajor Governmental Funds

Special Revenue Funds

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

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 Redevelopment 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.

SHASTEC 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

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, 2007

	Buckeye Special Revenue	Midtown Special Revenue	Midtown Debt Service	Market Street Debt Service
ASSETS				
Cash and investments	\$ 240,044	\$ -	\$ -	\$ -
Interest receivable	2,890	-	-	-
Taxes receivable	8,956	187,428	-	-
Restricted assets:				
Cash and investments	-	-	-	934,770
Interest receivable	-	-	91	1,603
Taxes receivable	-	-	2,688	211,946
Total assets	\$ 251,890	\$ 187,428	\$ 2,779	\$ 1,148,319
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	5,904	187,428	1,861	142,458
Intergovernmental payable	118,369	-	-	-
Total liabilities	124,273	187,428	1,861	142,458
Fund Balances (deficit):				
Reserved for:				
Debt service	-	-	918	1,005,861
Unreserved, designated for:				
Special revenue funds:				
Community development	4,230	-	-	-
Unreserved, undesignated for:				
Special revenue funds	123,387	-	-	-
Capital project funds	-	-	-	-
Total fund balances	127,617	-	918	1,005,861
Total liabilities and fund balances	\$ 251,890	\$ 187,428	\$ 2,779	\$ 1,148,319

SHASTECH Debt Service	Buckeye Capital Project	Total Non-Major Governmental Funds
\$ -	\$ 491,953	\$ 731,997
-	6,116	9,006
-	36,093	232,477
966,634	-	1,901,404
18,215	-	19,909
152,196	-	366,830
<u>\$ 1,137,045</u>	<u>\$ 534,162</u>	<u>\$ 3,261,623</u>

\$ -	\$ 50,004	\$ 50,004
105,499	23,614	466,764
-	-	118,369
<u>105,499</u>	<u>73,618</u>	<u>635,137</u>

1,031,546	-	2,038,325
-	-	4,230
-	-	123,387
-	460,544	460,544
<u>1,031,546</u>	<u>460,544</u>	<u>2,626,486</u>
<u>\$ 1,137,045</u>	<u>\$ 534,162</u>	<u>\$ 3,261,623</u>

Redding Redevelopment Agency
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2007

	Buckeye Special Revenue	Midtown Special Revenue	Midtown Debt Service	Market Street Debt Service
REVENUES:				
Tax increment	\$ 86,458	\$ -	\$ 35,881	\$ 501,827
Investment revenue	9,455	-	359	20,976
Other revenues	-	-	47	-
Total revenues	95,913	-	36,287	522,803
EXPENDITURES:				
Current:				
Administrative	2,290	-	1,043	53,537
Professional services	-	-	-	-
Housing assistance	45,702	-	-	-
Pass throughs	-	-	-	-
Capital outlay:				
Project improvements	-	-	-	-
Debt service:				
Principal retirement	-	-	10,105	180,000
Interest and fiscal charges	-	-	21,585	235,428
Total expenditures	47,992	-	32,733	468,965
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	47,921	-	3,554	53,838
OTHER FINANCING SOURCES (USES):				
Long-term debt issued	-	-	-	-
Bond discount	-	-	-	-
Transfers out	-	-	-	(55,475)
Total other financing sources (uses)	-	-	-	(55,475)
Net change in fund balances	47,921	-	3,554	(1,637)
FUND BALANCES:				
Beginning of year	152,363	-	(2,636)	1,007,498
Prior period adjustment	(72,667)	-	-	-
Beginning of year, as restated	79,696	-	(2,636)	1,007,498
End of year	\$ 127,617	\$ -	\$ 918	\$ 1,005,861

SHASTE Debt Service	Buckeye Capital Project	Non-Major Governmental Funds
\$ 1,133,786	\$ 345,833	\$ 2,103,785
37,597	19,076	87,463
-	489	536
<u>1,171,383</u>	<u>365,398</u>	<u>2,191,784</u>
37,002	13,937	107,809
-	566	566
-	-	45,702
-	51,756	51,756
-	135,569	135,569
-	-	190,105
381,724	-	638,737
<u>418,726</u>	<u>201,828</u>	<u>1,170,244</u>
752,657	163,570	1,021,540
951,466	-	951,466
(4,216)	-	(4,216)
(668,361)	-	(723,836)
<u>278,889</u>	<u>-</u>	<u>223,414</u>
<u>1,031,546</u>	<u>163,570</u>	<u>1,244,954</u>
-	296,974	1,454,199
-	-	(72,667)
-	296,974	1,381,532
<u>\$ 1,031,546</u>	<u>\$ 460,544</u>	<u>\$ 2,626,486</u>

Redding Redevelopment Agency
Budgetary Comparison Schedule
Canby-Hilltop-Cypress Debt Service Fund - Major Fund
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 2,296,040	\$ 2,305,570	\$ 2,657,979	\$ 352,409
Investment revenue	60,000	60,000	128,523	68,523
Total revenues	2,356,040	2,365,570	2,786,502	420,932
EXPENDITURES:				
Current:				
Administrative	127,540	137,060	137,058	2
Debt service:				
Principal retirement	1,085,000	1,085,000	1,085,000	-
Interest and fiscal charges	1,152,410	1,152,410	1,140,054	12,356
Total expenditures	2,364,950	2,374,470	2,362,112	12,358
Net change in fund balance	(8,910)	(8,900)	424,390	433,290
FUND BALANCE:				
Beginning of year	5,113,476	5,113,476	5,113,476	-
End of year	\$ 5,104,566	\$ 5,104,576	\$ 5,537,866	\$ 433,290

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	\$ 5,132,827
1. The Agency does not budget for transfers in/out from the capital project fund.	405,039
Budgetary fund balance	\$ 5,537,866

Redding Redevelopment Agency
Budgetary Comparison Schedule
Market Street Capital Project Fund - Major Fund
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 2,122,500	\$ 2,124,500	\$ 2,318,896	\$ 194,396
Intergovernmental revenues	125,000	125,000	125,000	-
Investment revenue	70,000	70,000	139,292	69,292
Other revenue	4,500	4,500	5,275	775
Total revenues	2,322,000	2,324,000	2,588,463	264,463
EXPENDITURES:				
Current:				
Administrative	236,590	236,590	125,845	110,745
Professional services	10,000	10,000	1,448	8,552
Pass throughs	1,300,000	1,302,000	1,301,998	2
Capital outlay	2,088,420	2,088,420	1,181,527	906,893
Total expenditures	3,635,010	3,637,010	2,610,818	1,026,192
Net change in fund balance	(1,313,010)	(1,313,010)	(22,355)	1,290,655
FUND BALANCE:				
Beginning of year	2,158,180	2,158,180	2,158,180	-
End of year	\$ 845,170	\$ 845,170	\$ 2,135,825	\$ 1,290,655

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	\$ 2,409,594
1. The Agency does not budget for transfers in/out from the debt service fund.	(55,475)
2. The Agency does not budget for accounts payable adjustments.	99,900
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.	(318,194)
Budgetary fund balance	\$ 2,135,825

Redding Redevelopment Agency
Budgetary Comparison Schedule
Canby-Hilltop-Cypress Capital Project Fund - Major Fund
For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Tax increment	\$ 4,053,710	\$ 4,344,920	\$ 4,581,061	\$ 236,141
Other use of money and property	-	-	5,997	5,997
Investment revenue	300,000	300,000	876,268	576,268
Other revenue	121,100	146,100	88,745	(57,355)
Total revenues	4,474,810	4,791,020	5,552,071	761,051
EXPENDITURES:				
Current:				
Administrative	689,960	689,960	490,969	198,991
Professional services	48,500	48,500	7,706	40,794
Pass throughs	2,100,000	2,391,210	2,391,206	4
Capital outlay	13,413,560	14,257,790	4,854,706	9,403,084
Total expenditures	16,252,020	17,387,460	7,744,587	9,642,873
Net change in fund balance	(11,777,210)	(12,596,440)	(2,192,516)	10,403,924
FUND BALANCE:				
Beginning of year	13,921,881	13,921,881	13,921,881	-
End of year	\$ 2,144,671	\$ 1,325,441	\$ 11,729,365	\$ 10,403,924

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	\$ 15,133,383
1. The Agency budgeted and paid for rent in a previous period. This amount represent the rent and interest revenue related to the current period.	25,150
2. The Agency does not budget for transfers in/out from the debt service fund.	(405,038)
3. The Agency does not budget for accounts payable adjustments.	168,374
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.	(1,763,657)
5. The Agency budgets for land purchases in the expenditure accounts, but adjusts the actual payment to assets held for resale of property or deposits.	(1,453,847)
6. The Agency budgeted for the deposit on the purchase of property in a previous year, but recorded it as a reduction in expenditures in the current year.	25,000
Budgetary fund balance	\$ 11,729,365

Redding Redevelopment Agency
Budgetary Comparison Schedule
SHASTEC Capital Project Fund - Major Fund
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 1,494,110	\$ 364,220	\$ 364,228	\$ 8
Intergovernmental revenues	13,110	13,110	-	(13,110)
Investment revenue	100,000	100,000	776,279	676,279
Other revenue	1,500	1,500	2,587	1,087
Total revenues	1,608,720	478,830	1,143,094	664,264
EXPENDITURES:				
Current:				
Administrative	89,850	44,850	44,081	769
Professional services	14,000	14,000	5,539	8,461
Pass throughs	240,000	240,000	236,600	3,400
Capital outlay	1,976,740	12,376,740	1,884,014	10,492,726
Debt service:				
Bond issuance costs	-	222,250	198,544	23,706
Total expenditures	2,320,590	12,897,840	2,368,778	10,529,062
REVENUES OVER (UNDER) EXPENDITURES	(711,870)	(12,419,010)	(1,225,684)	11,193,326
OTHER FINANCING SOURCES (USES):				
Long-term debt issued	-	14,048,540	14,048,534	6
Bond discount	-	(62,260)	(62,254)	(6)
Total other financing sources (uses)	-	13,986,280	13,986,280	-
Net change in fund balance	(711,870)	1,567,270	12,760,596	11,193,326
FUND BALANCE:				
Beginning of year	2,788,621	2,788,621	2,788,621	-
End of year	\$ 2,076,751	\$ 4,355,891	\$ 15,549,217	\$ 11,193,326

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	\$ 16,377,210
1. The Agency does not budget for accounts payable adjustments.	38,868
2. 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.	(198,500)
3. The Agency does not budget for transfers in/out from the debt service fund.	(668,361)
Budgetary fund balance	\$ 15,549,217

Redding Redevelopment Agency
Budgetary Comparison Schedule
Buckeye Special Revenue Fund
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 65,400	\$ 65,400	\$ 86,458	\$ 21,058
Investment revenue	4,500	4,500	9,456	4,956
Total revenues	69,900	69,900	95,914	26,014
EXPENDITURES:				
Current:				
Administrative	3,000	3,000	2,291	709
Total expenditures	3,000	3,000	2,291	709
Net change in fund balance	66,900	66,900	93,623	26,723
FUND BALANCE:				
Beginning of year	152,363	152,363	152,363	-
Prior period adjustment	(72,667)	(72,667)	(72,667)	-
Beginning of year, as restated	79,696	79,696	79,696	-
End of year	\$ 146,596	\$ 146,596	\$ 173,319	\$ 26,723

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	\$ 127,617
1. The Agency does not budget for intergovernmental payable adjustments.	45,702
Budgetary fund balance	<u>\$ 173,319</u>

Redding Redevelopment Agency
Budgetary Comparison Schedule
Midtown Debt Service Fund
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 30,000	\$ 36,040	\$ 35,881	\$ (159)
Investment revenue	-	70	358	288
Other revenue	-	40	47	7
Total revenues	30,000	36,150	36,286	136
EXPENDITURES:				
Current:				
Administrative	1,000	1,050	1,043	7
Debt service:				
Principal retirement	8,000	10,110	10,105	5
Interest and fiscal charges	21,000	24,880	24,874	6
Total expenditures	30,000	36,040	36,022	18
Net change in fund balance	-	110	264	154
FUND BALANCE:				
Beginning of year	(2,636)	(2,636)	(2,636)	-
End of year	<u>\$ (2,636)</u>	<u>\$ (2,526)</u>	<u>\$ (2,372)</u>	<u>\$ 154</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	\$ 918
1. The Agency budgets for interest on loans on a cash, not accrual basis.	(3,290)
Budgetary fund balance	<u>\$ (2,372)</u>

Redding Redevelopment Agency
Budgetary Comparison Schedule
Market Street Debt Service Fund
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ 449,470	\$ 462,600	\$ 501,827	\$ 39,227
Investment revenue	18,000	18,000	20,976	2,976
Total revenues	467,470	480,600	522,803	42,203
EXPENDITURES:				
Current:				
Administrative	40,410	53,540	53,537	3
Debt service:				
Principal retirement	180,000	180,000	180,000	-
Interest and fiscal charges	241,860	241,860	235,428	6,432
Total expenditures	462,270	475,400	468,965	6,435
Net change in fund balance	5,200	5,200	53,838	48,638
FUND BALANCE:				
Beginning of year	1,007,498	1,007,498	1,007,498	-
End of year	<u>\$ 1,012,698</u>	<u>\$ 1,012,698</u>	<u>\$ 1,061,336</u>	<u>\$ 48,638</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			\$ 1,005,861	
1. The Agency does not budget for transfers in/out from the capital project fund.			55,475	
Budgetary fund balance			<u>\$ 1,061,336</u>	

Redding Redevelopment Agency
Budgetary Comparison Schedule
SHASTECH Debt Service Fund
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Tax increment	\$ -	\$ 1,129,890	\$ 1,133,786	\$ 3,896
Investment revenue	-	-	37,599	37,599
Total revenues	-	1,129,890	1,171,385	41,495
EXPENDITURES:				
Current:				
Administrative	-	45,000	37,002	7,998
Debt service:				
Interest and fiscal charges	-	381,730	381,724	6
Total expenditures	-	426,730	418,726	8,004
REVENUES OVER (UNDER) EXPENDITURES	-	703,160	752,659	49,499
OTHER FINANCING SOURCES (USES):				
Long-term debt issued	-	951,470	951,466	4
Bond discount	-	(4,220)	(4,216)	(4)
Total other financing sources (uses)	-	947,250	947,250	-
Net change in fund balance	-	1,650,410	1,699,909	49,499
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ 1,650,410	\$ 1,699,909	\$ 49,499

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	\$ 1,031,546
1. The Agency does not budget for transfers in/out from the capital project fund.	668,363
Budgetary fund balance	<u>\$ 1,699,909</u>

Redding Redevelopment Agency
Budgetary Comparison Schedule
Buckeye Capital Project Fund
For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:				
Tax increment	\$ 262,000	\$ 263,800	\$ 345,833	\$ 82,033
Investment revenue	15,000	15,000	19,076	4,076
Other revenue	400	400	489	89
Total revenues	277,400	279,200	365,398	86,198
EXPENDITURES:				
Current:				
Administrative	16,010	16,010	13,937	2,073
Professional services	1,300	1,300	566	734
Pass throughs	50,000	51,800	51,756	44
Capital outlay	139,460	139,460	135,565	3,895
Total expenditures	206,770	208,570	201,824	6,746
Net change in fund balance	70,630	70,630	163,574	92,944
FUND BALANCE:				
Beginning of year	296,974	296,974	296,974	-
End of year	<u>\$ 367,604</u>	<u>\$ 367,604</u>	<u>\$ 460,548</u>	<u>\$ 92,944</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	\$ 460,544
1. The Agency does not budget for accounts payable adjustments.	50,004
2. 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.	(50,000)
Budgetary fund balance	<u>\$ 460,548</u>

STATISTICAL INFORMATION

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STATISTICAL SECTION

This part of the Redding Redevelopment 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.

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Financial Trends	90
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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	100
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These schedules contain information to help the reader assess the Agency's most significant local revenue, property taxes.

Debt Capacity	110
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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	117
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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	120
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These schedules contain service and infrastructure 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 report for the relevant year. The Agency implemented GASB Statement No. 34 in fiscal year 2000-01; schedules presenting government-wide information include information beginning in that year.

REDDING REDEVELOPMENT AGENCY

Net Assets by Component

Last Seven Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

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

Source: RRA Comprehensive Annual Financial Report

Fiscal Year	
2005-06	2006-07
\$ 1,881	\$ 2,160
12,892	14,543
<u>(8,060)</u>	<u>(5,578)</u>
<u>\$ 6,713</u>	<u>\$ 11,125</u>

REDDING REDEVELOPMENT AGENCY

Change in Net Assets

Last Seven Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

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

Source: RRA Comprehensive Annual Financial Report

Fiscal Year	
2005-06	2006-07
\$ 168	\$ 276
334	450
3,928	4,505
679	166
8,393	5,182
1,975	2,557
<u>\$ 15,477</u>	<u>\$ 13,136</u>

\$ 16	\$ 17
35	8
25	1
1,089	10
609	212
<u>\$ 1,774</u>	<u>\$ 248</u>

<u>\$ (13,703)</u>	<u>\$ (12,888)</u>
--------------------	--------------------

\$ 13,079	\$ 15,026
1,856	2,927
3	1
-	-
<u>\$ 14,938</u>	<u>\$ 17,954</u>

<u>\$ 1,235</u>	<u>\$ 5,066</u>
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REDDING REDEVELOPMENT AGENCY

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year				
	1997-98	1998-99	1999-2000	2000-01	2001-02
All Governmental Funds					
Reserved	\$ 10,313	\$ 10,315	\$ 11,166	\$ 11,998	\$ 22,494
Unreserved, reported in:					
Special revenue funds	3,054	3,179	3,279	3,791	3,240
Capital project funds	11,103	14,485	13,315	14,119	8,298
Debt service funds	(1,091)	(1,164)	(1,237)	(1,321)	(1,414)
Total all governmental funds	<u>\$ 23,379</u>	<u>\$ 26,815</u>	<u>\$ 26,523</u>	<u>\$ 28,587</u>	<u>\$ 32,618</u>

Source: RRA Comprehensive Annual Financial Report

Fiscal Year				
2002-03	2003-04	2004-05	2005-06	2006-07
\$ 21,326	\$ 21,930	\$ 13,104	\$ 12,926	\$ 17,854
2,310	3,066	13,667	13,878	12,848
7,278	5,865	18,963	18,726	32,292
(1,504)	10,472	(2)	(3)	-
<u>\$ 29,410</u>	<u>\$ 41,333</u>	<u>\$ 45,732</u>	<u>\$ 45,527</u>	<u>\$ 62,994</u>

REDDING REDEVELOPMENT AGENCY

Government Activities Tax Revenues by Source

Last Seven 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
2006-2007	15,026

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
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>
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
2006-2007	14,915

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				
	1997-98	1998-99	1999-00	2000-01	2001-02
Revenues					
Tax increment	\$ 4,319	\$ 4,709	\$ 4,946	\$ 5,591	\$ 6,320
Other use of money and property	2	40	70	91	10
Intergovernmental revenues	442	855	257	2,240	889
Investment revenue	1,265	1,194	1,331	1,511	1,080
Other revenue	968	53	174	275	14
Total revenues	<u>6,996</u>	<u>6,851</u>	<u>6,778</u>	<u>9,708</u>	<u>8,313</u>
Expenditures					
Current:					
Administrative	655	902	941	1,208	1,159
Professional services	18	25	15	96	22
Housing assistance	582	310	504	480	631
Pass throughs	130	210	341	294	418
Capital outlay:					
Project improvements	5,857	397	3,359	3,777	8,222
Real estate purchases	-	59	210	-	1,060
Equipment purchases	8	-	13	8	-
Debt service:					
Principal retirement	505	530	550	580	605
Interest and fiscal charges	1,365	1,345	1,315	1,322	1,350
Bond issuance costs	-	-	-	-	331
Total expenditures	<u>9,120</u>	<u>3,778</u>	<u>7,248</u>	<u>7,765</u>	<u>13,798</u>
Excess of revenues over (under) expenditures	<u>(2,124)</u>	<u>3,073</u>	<u>(470)</u>	<u>1,943</u>	<u>(5,485)</u>
Other Financing Sources (Uses)					
Long-term debt issued	-	-	-	-	9,500
Bond discount	-	-	-	-	(93)
Premium on bonds issued	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-
Gain (loss) on sale of land	153	363	177	7	249
Transfers in	2,311	611	414	525	512
Transfers out	(2,311)	(611)	(414)	(525)	(512)
Total other financing sources (uses)	<u>153</u>	<u>363</u>	<u>177</u>	<u>7</u>	<u>9,656</u>
Net change in fund balances	<u>\$ (1,971)</u>	<u>\$ 3,436</u>	<u>\$ (293)</u>	<u>\$ 1,950</u>	<u>\$ 4,171</u>
Debt service as a percentage of noncapital expenditures	23%	52%	27%	31%	17%
Debt service as a percentage of total expenditures	21%	50%	26%	24%	17%
Capital outlay as a percentage of total expenditures	11%	4%	5%	21%	0%

Source: RRA Comprehensive Annual Financial Report

		Fiscal Year							
		2002-03	2003-04	2004-05	2005-06	2006-07			
\$	7,244	\$	10,433	\$	11,720	\$	12,978	\$	14,915
	55		30		88		108		7
	886		1,879		4,001		1,258		125
	918		837		1,205		1,773		2,850
	265		125		80		558		103
	<u>9,368</u>		<u>13,304</u>		<u>17,094</u>		<u>16,675</u>		<u>18,000</u>
	1,175		1,249		1,477		1,500		1,494
	14		11		14		13		15
	2,787		648		305		2,762		635
	896		3,149		4,088		4,963		3,982
	3,421		5,782		5,292		4,134		4,200
	1,498		-		1,044		23		455
	-		-		-		-		-
	1,050		280		2,137		1,589		1,595
	1,739		1,866		1,942		1,897		2,237
	-		734		-		-		199
	<u>12,580</u>		<u>13,719</u>		<u>16,299</u>		<u>16,881</u>		<u>14,812</u>
	(3,212)		(415)		795		(206)		3,188
	-		34,120		1,141		-		15,000
	-		(51)		-		-		(66)
	-		76		-		-		-
	-		(21,837)		-		-		-
	4		31		(16)		-		-
	993		2,599		21,754		372		1,129
	(993)		(2,599)		(21,754)		(372)		(1,129)
	<u>4</u>		<u>12,339</u>		<u>1,125</u>		<u>-</u>		<u>14,934</u>
\$	<u>(3,208)</u>	\$	<u>11,924</u>	\$	<u>1,920</u>	\$	<u>(206)</u>	\$	<u>18,122</u>
	23%		21%		27%		21%		33%
	22%		21%		25%		21%		27%
	3%		0%		6%		0%		16%

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
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%
2007	1,832,825	242,814	2,075,639	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 Three 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%	\$ 183,946	\$ 10,920,040	99.01%
2006	12,345,088	12,102,988	98.04%	123,465	12,226,453	99.04%
2007	14,258,774	10,810,387	75.82%	-	10,810,387	75.82%

Note: The collection in subsequent years was first made available to the Agency by Shasta County in fiscal year 2005-06. Therefore, the Agency can only report three 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			
	Total	Over Base Year	Over Base Year	Over Previous Year
1984-1985	\$ 191,128,630	\$ 59,231,120	44.9%	0.0%
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
2006-2007	886,445,918	755,446,926	576.7	10.3
<hr/>				
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 and records.

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
2006-2007	156,254,565	107,712,151	221.9	18.9
 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 and records.

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
2006-2007	6,965,375	3,290,315	89.5	7.9
<u>Base Year 1973-74</u>				
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 and records.

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%	0.0%
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	36.4	3.5
1998-1999	395,121,470	112,871,406	40.0	2.6
1999-2000	403,798,267	121,548,203	43.1	2.2
2000-2001	421,624,890	139,374,826	49.4	4.4
2001-2002	449,083,797	166,833,733	59.1	6.5
2002-2003	483,102,243	201,233,625	71.4	7.6
2003-2004	520,131,134	239,037,046	85.0	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
2006-2007	614,884,263	334,320,067	119.2	9.5
<u>Base Year 1989-90</u>				
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 and records.

Source: Shasta County Auditor-Controller

REDDING REDEVELOPMENT AGENCY

Assessed Valuations of the Project Areas

Inception to Date (Continued)

SHASTECC 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
2006-2007	307,059,555	178,877,821	139.6	6.4
<u>Base Year 1995-96</u>				
Original amount	128,748,892			
Current amount	128,181,734			

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 and records.

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	3.3%	- %
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
2006-2007	104,029,495	39,990,495	62.4	11.9
<u>Base Year 1999-2000</u>				
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 and records.

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	
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
2006-2007	1.0000	0.2852	0.3332	-	1.6184

Source: Shasta County Auditor-Controller's records
Shasta 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 2006-07 and 1997-98

Taxpayer	2006-07			1997-98		
	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 *	\$ 54,794,290	1	2.64%	\$ 51,083,723	1	4.66%
Mt. Shasta Mall Associates	30,663,589	2	1.48%			
Sierra Pacific Industries	19,180,768	3	0.92%			
Winco Foods LLC	18,504,676	4	0.89%			
Safeway Stores, Inc.	18,197,140	5	0.88%			
Shasta Enterprises	18,188,054	6	0.88%	17,738,139	5	1.62%
WRI Golden State LLC	14,830,507	7	0.71%			
Knighten, Gary & Patsy	12,812,062	8	0.62%	11,555,551	10	
HD Development of Maryland, Inc.	11,914,140	9	0.57%			
Nicolas A. Speno 1999 Sep Prop LLC	11,825,355	10	0.57%			
Meyer Motels, Ltd.				21,832,922	2	1.99%
James J. Cordano Co., et al				20,295,613	3	1.85%
Leah F. McConnell 1992 Trust				17,997,718	4	1.64%
Wal-Mart				13,918,274	6	1.27%
HPBA II Shasta Associates LLC				12,703,150	7	1.16%
Vivovich, John T., et al.				12,185,870	8	1.11%
Simpson College				12,002,562	9	1.10%
Total	\$ 210,910,581		10.16%	\$ 191,313,522		16.40%

Source: Redding Redevelopment Agency

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

REDDING REDEVELOPMENT AGENCY

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

Project Area	Fiscal Year				
	1997-98	1998-99	1999-2000	2000-01	2001-02
Canby-Hilltop-Cypress					
Debt limit	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Total net debt applicable to limit	18,707	18,355	17,803	17,375	26,399
Legal debt margin	\$ 81,293	\$ 81,645	\$ 82,197	\$ 82,625	\$ 73,601
Total net debt applicable to the limit as a percentage of debt limit	18.71%	18.36%	17.80%	17.38%	26.40%

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

Project Area	Fiscal Year				
	1997-98	1998-99	1999-2000	2000-01	2001-02
Market Street					
Debt limit	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Total net debt applicable to limit	1,999	1,963	1,939	1,890	1,857
Legal debt margin	\$ 98,001	\$ 98,037	\$ 98,061	\$ 98,110	\$ 98,143
Total net debt applicable to the limit as a percentage of debt limit	2.00%	1.96%	1.94%	1.89%	1.86%

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

Source: RRA Comprehensive Annual Financial Report

Fiscal Year				
2002-03	2003-04	2004-05	2005-06	2006-07
\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
25,380	35,531	34,168	32,758	31,367
<u>\$ 74,620</u>	<u>\$ 64,469</u>	<u>\$ 65,832</u>	<u>\$ 67,242</u>	<u>\$ 68,633</u>
25.38%	35.53%	34.17%	32.76%	31.37%

Legal Debt Margin Calculation for Fiscal Year 2006-07

Debt limit	\$ 100,000
Debt applicable to limit:	
Tax allocation bonds	33,640
Less: Amount set aside for repayment of debt	<u>(2,273)</u>
Total net debt applicable to limit	<u>31,367</u>
Legal debt margin	<u>\$ 68,633</u>

Fiscal Year				
2002-03	2003-04	2004-05	2005-06	2006-07
\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
1,814	4,766	4,594	4,410	4,227
<u>\$ 98,186</u>	<u>\$ 95,234</u>	<u>\$ 95,406</u>	<u>\$ 95,590</u>	<u>\$ 95,773</u>
1.81%	4.77%	4.59%	4.41%	4.23%

Legal Debt Margin Calculation for Fiscal Year 2006-07

Debt limit	\$ 100,000
Debt applicable to limit:	
Tax allocation bonds	4,660
Less: Amount set aside for repayment of debt	<u>(433)</u>
Total net debt applicable to limit	<u>4,227</u>
Legal debt margin	<u>\$ 95,773</u>

REDDING REDEVELOPMENT AGENCY
Legal Debt Margin Information (Continued)
Current Fiscal Year
(amounts expressed in thousands)

Project Area	2006-07
SHASTECC	
Debt limit	\$ 50,000
Total net debt applicable to limit	<u>14,027</u>
Legal debt margin	<u>\$ 35,973</u>
Total net debt applicable to the limit as a percentage of debt limit	28.05%
Legal Debt Margin Calculation for Fiscal Year 2006-07	
Debt limit	\$ 50,000
Debt applicable to limit:	
Tax allocation bonds	15,000
Less: Amount set aside for repayment of debt	<u>(973)</u>
Total net debt applicable to limit	<u>14,027</u>
Legal debt margin	<u>\$ 35,973</u>

Note: The SHASTECC Redevelopment Plan caps the bond debt limit to \$50,000,000 at any one time.

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 (2)	Percentage of Personal Income (3)	Per Capita
	Tax Allocation Bonds	Lease Revenue Bonds	Total Bonds (1)			
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%	1.67%	468
2006	39,885	-	39,885	2.12%	1.54%	447
2007	53,300	-	53,300	2.57%	1.93%	592

Source: RRA Comprehensive Annual Financial Report

- Note:
- (1) Details regarding the Agency's outstanding debt can be found in Note 10 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 118 for personal income and population data.

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 (1)	Less: Pass Throughs & Housing Set Aside (2)		Net Available Revenue	Debt Service		Property Taxes	Debt Service		Coverage	
		Principal	Interest		Principal (3)	Interest					
1998	\$ 1,146	\$ 543	\$ 603	\$ 30	\$ 148	3.39	\$ 41	\$ 55	\$ 23	0.53	
1999	1,183	599	584	35	146	3.23	35	60	20	0.44	
2000	1,221	709	512	35	143	2.87	28	60	16	0.37	
2001	1,460	703	757	40	141	4.19	23	65	13	0.29	
2002	1,801	1,100	701	40	138	3.94	24	70	9	0.30	
2003	2,115	1,446	669	45	135	3.71	29	75	5	0.36	
2004	2,515	1,404	1,111	-	190	5.85	-	-	-	-	
2005	2,781	1,862	919	170	243	2.23	-	-	-	-	
2006	2,963	2,562	401	175	239	0.97	-	-	-	-	
2007	3,526	2,007	1,519	180	234	3.67	-	-	-	-	

Fiscal Year	Tax Allocation Bonds - Canby-Hilltop-Cypress Project Area						Housing Set Aside Tax Allocation Bonds Canby-Hilltop-Cypress Project Area				
	Property Taxes	Less: Pass Throughs & Housing Set Aside		Net Available Revenue	Debt Service		Property Taxes	Debt Service		Coverage	
		Principal	Interest		Principal (4)	Interest					
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	1,152	-	111	10.41	
2003	6,203	3,052	3,151	515	1,024	2.05	1,255	415	505	1.36	
2004	6,665	3,385	3,280	-	1,103	2.97	1,333	280	495	1.72	
2005	7,304	3,958	3,346	1,040	1,180	1.51	1,461	290	483	1.89	
2005	7,952	4,220	3,732	1,060	1,159	1.68	1,590	305	470	2.05	
2006	9,049	4,201	4,848	1,085	1,137	2.18	1,810	320	452	2.34	

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 1998 through 2003 is the estimated property taxes collected for Shasta County and the Mosquito Abatement District.
- (2) Included in fiscal years ending 1998 through 2003 is the estimated pass throughs to Shasta County and the Mosquito Abatement District.

Tax Allocation Bonds - SHASTEC Project Area							
Fiscal Year Ended June 30	Property Taxes	Less:		Debt Service		Coverage	
		Pass Throughs & Housing Set Aside	Net Available Revenue	Principal	Interest		
2007	\$ 1,873	\$ 611	\$ 1,262	\$ -	\$ 382	3.30	

REDDING REDEVELOPMENT AGENCY
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (4)	Estimated Share of Overlapping Debt
Overlapping debt:			
City of Redding (1):			
City of Redding 1915 Act Bonds	\$ 5,384,000	24.584%	\$ 1,323,603
Shasta County Schools (2):			
Anderson High School District	1,370,000	0.972%	13,316
Columbia School District	4,330,000	5.847%	253,175
Enterprise School District	18,495,000	39.558%	7,316,252
Gateway Unified School District	21,404,968	4.713%	1,008,816
Redding School District	19,555,000	24.277%	4,747,367
Shasta-Tehama-Trinity Joint Community College	32,200,000	14.135%	4,551,470
Shasta Union High School District	28,167,012	12.384%	3,488,203
Shasta Joint Powers Financing Authority (2)	52,445,000	14.092%	7,390,549
Subtotal, overlapping debt	183,350,980		30,092,751
Direct debt:			
Redding Redevelopment Agency (3)	53,300,000	100.000%	53,300,000
Total direct and overlapping debt	\$ 236,650,980		\$ 83,392,751

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 2006-07.

REDDING REDEVELOPMENT AGENCY

Principal Employers in the City of Redding

Current Year and Nine Years Ago

June 30, 2007

Employer	2006-07			1997-98		
	Employees	Rank	Percentage of Total Area Employment	Employees	Rank	Percentage of Total Area Employment
Shasta County *	1,918	1	2.40%	1,672	1	2.54%
Mercy Medical Center	1,600	2	2.01%	1,258	3	1.91%
City of Redding **	860	3	1.08%	744	4	1.13%
Shasta Regional Medical Center	899	4	1.13%			
Shasta Community College	700	5	0.88%	584	6	0.89%
Redding Rancheria	416	6	0.52%	425	8	0.65%
Blue Shield of California	435	7	0.55%			0.00%
Wal Mart	384	8	0.48%			0.00%
Northern CA Rehabilitation	331	9	0.41%			
United States Post Office	300	10	0.38%	300	9	0.46%
Redding Medical Center				1,315	2	
J & A Food Services				600	5	0.91%
Holiday Market				430	7	0.65%
Pacific Gas & Electric				275	10	0.42%
Total	7,843		9.84%	7,603		9.56%

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

** Full-time budget positions

Source: Derived from the Employment Development Department's (EDD) listing of the top 25 employers in Shasta County. The initial listing was pared down to ten, removing employers outside of the City and adding certain employers who do not report to the local EDD. The 1998 ranking is primarily based upon what was reported in the 1998 CAFR, and therefore, includes employers outside of the City.

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)
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	7.5%
2004-05	88,459	2,485,963	28,103	7.1%
2005-06	89,162	2,594,971	29,104	6.3%
2006-07	90,045	2,755,017	30,596	6.9%

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.

REDDING REDEVELOPMENT AGENCY

Size by Redevelopment Project Area

Last Ten Fiscal Years

Fiscal Year	Redding Redevelopment Agency - Square Miles (1)				City of Redding Square Miles (2)
	Market Street	Canby Hilltop Cypress	SHASTEC	Buckeye	
1997-1998	4.05	3.20	6.42	-	59.45
1998-1999	4.05	3.20	6.42	-	59.45
1999-2000	4.05	3.20	6.42	-	60.03
2000-2001	4.05	3.20	6.42	1.67	60.03
2001-2002	4.05	3.20	6.42	1.67	59.77
2002-2003	4.05	3.20	6.42	1.67	59.82
2003-2004	4.05	3.20	6.42	1.67	59.82
2004-2005	4.05	3.20	6.42	1.67	59.82
2005-2006	4.05	3.20	6.42	1.67	59.82
2006-2007	4.05	3.20	7.78	1.67	59.82

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

REDDING REDEVELOPMENT AGENCY

Operating Indicators by Function

Last Seven Fiscal Years

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

Source: Redding Redevelopment Agency

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

Fiscal Year	
2005-06	2006-07
-	-
16	18
4	4
7,988	10,172
-	31,140
13	20
-	30
72,700	80,864
4,565	-
123	105

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
General government					
Mall structure	1	1	1	1	1
Public works					
Parcels of land for future development	11	11	12	12	10
Community development					
Parcels of land for future development	7	7	7	7	7
Building - future site of community theater	-	-	-	-	-

Source: Redding Redevelopment Agency

Fiscal Year				
2002-03	2003-04	2004-05	2005-06	2006-07
1	1	1	1	1
11	11	11	11	10
5	5	5	1	1
-	-	1	1	1

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OTHER SUPPLEMENTAL INFORMATION



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

The Board of Directors
of the Redevelopment Agency of the City of Redding
Redding, California

We have audited the basic financial statements of the Redevelopment Agency of the City of Redding (Agency), a component unit of the City of Redding (City), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 9 2007. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Board of Directors
of the Redevelopment Agency of the City of Redding
Redding, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included 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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters identified as control deficiencies that we reported to management of the City in a separate letter dated November 9, 2007.

This report is intended solely for the information and use of management, the City Council, others within the entity, and The State Controller and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carlson

Oakland, California
November 9, 2007