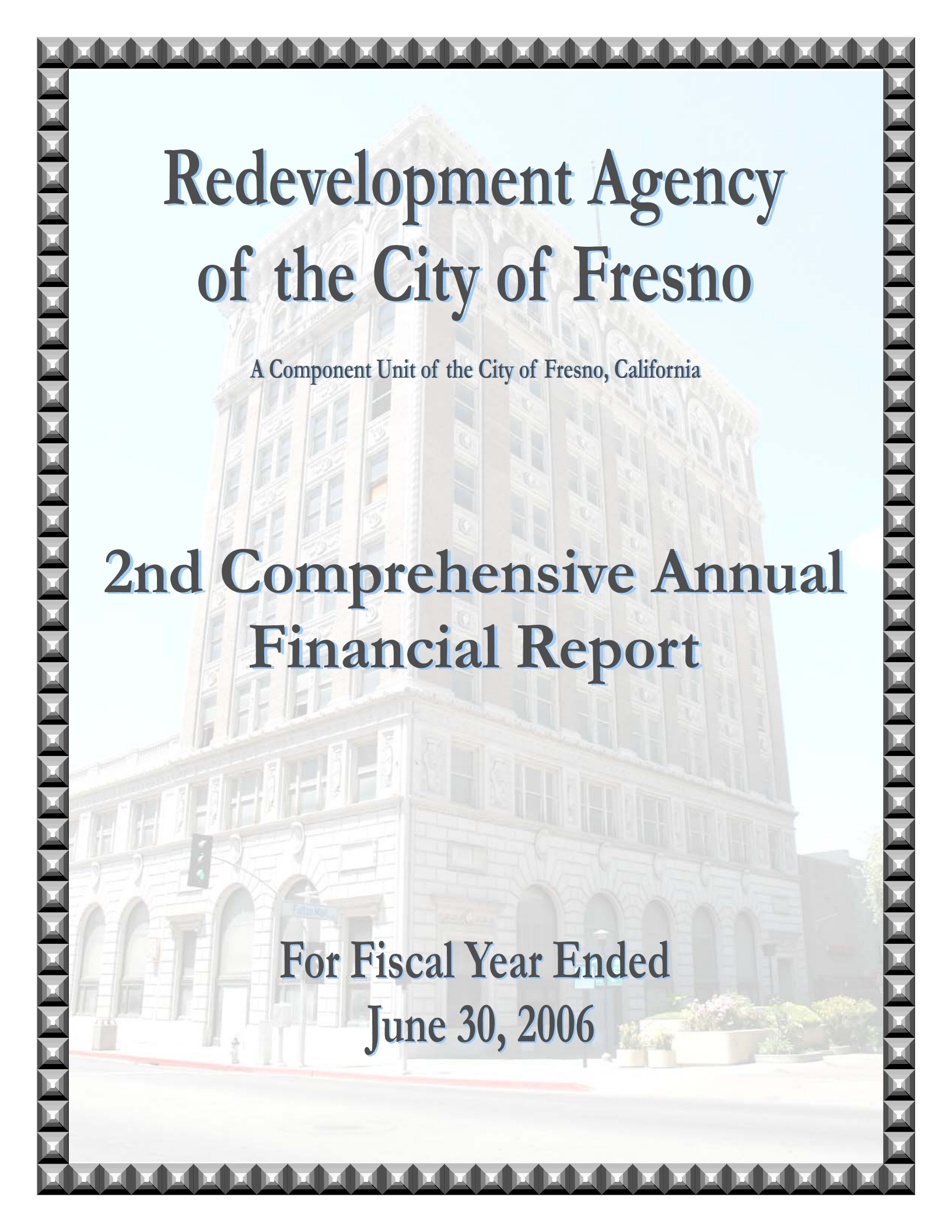




Redevelopment Agency of the City of Fresno

A Component Unit of the City of Fresno, California

2nd Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2006

Redevelopment Agency of the City of Fresno
A Component Unit of the City of Fresno, California

2nd Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2006

Prepared by
Redevelopment Agency
Finance Department

Lora J. Kutka, CPA
Financial Officer

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO**

**FOR THE YEAR ENDED JUNE 30, 2006
TABLE OF CONTENTS**

	<i>Page(s)</i>
<u>INTRODUCTORY SECTION</u>	
Letter to the Redevelopment Agency Board and Citizens of the City of Fresno	i-xix
Organization Chart	xx
Directory of Officials	xxi
Certificate of Award – Outstanding Financial Reporting	xxii
<u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITOR’S REPORT	1-2
MANAGEMENT’S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3-7
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets – Governmental Activities	8
Statement of Activities – Governmental Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10-11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13-14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to the Financial Statements	16-31
COMBINING STATEMENTS:	
Combining Balance Sheet – Nonmajor Governmental Funds	32-34
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	35-37
<u>STATISTICAL SECTION (Unaudited)</u>	
Net Assets –	
Last Three Fiscal Years	38
Change in Net Assets –	
Last Three Fiscal Years	39
General Government Expenditures by Function –	
Last Ten Fiscal Years	40
General Government Revenues by Source –	
Last Ten Fiscal Years	41
Summary of Assessed Value, Property Taxes and Debt Service by Project Area - Last Ten Fiscal Years	42-44

	Page(s)
Ten Largest Assesses by Project Area:	
Central Business District	45
Chinatown	46
Convention Center	47
Fulton	48
Jefferson	49
Mariposa	50
South Van Ness	51
West Fresno One	52
West Fresno Two	53
Fruit/Church	54
Southwest Fresno	55
Airport Area Revitalization	56
Central City	57
Freeway 99/Golden State Boulevard	58
Fresno Air Terminal	59
Roeding Business Park	60
South Fresno Industrial	61
Southeast Fresno	62
Plan Time and Financial Information and Limitations	63-65

OTHER REPORT:

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and other Matters (Including the Provisions Contained in the Guidelines for Compliance Audits of Redevelopment Agencies) Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	66-67
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REDEVELOPMENT AGENCY OF THE CITY OF FRESNO

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December 15, 2006

The Honorable Members of the Redevelopment Agency Board
Distinguished Citizens of the City of Fresno
Fresno, California

THE 2ND COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO

I am pleased to submit to you the second Comprehensive Annual Financial Report (CAFR) of the Redevelopment Agency of the City of Fresno for the year ended June 30, 2006, with the Independent Auditor's Report. The CAFR has been prepared by the Agency in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Agency. I believe that the data, as presented, is accurate in all material respects, that its presentation fairly shows the financial position and the results of the Agency's operations as measured by the financial activity of its various funds and, that the included disclosures will provide the reader with an understanding of the Agency's financial affairs.

Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter Accountancy Corporation has audited the basic financial statements and issued their unqualified (clean) opinion that the basic financial statements of the Agency for the year ended June 30, 2006 are fairly presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The Independent Auditors' Report on the Basic Financial Statements is located at the front of the financial section of this report.

FINANCIAL REPORTING AND FORMATS

The Agency has prepared its CAFR using the new financial reporting requirements as prescribed by GASB Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments (GASB 34). This GASB Statement requires that Management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.



Our CAFR is divided into the following sections:

The Introductory Section includes information about the organizational structure of the Agency, project area activity and information useful in assessing the Agency's financial condition.

The Financial Section is prepared in accordance with GASB 34 requirements by including the MD&A, the Basic Financial Statements including notes, and the Required Supplementary Information. The Basic Financial Statements include the Government-wide Financial Statements that present an overview of the Agency's entire financial operations, and the Fund Financial Statements that present the financial information of each of the Agency's major funds, as well as non-major governmental funds. Also included in this section is the Independent Auditors' Report on the Basic Financial Statements and schedules.

The Statistical Section includes tables containing historical financial data, debt statistics, and miscellaneous economic data of the Agency that is of interest to potential bond investors and other readers. The data is generally presented on a multi-year basis.

THE PROFILE OF THE AGENCY

The Agency's financial statements are included in the comprehensive annual report of the City of Fresno as a component unit because of the operational and financial relationship that exists between the City and the Agency. In March 1997, the City Council acting as the Agency Board adopted the restructuring of the Redevelopment Agency. The restructuring allowed the City Council to appoint an Executive Director of its choosing. In addition, the restructuring allowed any Council Member to be appointed Chair to the Redevelopment Agency by selection of Agency Board Majority.

In April 1997, the Redevelopment Agency adopted new By-Laws and entered into a cooperative agreement with the City of Fresno in order to establish a new approach for the redevelopment program that would have a more focused mission for carrying out its redevelopment objectives. All planning, engineering, project implementation and financial efforts were centralized under an Executive Director appointed by the Agency Board. The day-to-day business and staff operations for the Agency involve a combination of personnel that include full-time City personnel assigned through the Redevelopment Support Division, full-and part-time personnel hired by the Agency and several individuals and companies providing services on a contract basis. In 2000, the Agency entered into a multi-year contract with the Housing Authorities of the City and County of Fresno to administer the Agency's 20% Low and Moderate Income Housing Set Aside program.

The Redevelopment Agency is required by Section 33606 of the California Health and Safety Code to adopt an annual budget. This annual budget serves as the foundation for the Redevelopment Agency's financial planning and control. The Agency Budget is presented in Capital Improvement Program format by redevelopment areas.

The Agency's focus is on bringing about major projects and neighborhood improvements that will have a positive effect on the shape and future of Fresno's inner city neighborhoods, downtown and industrial areas.

THE PURPOSE OF REDEVELOPMENT

Redevelopment is one of the Fresno's most effective ways to breathe new life into deteriorated areas beset by a variety of social, physical, environmental and economic conditions which act as a barrier to new investment by private enterprise.

Redevelopment was created by state law to revitalize communities, encourage new development, create jobs, increase housing stock, provide infrastructure and generate tax revenues in declining urbanized areas through partnerships developed between local governments and private entities.



Without the initial investment from redevelopment agencies, many important community projects simply would not happen, leaving communities to suffer from deteriorations, crime and poor economic and social conditions.

THE CITY AND ITS SERVICES

The City of Fresno (City) was incorporated in 1885, and is located in the Central San Joaquin Valley of California. The City's powers are exercised under the strong-Mayor form of government. Under this system, the Mayor serves as the City's Chief Executive Officer, and is responsible for appointing and overseeing the City Manager, recommending legislation and presenting the annual budget to the City Council. The Mayor does not participate in Council deliberations, except by exercising veto power. The City Council serves as the legislative authority and the Mayor and other independent elected officials serve as the executive authority. The City Council is represented by seven elected Council Members, one of whom is elected President by the Council for a term of one year. The President is the presiding officer of the Council and will fill any vacancy in the Office of the Mayor. The services provided by the City are the full range of services contemplated in the City Charter. These include public protection (police and fire), construction and maintenance of all public facilities (public works), parks and recreation, public health systems (water, sewer, community sanitation and solid waste utilities), social services, development and planning, tax collection, transportation and many others.



FRESNO'S GOVERNMENT, ECONOMY AND OUTLOOK

Fresno is the county seat of Fresno County and is the economic and cultural hub of the fertile Central San Joaquin Valley, a metropolitan region with more than 471,500 residents in the City proper, and over 899,500 in Fresno County. Named after the Fresno Creek, "Fresno" in Spanish signifies "ash tree" and it was because of the abundance of mountain ash or ash trees in the county that it received its name. The first European settlers in the early 1800's found the Yokuts tribe living in the valley floor and in the foothills along the major rivers of the area, the San Joaquin and the Kings Rivers. The Monache Tribe lived further up the rivers. After the initial Spanish explorers came, others began to arrive including trappers and hunters. The county was part of the mining boom of California from its early years until the mid 1860's. Once gold fever subsided, the county experienced substantial growth in livestock raising and general farming and from there it made the transition



to orchards and vineyards. Fresno began as a station for the Central Pacific Railroad in 1872 and was made the county seat in 1874.



The City of Fresno is the thirty-sixth largest city in the United States and the sixth largest in California, with Fresno County encompassing approximately 6,000 square miles. The population of the County has grown by approximately 20% in the past ten years, and boasts more than 90 different nationalities. Over half of all county residents live in the City of Fresno, making it the largest city in the county. The 2000 Federal census showed that racial and ethnic diversity continues to be robust in the City, with all minority groups combined representing nearly a majority of the City's population. The City currently has a land area of 104.4 square miles and has the power by State statute to extend its corporate limits by annexation,

which is done periodically when deemed appropriate by the Council.

Fresno County continues as a leading agribusiness center, with approximately 250 different crops produced by nearly 7,500 farmers on 1.9 million irrigated acres, worth about \$4 billion a year. Fresno County's top agricultural products are grapes, cotton, tomatoes, cattle and calves, and turkeys. Fresno County is subject to a Mediterranean climate. Low elevations are hot but dry with little humidity in the summer and in the winter; the temperatures are moderate with relatively light precipitation. Yearly annual rainfall is approximately 12 inches.

Under the leadership of Mayor Alan Autry, the City continues to focus on the basis tenets of his Administration and the covenant he made to the citizens of the City of Fresno, to be a good steward of their hard earned tax dollars. His philosophy and that of all City employees, is driven by prudence, accountability and common sense and is focused on three outcomes: (1) to return most of the tax dollars in essential services so as to deliver a high quality of life; (2) to invest in the future and (3) to maintain a rainy day fund so as to save for unforeseen events. This philosophy has been highly effective in the past five years. The City of Fresno's strategic planning process began with an examination of the organizational Mission, Vision, Key Objectives, Values and Key Result Areas (KRA's) and ended with the development of a course of action that translated these concepts into actions that aligned with the organizational philosophy. The Mission of the City of Fresno is to build a lasting foundation for the community that not only preserves the city but also ensures equal access to opportunity, education and quality of life for every man, woman and child regardless of their race, religion, age or social-economic status. The strategic plan, known as the "NEW NORMAL" is an internal cornerstone for that foundation that has allowed the City to fulfill many of the Mayor's goals while still providing stability for continuing momentum.



Job creation through economic development is a common goal of the City and the Agency. The downtown area of the City of Fresno must continue to grow and succeed as a vital part of our developing metropolitan region. Moving toward this goal, we continue to focus on the redevelopment, revitalization and rebirth of our urban core. Business development, retention and attraction will continue to be a high priority of our economic development strategy.

RECENT ECONOMIC AND REDEVELOPMENT DEVELOPMENTS

Major Construction in Downtown Fresno has created 4,230 jobs

- New ballpark
- \$250 million Fresno Regional Medical Center
- \$130 million Federal Courthouse
- State Fifth District Court of Appeals
- \$18 million renovation of Guarantee Building for IRS and INS
- \$48 million privately funded 11-story office building and parking for IRS and Caltrans
- \$35 million 6 story office building and parking garage for IRS
- \$30 million Civic Center Square – 80,000 sq ft project privately financed and constructed
- \$6 million mixed use “Vagabond” project



Tower at Convention Center



Regional Medical Center Trauma Center

Roeding Business Park

- \$3 million in Federal Funding
- \$4.5 million low interest loan from the CIEDB
- Completed park will produce over 20,000 jobs

MAJOR INITIATIVES AND ACHIEVEMENTS

The Redevelopment Agency's work program for fiscal year 2005-2006 continued to focus on the implementation and follow-through of major projects and neighborhood improvements that will



CITY OF FRESNO
REDEVELOPMENT AGENCY

DOWNTOWN FRESNO
VISION 2010



have a positive effect on the shape and future of Fresno's inner city neighborhoods, downtown and industrial areas. The objectives of the work program address the "new generation" of high priority projects intended to extend the Agency's tools for blight removal and job creation into parts of the downtown, inner city neighborhoods and industrial areas that had not been addressed before. Providing low and moderate housing is another important component of redevelopment. The Agency has actively worked to create and advance several low and moderate housing projects as well as a number of major projects in the Downtown, Southwest Fresno, South Fresno Industrial and Southeast Fresno project areas, including several involving policy and financial commitments in place prior to April 1997. The major priorities included:

- Regional Medical Center Development
- Federal, State, and County Downtown Office Developments
- Vision 2010 Plan Implementation
- Roeding Business Park Phase II & III Infrastructure, and promotion/marketing of sites
- Support industrial and commercial development in the five new redevelopment areas; Airport Area Revitalization, Central City Commercial, Freeway 99/Golden State Blvd. Corridor, South Fresno Industrial and Southeast Fresno
- Hope VI Neighborhood/Mixed Use Project
- State Fifth DCA Courthouse/Old Armenian Town Mixed-Use Project

- Historic Armenian Town Mixed Use Project
- Commercial Facade Improvements
- South Stadium Project - Mixed Use Housing and Retail Commercial Development
- Historic Chinatown Mixed Use Project
- Kings Canyon Streetscape Project
- Kings Canyon LLC Mixed Use Project (formerly Asian Village)
- Uptown Cultural and Entertainment District, Streetscape, and related Metropolitan Museum Expansion
- Elm Avenue Corridor Blight Removal, Streetscape and Business Attraction
- Fresno Air Terminal Redevelopment Area Site Clearance and Environmental Remediation
- Housing Rehabilitation, New Housing Infill and Neighborhood Improvements

REDEVELOPMENT PROJECT AREAS AND HOUSING

GENERAL

Commercial Façade Improvement Program



The Agency approved 26 commercial rehabilitation storefront loan applications with nine storefront improvements completed in FY 2005-2006 and 13 underway. The nine completed storefronts were facilitated by the Agency's funding of approximately \$23,192 that generated \$507,384 in improvements. This program has received increasing responsiveness from small business owners seeking to improve their storefronts, thereby benefiting the commercial neighborhood.

Review of Development Entitlements Within Redevelopment Project Areas

Between July 1, 2005 and June 30, 2006, staff reviewed and made recommendations on 71 Site Plan Review Applications, 72 Conditional Use Permit Applications, 5 Alcoholic Beverage Conditional Use Permit Applications, 33 Rezoning Applications, 20 Tentative Parcel Map Reviews, 12 Amendment Reviews, 114 Plan Review and Sign Offs and 18 Variance Applications. The review of entitlements by staff and the Agency's citizen committees ensure consistency with plan goals and design guidelines.

Airport Area-Central City Commercial-Merger 1, Merger Project

Work continued in FY 2005-2006 on the financial merger of the Airport Area Revitalization Redevelopment Project Area, the Central City Commercial Revitalization Redevelopment Project Area, and the ten redevelopment project areas within the Merger 1 Project Area. The financial merger will provide more administrative and financial flexibility while improving the Agency's ability to implement the 12 redevelopment plans in regard to blight reversal, stabilization, revitalization and economic development. It would also enable the Agency Board/City Council to direct resources to the areas of greatest need and to better respond to development interests as they occur.

In conjunction with the financial merger, the Agency continued to work with consultants, Keyser Marston Associates, Inc., to evaluate plan time and financial limits in the Merger 1 Project Area and identify a strategy for updating the plan limits to meet the Agency's needs and commitments for current and new project activities including the Regional Medical Center Expansion, Old Armenian Town, South Stadium Project and Historic Chinatown Mixed Use Project.

AIRPORT AREA REVITALIZATION

The Airport Area Revitalization Redevelopment Project Area, adopted in August 1999, incorporates 1,119 acres around the Fresno Yosemite International Airport. The focus of the redevelopment project has been to eliminate blight and seek the reuse of underutilized areas adjacent to or in the vicinity of the Fresno Yosemite International Airport for commercial and industrial uses as identified in the City's General Plan. The new redevelopment project area was adopted with priorities on the retention and expansion of existing and new businesses in order to increase the availability of jobs.

Property Acquisition

In January 2006, the Agency completed the acquisition of 2.5 acres at the northeast corner of Chestnut and Shields Avenues adjacent to the Fresno Yosemite International Airport. The property was conveyed to the City to increase the capacity and economic potential of the Airport to facilitate aviation related development. Acquisition of the property along with existing Airport property presented the opportunity to capture an aircraft manufacturer's service and maintenance center.

Gap Site/Ponding Basin

A key project on the Gap site was the expansion of Drainage Basin "T" to allow for the growth of the Gap pursuant to its agreement with the City of Fresno. The expansion of the basin has been completed. The Agency made its final contribution to the project in fiscal year 2005-2006.

CENTRAL CITY COMMERCIAL REVITALIZATION

In August of 1999, the City Council and Redevelopment Agency Board adopted the 809 acre Central City Commercial Revitalization Redevelopment Project Area. The concept has been to focus on blighted and underutilized areas that have been identified in the City's General Plan for commercial and industrial uses. The redevelopment project area was adopted with priorities on the retention and expansion of existing and new businesses in order to increase the availability of jobs.

Street Improvements and Streetscape

To enhance the visual quality of the project area and attract business and development, the Agency initiated work on design plans for landscape improvements to median islands on Belmont Avenue, a multi-year project.

CONSOLIDATED LOW AND MODERATE INCOME HOUSING FUNDS

Community Housing Partnership Program

In June 2000, the Agency and the Housing Authorities of the City and County of Fresno developed the *Community Housing Partnership Program* (CHPP) and entered into a three year contract (with two option years) whereby the Housing Authorities assumed certain responsibilities on behalf of the Agency for the management of the Agency's housing program within and adjacent to the Agency's adopted redevelopment project areas.

During FY 2002-2003, the Council/Agency approved amendments to the contract with the Housing Authorities that extended the contract for three additional years beginning July 1, 2003 with the option to extend the agreement on an annual basis for up to two additional years. The contract provided for an annual housing rehabilitation budget of \$2,340,860 and a revolving fund of \$750,000 for boarded up/vacant property acquisition.

The Program involves a comprehensive, eight year Housing Program within six core areas of the City based upon a “target area” approach that emphasizes minor and major rehabilitation as well as the infill of single family homes.

The CHPP administered by the Housing Authorities continues to meet with very positive response. As of June 30, 2006 over 1,231 homes have been rehabilitated and approximately 19 homes have been built or reconstructed to provide infill housing for low income families since the program's inception. In fiscal year 2005-2006, the CHPP processed applications and completed rehabilitation of 112 homes for low income families with an additional 66 applications reviewed and approved.



In addition, the Housing Authorities acquired four vacant lots and four boarded up homes in the target areas for the purpose of constructing three and four bedroom, two bath affordable homes. One home was purchased, rehabilitated and sold during FY 2005-2006. This 1931 two bedroom home was converted to three bedrooms and purchased by a low income family that is participating in the home ownership training program.

General Housing Administration Activities

From July 1997 through June 2000, the City's Housing Department administered the Agency's Low and Moderate Income Housing Program under a contract with the Agency. A major component of the program consisted of loans for major and minor rehabilitation. Agency staff continues to work with the City's Housing and Finance Departments to implement policies for the ongoing administration of the Agency's existing loan portfolio. The policies include a monthly report to the Agency with the loan balances of the portfolio and loan payments received. Although the Agency assumed administration of the housing program in July 2000, the City's Finance Department continues to provide billing and collection services for the outstanding loans. There are approximately 275 loans with a total loan balance in excess of \$2.1 million.

Fresno Interagency Task Force

During the year Agency staff participated in the Fresno Interagency Task Force which regularly met under the leadership of the President of the City Council. The Task Force membership includes the Redevelopment Agency, City Housing, and City Housing Authority, City Manager and other City Council Members, as well as representatives from other interested organizations from time to time. The Task Force was formed in an effort to bring about a partnership of organizations and individuals to create targeted, repeatable, cost effective efforts to preserve and improve existing neighborhoods. The Task Force reviewed and made recommendations to the City Council on all of the housing projects proposed by the Agencies represented on the Task Force.

Downtown Housing and Mixed Use Development

The Agency completed its financial commitment for the development of the Vagabond Lofts – the first new housing construction in downtown Fresno in over 20 years. The Agency entered into an Owner Participation Agreement (OPA) with Pyramid Homes and Granville Homes, Inc. to construct affordable and market rate housing at the site of the former Vagabond Motel. The project, a partnership between the Developer, Agency, City and Housing Authorities, includes seven commercial units, 29 market rate residential housing units and nine affordable housing units. The project has been a catalyst for development of the adjacent property into 26 residential/commercial units utilizing private capital.

Fulton Park Plaza

Land assembly was begun in fiscal year 2005-2006 for the Fulton Park Plaza housing project. Through an OPA, Fulton Park Plaza will offer a residential/commercial mixed-use project of ten row houses, seven affordable rental lofts, 27 market rate rental lofts and nearly 33,000 square feet of commercial space.

California Triangle

The Agency, through its Community Housing Partnership Program with the Housing Authorities, began the assembly of land adjacent to property owned by the Agency along California Avenue between Kern Street and Waterman Avenue. This project will provide approximately 15 new affordable single family homes.

Hope VI

In fiscal year 2005-2006, the Agency assembled approximately 19 parcels for the mixed-use development. The Agency also prepared relocation and replacement housing plans and assisted residents in relocating to improved housing.

The project is further described under Merger Project No. 2-Southwest Fresno as the Agency's multi-year contributions for the \$20 million HOPE VI project are financed from a combination of 20% housing set aside and 80% tax increment funds.

FREEWAY 99-GOLDEN STATE BOULEVARD CORRIDOR

In July 2003, the City Council and Redevelopment Agency Board adopted the 2,790 acre Freeway 99-Golden State Boulevard Corridor Redevelopment Project Area. The focus of the redevelopment project is the elimination of blight and economic stagnation and the promotion of the redevelopment of underutilized industrial and commercial areas, and neighborhoods that were identified in the City's General Plan for industrial, commercial and residential uses within the project area. The redevelopment project area was adopted with priorities on the retention and expansion of existing and new businesses in order to increase the availability of jobs.

Golden State Boulevard Improvements

The Agency awarded the contract for engineering services for the preparation of design plans and specifications for the reconstruction of Golden State Boulevard between Ashlan and Shaw Avenues. This multi-year project is expected to further the plan goals for the elimination of blight and economic stagnation in the project area and create an attractive environment for potential business expansions and new development.

FRESNO AIR TERMINAL REDEVELOPMENT AREA

Environmental Cleanup

Environmental clean-up activity for the airport area continued to be a priority and the majority of the project area resources are allocated to this purpose.

MERGER PROJECT NO. 1—Central Area and South Van Ness Industrial Area

On June 30, 1998, the Council and Agency approved the Merger No. 1 Project for eight existing Project Areas in the City's Central Area (Central Business District, Chinatown, Convention Center, Jefferson, Mariposa, West Fresno I, West Fresno II and West Fresno III) and two new Redevelopment Projects for the Fulton and South Van Ness Industrial Areas. This Project provided for the financial merger of all ten of the above cited project areas; the updating of the redevelopment plans and extending the plan limits for the eight existing Project Areas; and adoption of redevelopment plans for the two new Project Areas.

Merger Project No. 1 encompasses the majority of Fresno's traditional downtown area. Following is a Summary of Accomplishments for the ten Project Areas in Merger No. 1.

[Chinatown Expanded](#)

[Fresno Historic Chinatown LLC](#)

In 2005, the Agency entered into an Exclusive Negotiating Agreement (ENA) with the Historic Chinatown, LLC for a proposed mixed-use housing retail/commercial and public facilities development on approximately 165 acres. The project is designed to include the participation of business owners within the area. The owner participation process resulted in proposals from 35 candidates, the largest response in the history of the Agency. Selection of the owner participant candidates was a milestone enabling the developer to proceed with refining the master development plan.



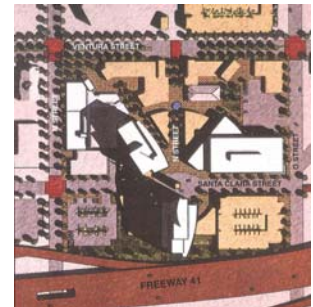
[Chinatown Plan Amendment](#)

A number of public information meetings were held to inform the business owners and residents in the Chinatown area about the overall planning process, status of work with the Developer on the ENA and owner participation opportunities. The plan amendment was adopted on April 4, 2006 following extensive community participation. The adoption of this amendment was vital to facilitating further development in the project area.

[Convention Center Area](#)

[Old Armenian Town Project](#)

The Agency continued work on the Old Armenian Town Mixed Use Project, a mid-rise, high-rise mixed-use project containing an Armenian Community Center, residential, office, hotel, retail, restaurant, service and parking uses in a heavily landscaped plaza/courtyard environment with pedestrian walkway linkages to the nearby Convention Center.



Properties in the Phase 1 area, bounded by "O" Street, Ventura Street, "N" Street and Freeway 41 have been acquired, businesses and tenants relocated, alley vacations and street abandonments have been completed and the area cleared for construction. Five historic structures have been relocated to a temporary storage site and are awaiting relocation to a "final receiver site" on the south side of Freeway 41 in the adjacent South Van Ness Industrial Project Area.

[Fifth District Court of Appeal](#)



In December 2005, ground breaking ceremonies were held to celebrate the commencement of new construction for the \$24 million, 60,000 square foot, three-story 5th District Court of Appeal building.

[South Stadium Area Project](#)

The Agency continued to work with Forest City pursuant to the Exclusive Negotiation Agreement (ENA) for the South Stadium Project that proposes approximately 85 acres of mixed-use entertainment, commercial and housing development located south and southeast of the Stadium. To implement redevelopment activity relating to the South Stadium project, amendments to the Convention Center Plan were completed and approved.

Convention Center Plan Amendment

On October 11, 2005, the City Council and Agency Board approved amendments to the Convention Center Redevelopment Plan. The amendments expanded the Acquisition Plan to apply to additional properties, removed specific land use designations and added a provision under which the Agency will implement a consultation and review process before any development or similar type of agreement is approved that may impact potential historical resources. These amendments were essential to allow for proposed and potential future developments needs.

Jefferson

County Bank Headquarters

In May 2006, County Bank opened its full service, \$8 million, 18,000 square foot, three-story building at the corner of Divisadero Street and Freeway 41. The Agency participated in the grand opening celebration of the newest regional bank headquarters in the downtown area.

Mariposa

Federal Courthouse

Agency staff coordinated with project developers for the installation of off-site improvements and other project related requirements. The Agency in conjunction with the City assembled the land for this site. The approximately 383,000 square foot nine-story building has 13 courtrooms. The interior of the building is designed to accommodate an additional five courtrooms as future population expands within the Federal Court jurisdiction. The \$130 million Federal Courthouse opened for business shortly after the grand opening held on October 18, 2005.



Downtown Parking Garage

The Agency assisted and helped fund plans and studies leading to the construction of the five-story, 1583 stall parking garage on the Convention Center Lot. The grand opening was held on November 10, 2005 in conjunction with the opening of the Federal Courthouse.

Civic Center Square, Inc.



Civic Center Square, Inc completed construction of “2240 Tulare”, a 96,000 square foot office/retail/financial building and a 470-car, five-story public parking garage on Tulare between “N” and “O” Streets in October 2005. Two financial institutions have opened new branches in downtown Fresno at this location.

South Van Ness Industrial Area

Final Receiver Site

Development of the Old Armenian Town Mixed Use Project necessitated relocation of five historic structures originally located within the project site. A Final Receiver Site consisting of six parcels located on the south side of Freeway 41 in the adjacent South Van Ness Industrial Project Area was identified and approved by the Agency Board. The Agency negotiated the voluntary sale of three of the six parcels in fiscal year 2005-2006. Acquisition of these properties represents a milestone in the advancement of the conceptual plan for an attractive mixed-use environment incorporating existing and relocated structures on the receiver site on “L” Street between San Benito and Monterey Streets.

MERGER PROJECT NO. 2–Fruit/Church and Southwest Fresno Redevelopment Project Areas

On October 20, 1998, the Council and Agency approved the Merger No. 2 Project for two existing redevelopment project areas in the City's southwest area (Fruit/Church and Southwest Fresno). This project provided for the financial merger of both of the above cited project areas, updated the redevelopment plans and extended the plan limits for the two project areas.

Following is a Summary of Accomplishments for the two Project Areas in Merger No. 2.

Fruit/Church Area

The Fruit/Church area was included in the Hope VI Project which is reported in detail in the following report for the Southwest Fresno GNRA.

Southwest Fresno GNRA

Elm Avenue Reconstruction and Beautification

The Agency continued work on the reconstruction and beautification of Elm Avenue between Jensen and North Avenues that includes concrete, landscape, lighting and overlay improvements. The project commenced in July 2004, with a formal ground breaking ceremony and is expected to be completed in Fall 2006. Funded by the Agency, the improvements to Elm Avenue have helped generate over one million square feet of industrial development. This project is located within boundaries of both the Southwest Fresno and South Fresno Industrial project areas.



HOPE VI

The Agency's multi-year commitment to the Hope VI project was critical in leveraging receipt of Fresno's \$20 million grant. The commitment includes assembly of approximately 28 acres for a mixed-use element, parking facility and street improvements and financial assistance for development of an Aquatic Center.

In September 2004, the Agency paved the way for implementation of the HOPE VI Project through plan amendments to the Southwest Fresno GNRA and Fruit/Church redevelopment plans that facilitate the HOPE VI Conceptual Master Plan. The amendments also served to update and streamline the plans to be consistent with current redevelopment practices.



The Agency completed the Request for Proposals process and the selected developer is preparing plans for the development of a mixed-use element of the HOPE VI Project that may include a government one-stop center for various social services.

ROEDING BUSINESS PARK

Public Infrastructure

The Agency completed the construction of the Marks Avenue four lane arterial street along the west boundary of Roeding Business Park as well as a new water service well on West Avenue just north of Freeway 180. These improvements were partially funded by an Economic Development Agency grant of \$3 million and California Economic Infrastructure Development Bank loans totalling \$4,559,100 with \$2,118,000 to the Agency and \$2,441,100 to the City.

Business Development

The multi-year construction project described above provides infrastructure necessary for future development within the business industrial park and has already helped stimulate and attract business development. Some examples are described below:

Horizon Enterprises completed Phase I of the Commerce Center consisting of two 25,860 square foot buildings. Phases II and III will consist of two 25,860 square foot buildings and one 48,000 square foot building, respectively.

Pleasant Mattress, Inc. completed its new 102,000 square foot manufacturing facility. The Agency also assisted Pleasant Mattress, Inc. with various issues, including their successful application for a low interest state economic development loan.

Certified Ad Services has planned the addition of an 18,000 square foot building for storage of paper and other materials required for its printing operation.

The Agency also assisted Specialty Branded Products (SBP), a premium meat processor, in selecting a vacant six acre parcel at the southwest corner of Nielsen and Hughes for its expansion. SBP acquired the property and plans to construct a 100,000 square foot concrete building on the site.

Master Developer for Phase I Core Area Development

In 2005, the Agency Board approved an Exclusive Negotiation Agreement (ENA) between the Agency and the Master Developer for the 200 acre master development area bound by the Southern Pacific Railroad, Nielsen Avenue, Freeway 180, West, Marks and Hughes Avenues.

SOUTH FRESNO INDUSTRIAL REVITALIZATION

Elm Avenue Reconstruction and Beautification

This project is located within boundaries of both the Southwest Fresno and South Fresno Industrial project areas and is described under Merger Project No. 2-Southwest Fresno.

Orange Avenue/Freeway 99 Improvements

Design plans for the reconstruction of Orange Avenue between North Avenue and Freeway 99 were completed. The scope of the multi-year project includes curbs, gutters, sidewalks, paving, street lights, street trees, a storm line and extension of water and sewer mains.

Industrial and Commercial Development

Orange Avenue/Freeway 99 improvements served to induce East Bay Tire Company's site selection for its expansion. East Bay selected a 9 acre site at the northeast corner of North and Orange Avenue. The first phase of development will be the construction of an 83,174 square foot facility. A future phase will provide for a 31,000 square foot warehouse. East Bay Tire Company will employ approximately 20 employees.

SOUTHEAST FRESNO REVITALIZATION

Ventura/Kings Canyon Streetscape Improvements

In January 2006, the Agency awarded the contract for installation of street lights along Kings Canyon Avenue between Maple and Willow Avenues. This project helps eliminate blight and meet current standards through undergrounding overhead power lines, replacing existing wooden poles and adding street lights. The Agency's contribution of \$365,000 to this project leveraged a \$2 million investment by Pacific Gas & Electric Company.

Public Improvements and Infrastructure

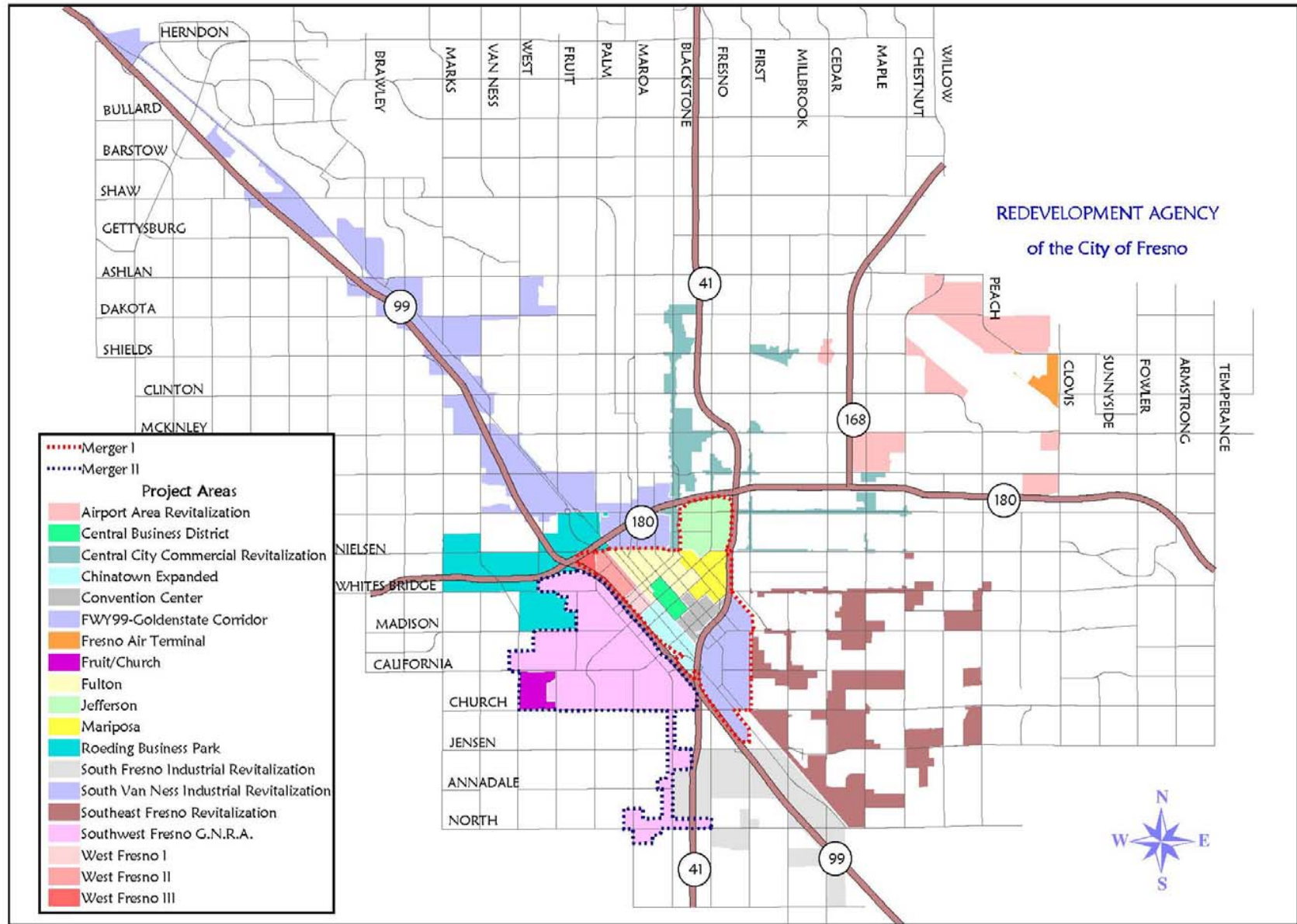
Street and infrastructure improvements were completed at Butler and Chestnut Avenues as well as the northwest corner of Butler and Orange Avenues.

Kings Canyon Commercial and Mixed Use Neighborhood

The Agency negotiated and entered into an Exclusive Negotiating Agreement (ENA) with Kings Canyon Development, LLC for the revitalization of a portion of the Kings Canyon Corridor. The Developer is proposing a mixed-use neighborhood comprised of a cultural center for recreation, education, arts technology and empowerment along with an elderly care facility, a medical facility, a police substation, residential condominiums and approximately 100,000 square feet of retail. The plan is designed to meet the needs of the diverse business population and encourage tourism with a multi-cultural focus. Site assembly was completed for the proposed police substation with the acquisition of 4 parcels at the southwest corner of Kings Canyon and Backer.

Seventh and Ventura Mixed Use and Housing Project

Agency and City of Fresno Housing & Community Development staff joined efforts on a project to revitalize two properties located on the South side of Ventura between Seventh and Eighth Streets. The Agency's goal is to find a Developer interested in building a mixed-use residential/commercial project. The site can accommodate anywhere from 40 to 120 units of affordable rental or single family town homes in addition to retail space.



OTHER FINANCIAL INFORMATION

Internal Controls

In developing and evaluating the Agency's accounting system, consideration was given to the adequacy of internal accounting controls. Internal accounting controls were designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and, (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and, (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the Agency's internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

Budgetary Process

The Agency's budget is an operating plan which identifies estimated costs and results in relation to estimated revenues. The budget includes: (1) the programs, projects, and activities to be carried out during the fiscal year; (2) the estimated revenue available to finance the operating plan; and, (3) the estimated spending requirements of the operating plan. The budget is the result of a process wherein policy decisions by the Agency Board are made, implemented and controlled. The Agency maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Agency Board. Activities of the Capital Projects, Debt Service and Low-and Moderate Housing Funds are included in the annual appropriated budget by project area.



The Agency also uses encumbrance accounting as another technique to accomplish budgetary control for all fund types. This consists of a commitment for expenditures that are earmarked for a particular purpose and are spent when funds become available. Appropriations that are not encumbered lapse at the end of the fiscal year. Certain year-end encumbrances that fulfill a spending commitment are carried forward and become part of the following year's budget. The Agency continues to meet its responsibilities in making sound financial management decisions, as demonstrated by the statements and schedules included in the financial section of this report.

Cash Management

The Agency's pooled temporary idle funds and deposits are invested pursuant to policies established by the governing board. The Agency seeks the preservation of capital, safety, liquidity and yield, in that order of priority. The Agency's policy addresses soundness of financial institutions holding our assets and the types of investments permitted by the California Government Code Section 53601. The Agency seeks to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, the Policy permits investments in certificates of deposit, obligations of the U.S. Treasury and U.S. Government sponsored corporations and agencies, commercial paper, medium-term notes, banker's acceptances, repurchase and reverse repurchase agreements, mutual funds invested in U.S. Government and Treasury obligations, and the State Treasurer's Investment Pool. The earned yield for the fiscal year 2005/2006 was 3.87% as compared to 2004/2005 which was 2.01%.

All of the Agency's investments, which are categorized according to credit risk as defined by the Governmental Accounting Standards Board, are classified in the category of lowest risk. All categorized investments are held by a third-party custodian in the Agency's name.

With regard to investment style, the Agency employs a semi-active strategy in managing the portfolio. First, all prospective investments are reviewed from the standpoint of the risk of loss of principal. Once safety concerns have been addressed, all investments are purchased with the intention of holding them until maturity. They are purchased at a point in time and with a particular maturity date judged to be the most advantageous in terms of meeting the Agency's liquidity needs and maximizing the return on the portfolio.

However, as time passes and market conditions change, opportunities often arise in which funds can be repositioned into other assets offering even greater advantages to the portfolio. In these circumstances, one investment may be sold or swapped for another. Occasionally this may result in a capital gain from the sale and at other times it may result in a loss. In all cases however, the gains or losses combined with returns from the newly acquired investment result, in a net added return to the portfolio.



In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* to address common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The Agency's investments are not subject to custodial credit risk.

Risk Management

It is the policy of the Agency to use a combination of self-insurance through the City's Risk Management Department and purchased commercial insurance against property or liability risks. The Agency believes it is more economical to manage its risks through the City and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual and supplemental appropriations.

The Risk Management Division of the City of Fresno investigates and manages all liability claims and property losses, evaluates risk exposure and insurance needs, protects against contractual loss by reviewing and preparing insurance and indemnification portions of construction contracts, leases and agreements, emphasizes ongoing operational loss control, and purchases the majority of insurance coverage for the Agency.



The City is self-funded for general liability exposures with limits of \$10 million, except for the Fresno Yosemite International Airport, which has liability insurance coverage with limits up to \$60 million and \$20 million per occurrence. There is no deductible or self-insured retention (SIR). The City's general liability program consists of \$2,500,000 self-insurance retention with purchased excess insurance layers of additional \$10,000,000 coverage. The City also maintains First Party Property Insurance and Boiler and Machinery Insurance with total insured values of \$831,004,235 and limits of \$1,000,000,000 and \$100,000,000 per occurrence, respectively with a \$25,000 deductible.

The City's Workers' Compensation Program consists of \$2,000,000 self-insured retention with purchased excess insurance layers up to the statutory limits.

INDEPENDENT AUDIT

The Agency is required by California Community Redevelopment Law to undergo an annual Audit of the Agency's financial records, transactions and reports by an independent Certified Public Accounting (CPA) firm. These records, summarized in the Comprehensive Annual Financial Report, have been audited by Certified Public Accounting firm, Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter Accountancy Corporation. The Independent Auditor's Report on our current financial statements is presented in the Financial Section.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Agency for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2005. This is the second year the Redevelopment Agency of the City of Fresno is submitting its CAFR to the Government Finance Officers Association of the United States and Canada (GFOA) for the Certificate of Achievement. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. In order to be awarded a Certificate of Achievement, the Agency must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards. The CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.



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

ACKNOWLEDGMENTS

This 2006 Comprehensive Annual Financial Statement presents the Agency's stable financial condition made possible by our sound fiscal financial plan. It is adherence to this prudent fiscal policy that has helped the Agency maintain its service commitment to our citizens and to the programs and policies established by the Agency Board. We continue to be resolute in our financial discipline that has allowed us to manage through the current economic challenges. This continued course of action and the Agency's managerial leadership will guide us through the challenges that lie ahead.

I would like to express my appreciation to the entire staff of the Redevelopment Agency for their team effort, and whose professionalism, dedication and efficiency are responsible for the preparation of this report. I would also like to thank the City of Fresno's Finance staff for their cooperative efforts in responding to the many questions and requests for detailed information that accompanies each annual audit. Your invaluable contribution made the preparation of this report possible.

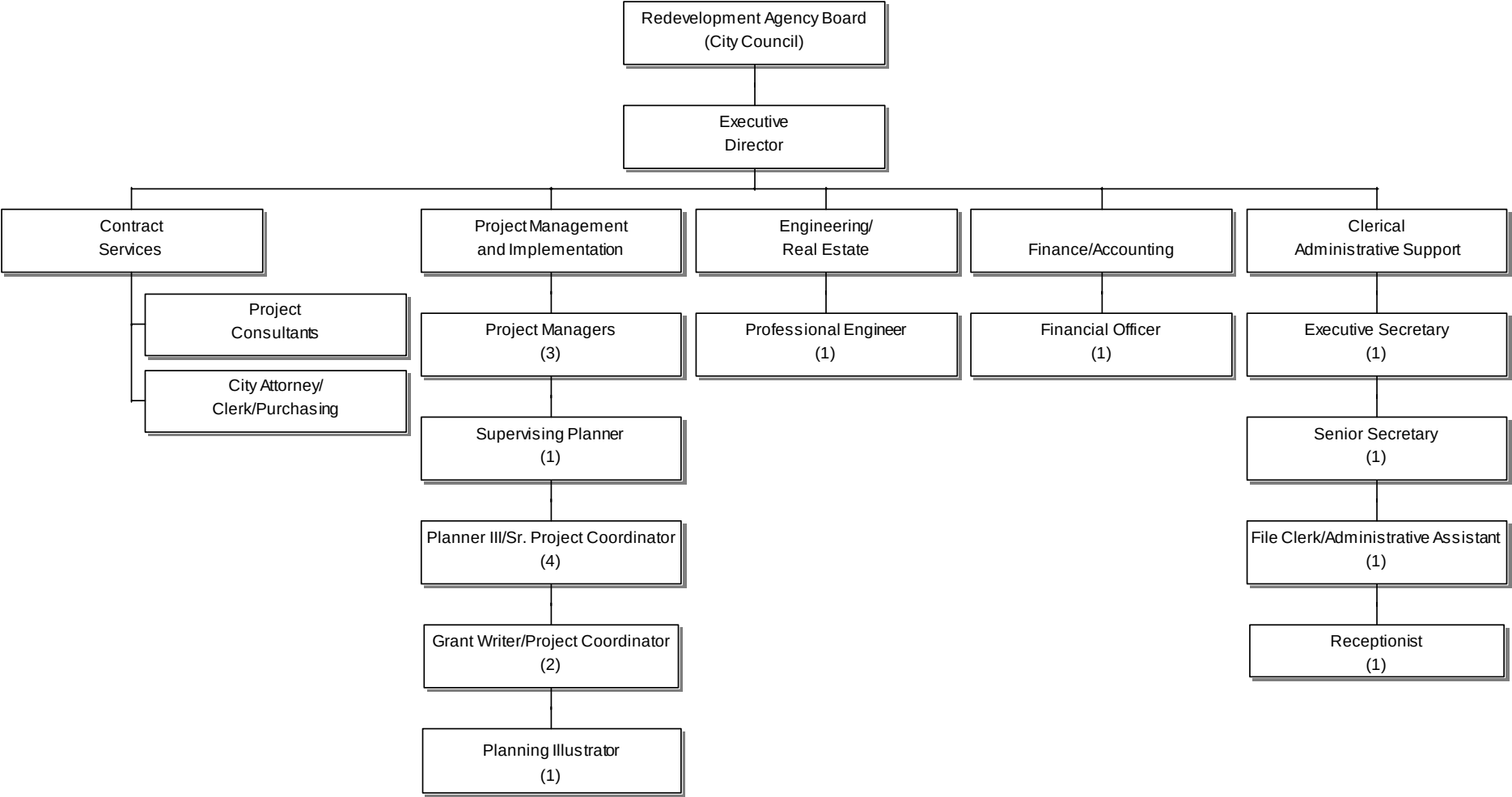
In addition I would like to acknowledge the role of Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter Accountancy Corporation for their professional support in the preparation of the CAFR. Finally, I want to thank the Mayor, the City Council members, and the City Manager for their continued interest, leadership and support in planning and conducting the Agency's financial operations.

Respectfully submitted,

A handwritten signature in black ink that reads "Lora J. Kutka, CPA". The signature is written in a cursive, flowing style.

Lora Kutka, CPA
Financial Officer

Redevelopment Agency of the City of Fresno
Organization Chart



**Redevelopment Agency of the City of Fresno
A Component Unit of the City of Fresno
Directory of Officials**

Member	Term Expires
AGENCY BOARD	
Tom Boyajian, District 1 – Vice-Chairman	January 2007
Brian Calhoun, District 2	January 2009
Cynthia Sterling, District 3 – Chair	January 2007
Larry Westerlund, District 4	January 2009
Mike Dages , District 5	January 2007
Jerry Duncan, District 6	January 2009
Henry T. Perea, District 7	January 2007

AGENCY OFFICIALS

Marlene Murphey, Executive Director
James Sanchez, Ex-Officio Attorney
Rebecca E. Klisch, Ex-Officio Clerk
Lora Kutka, Financial Officer

Elected officials as of the date of this report.

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Redevelopment Agency of the
City of Fresno, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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

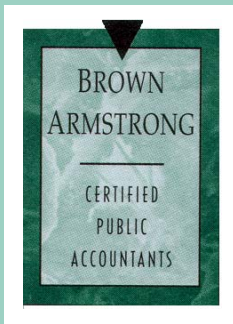


A handwritten signature in black ink, appearing to read "Thomas J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enos".

Executive Director



BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
Certified Public Accountants

Main Office

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Tel 661.324.4971 Fax 661.324.4997
e-mail: bainfo@bacpas.com

Shafter Office

560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Andrew J. Paulden, CPA
Harvey J. McCown, CPA
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, CPA, MBA

INDEPENDENT AUDITOR'S REPORT

Members of the Board of the
Redevelopment Agency
City of Fresno, California

Lynn R. Krausse, CPA, MST
Rosalva Flores, CPA
Connie M. Perez, CPA
Sharon Jones, CPA, MST
Diana H. Branthoover, CPA
Thomas M. Young, CPA
Alicia Montgomery, CPA, MBA
Matthew Gilligan, CPA
Ryan S. Johnson, CPA
Hanna J. Sheppard, CPA
Michael C. Olivares, CPA
Natalie M. Arduain, CPA
Ryan J. Nielsen, CPA
Amanda Fedewa, CPA
Jian Ou-Yang, CPA
Jialan Su, CPA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Fresno, California (Agency), a component unit of the City of Fresno, California, as of and for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

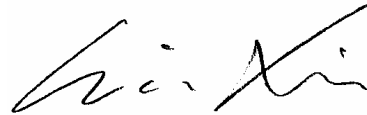
As discussed in Note 1 to the financial statements, effective July 1, 2005, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2006 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "G. A. Paulden", is written over the printed name of the firm.

Bakersfield, California
November 28, 2006

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

The following discussion provides a narrative overview and analysis of the financial activities of the Redevelopment Agency of the City of Fresno (Agency) for the fiscal year ended June 30, 2006. Readers are encouraged to consider the information presented here in conjunction with the Agency's financial statements, which begin on page 8.

Financial Highlights

- The liabilities of the Agency exceeded its assets at the close of the most recent fiscal year by \$71,263,149 (net assets (deficit)).
- The Agency's net assets decreased by \$6,883,797.
- As of the close of the current fiscal year, the Agency's governmental funds reported ending fund balance of \$44,133,151, a decrease of \$4,534,557 in comparison with the prior year. The Agency has a positive unreserved fund balance of \$5,816,026, which is available for spending at the Agency's discretion.

Overview of the Financial Statements

The 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.

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.

The government-wide financial statements report on the function of the Agency, which is to improve, rehabilitate and develop certain areas within the City by eliminating blight and encouraging private investment. These activities are primarily funded with incremental property tax revenue (tax increment) and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 and 9 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.

Governmental Funds

The capital projects and debt service funds are governmental funds used to account for essentially the same function 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.

The Agency reports the following major governmental funds: Merger One, Merger Two, Housing Project and Roeding capital projects funds and Merger One, Merger Two, Airport Revitalization, and Roeding debt service funds.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the 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 financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and *governmental activities*. The basic governmental fund financial statements can be found on pages 10-15 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 16-31 of this report

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets Governmental Activities June 30, 2006

	2006	2005
Assets:		
Current and other	\$ 51,112,577	\$ 59,712,986
Capital assets	2,125,643	2,229,500
Total assets	53,238,220	61,942,486
Liabilities:		
Long-term liabilities outstanding	79,884,236	84,302,982
Other liabilities	44,617,133	42,206,654
Total liabilities	124,501,369	126,509,636
Net assets (deficit):		
Invested in capital assets, net of related debt	(355,029)	(333,339)
Unrestricted	(70,908,120)	(64,233,811)
Total net assets (deficit)	\$ (71,263,149)	\$ (64,567,150)

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, liabilities exceeded assets by \$71,263,149 at the close of the most recent fiscal year, creating a negative net asset balance. This deficit is due to the government-wide statement of net assets reflecting the Agency's total debt at year-end while the future tax increment revenue expected to be received for payment of the debt is not reflected in the financial statements in accordance with Generally Accepted Accounting Principles and Government Accounting Standards Board Statement 34. Redevelopment agencies typically have a negative net asset balance as debt in excess of available resources is required by redevelopment law for an Agency to receive tax increment.

	2006	2005
Revenues:		
General revenues:		
Incremental property taxes	\$ 14,768,911	\$ 13,055,207
Use of money and property	1,709,288	770,078
Lease income from the City	593,905	874,232
Intergovernmental	1,910,492	-
Miscellaneous	239,500	2,194,555
Total revenues	19,222,096	16,894,072
Expenses:		
General government	5,152,493	4,861,856
Redevelopment	16,964,874	6,909,436
Interest and fiscal charges	3,988,526	5,006,982
Total expenses	26,105,893	16,778,274
 Decrease in net assets before special item	 (6,883,797)	 115,798
 Special item	 -	 (1,590,000)
 Decrease in net assets	 (6,883,797)	 (1,474,202)
Net assets, beginning of year	(64,567,150)	(63,383,337)
Restatement of prior year	187,798	290,389
 Net assets, beginning of year, as restated	 (64,379,352)	 (63,092,948)
 Net assets, end of year	 <u>\$ (71,263,149)</u>	 <u>\$ (64,567,150)</u>

The net assets of the Agency decreased by \$6,883,797 during the current fiscal year, primarily due to the prior year restatement of property held for resale. The Agency's primary source of revenue is property tax, referred to in the accompanying basic financial statements as "incremental property taxes". Property taxes allocated to the Agency are computed in the following manner:

- a. The assessed valuation of all property within each Agency project area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment roll.
- b. Property taxes related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency. Taxes on the "frozen" assessed valuation of the property are allocated to the City and other districts receiving taxes from the project area.

FUND FINANCIAL ANALYSIS

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's governmental funds are discussed below:

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, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of the end of the current fiscal year, the Agency's governmental funds reported an ending fund balance of \$44,133,151. The fund balance primarily represents the accumulation of incremental property tax and interest income in excess of expenditures. The fund balance is reserved for non-current receivables, deposits, property held for resale, debt service, capital projects and encumbrances.

	2006	2005	Total \$ Change	Total % Change
Revenues:				
Incremental property taxes	\$ 14,768,911	\$ 13,055,207	\$ 1,713,704	13.13%
Use of money and property	1,748,540	829,978	918,562	110.67%
Lease income	1,146,583	2,018,022	(871,439)	-43.18%
Intergovernmental	1,910,492	-	1,910,492	100.00%
Other revenue	239,500	2,194,455	(1,954,955)	-89.09%
Total revenues	19,814,026	18,097,662	1,716,364	9.48%
Expenditures:				
General government	5,044,561	4,861,856	182,705	3.76%
Redevelopment	16,964,874	6,770,436	10,194,438	150.57%
Debt service	3,245,632	5,787,001	(2,541,369)	-43.92%
Total expenditures	25,255,067	17,419,293	7,835,774	44.98%
Excess (deficiency) before other financing sources	(5,441,041)	678,369	(6,119,410)	-902.08%
Gain (loss) on sale of property	(2,512)	-	(2,512)	100.00%
Payment to refunded bond escrow agent	-	(4,377,676)	4,377,676	-100.00%
Proceeds of long-term debt	908,996	8,580,986	(7,671,990)	-89.41%
Increase (decrease) in fund balance	<u>\$ (4,534,557)</u>	<u>\$ 4,881,679</u>	<u>\$ (9,416,236)</u>	<u>-192.89%</u>

Explanation of Significant Variances:

- Incremental property taxes increased \$1,713,704 due to increased property values from new development and property sales. Of this amount, \$751,880 is from the Corridor 99/Golden State Freeway project area which accounts for approximately 43.87% of the increase. Merger One tax increment increased \$644,865 accounting for approximately 37.63% of the increase. The remaining increase is due to increased property values in Merger Two, Southeast Fresno, Roeding Business Park and Central City project areas.
- Use of money and property increased in 2006 due to an increase interest income and loan repayments.
- Lease income decreased in 2006 due to the refunding of the Convention Center 1994 Certificates of Participation resulting in lower lease revenue of \$545,000 from the City of Fresno and the reclassification of lease interest income to intergovernmental revenue.

- Intergovernmental revenues received in fiscal year 2006 consisted of \$1,666,399 received from the City of Fresno for the Roeding Business Park Infrastructure Improvement Project and \$244,093 in lease interest income received from the City of Fresno for the 1996 Conference Center Refinancing Project.
- Other revenue decreased \$1,954,955 primarily due to a decrease in sales of boarded up and infill housing.
- Capital projects redevelopment expenditures increased in 2006 primarily due to the transfer of \$11,640,143 in Agency costs to the City of Fresno for the Roeding Business Park Infrastructure Improvement Project.
- Gain (loss) on sale of property is net of costs and consisted primarily of sales of boarded up and infill homes in the Housing Capital projects fund.
- The increase in redevelopment expenses was primarily due to the reclassification of property held for resale to redevelopment expenses.
- Debt service decreased in the current fiscal year primarily due to the refunding of the Convention Center 1994 Certificates of Participation in fiscal year 2005.
- The payment to refunded bond escrow agent was an expense of 2005 only as it was due to the refunding of the Convention Center 1994 Certificates of Participation.
- The decrease in proceeds of long-term debt is due to the receipt in 2005 of the majority of loan funds from the California Infrastructure and Economic Development Bank and the City of Fresno for the Roeding Business Park project area.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2006 the Agency's investment in capital assets for its governmental activities was \$2,125,643 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and equipment.

There were no major capital asset transactions during the current fiscal year.

Additional information on the Agency's capital assets can be found in note 7 in the notes to the basic financial statements.

LONG-TERM DEBT

Agency loan proceeds during the fiscal year 2006 totaled \$908,995. Of this amount, \$515,402 was from a Convention Center Project Area repayment agreement with the City of Fresno. Loan proceeds of \$155,000 were also received from the City of Fresno for the Southwest Fresno project area. The remaining loan proceeds consisted of \$210,000 from the California Infrastructure and Economic Development Bank and \$28,593 from the City of Fresno in the Roeding Business Park debt service fund.

For additional information, see Notes 4 and 8 in the notes to the basic financial statements.

ECONOMIC FACTORS

On August 5, 2004, SB 1096 was signed into law requiring redevelopment agencies statewide to shift \$250 million in fiscal years 2005 and 2006 to the State's Educational Revenue Augmentation Fund as a way to reduce the State's 2004-2006 budget deficit. The Agency's share of this revenue shift in fiscal year 2006 was \$949,449. At this time, there is no ERAF shift requirement for years beyond 2006.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Officer, Lora Kutka of the Redevelopment Agency.

BASIC FINANCIAL STATEMENTS

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
JUNE 30, 2006**

ASSETS

Cash and investments	\$ 3,983,018
Due from the City of Fresno	789,205
Net direct financing leases	6,080,000
Restricted assets	9,601,498
Loans and notes receivable	2,733,357
Property held for resale	27,224,974
Deferred charges	280,025
Other assets	420,500
Capital assets, net of depreciation	<u>2,125,643</u>
Total assets	<u>53,238,220</u>

LIABILITIES

Accounts payable and accrued liabilities	82,284
Security deposits	22,749
Interest payable	44,512,100
Long-term liabilities:	
Due within one year	1,536,615
Due in more than one year	<u>78,347,621</u>
Total liabilities	<u>124,501,369</u>

NET ASSETS (DEFICIT)

Invested in capital assets, net of related debt	(355,204)
Unrestricted	<u>(70,907,946)</u>
Total net assets (deficit)	<u><u>\$ (71,263,150)</u></u>

See notes to the financial statements.

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Program expenses:	
General government	\$ 5,152,492
Redevelopment	16,964,874
Interest and fiscal charges	<u>3,988,526</u>
 Total program expenses	 <u>26,105,892</u>
 General revenues:	
Incremental property taxes	14,768,911
Use of money and property	1,709,287
Lease income from the City	593,905
Intergovernmental	1,910,492
Miscellaneous	<u>239,500</u>
 Total general revenues	 <u>19,222,095</u>
 Change in net assets	 (6,883,797)
 Net assets (deficit), beginning of year	 (64,567,151)
Prior period adjustment	<u>187,798</u>
 Net assets (deficit), beginning of year, restated	 <u>(64,379,353)</u>
 Net assets (deficit), end of year	 <u><u>\$ (71,263,150)</u></u>

See notes to the financial statements.

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Capital Projects				Debt Service	
	Merger One	Merger Two	Housing Project	Roeding	Merger One	Merger Two
ASSETS						
Cash and investments	\$ 16,212	\$ 48,711	\$ -	\$ -	\$ 1,547,913	\$1,187,508
Restricted assets:						
Cash and investments with fiscal agents	-	-	6,100,656	-	2,578,427	922,415
Receivables:						
Loans	-	-	1,828,934	-	91,445	-
Notes	-	-	733,758	-	79,220	-
Lease interest	-	-	-	-	76,196	-
Due from other funds	3,865,000	2,583,704	-	-	-	-
Due from the City of Fresno	-	-	-	-	245,837	29,000
Net direct financing leases	-	-	-	-	6,080,000	-
Other assets	420,500	-	-	-	-	-
Property held for resale	11,379,133	11,518,235	2,634,453	94,302	-	-
Total assets	\$ 15,680,845	\$ 14,150,650	\$ 11,297,801	\$ 94,302	\$ 10,699,038	\$2,138,923
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable and accrued liabilities	\$ -	\$ 15,566	\$ 10,584	\$ -	\$ -	\$ -
Due to other funds	6,433,562	-	-	1,393,361	-	-
Due to the City of Fresno	-	-	-	-	-	-
Deferred revenue	-	-	-	-	6,156,196	-
Security deposits	-	-	-	-	22,749	-
Total liabilities	6,433,562	15,566	10,584	1,393,361	6,178,945	-
FUND BALANCES:						
Reserved for noncurrent receivables	-	-	2,562,692	-	170,665	-
Reserved for other assets	420,500	-	-	-	-	-
Reserved for property held for resale	11,379,133	11,518,235	2,634,453	94,302	-	-
Reserved for debt service	-	-	-	-	4,349,428	2,138,923
Reserved for capital projects	(2,552,350)	2,319,276	-	(1,393,361)	-	-
Reserved for encumbrances	-	297,573	274,046	-	-	-
Unreserved	-	-	5,816,026	-	-	-
Total fund balances	9,247,283	14,135,084	11,287,217	(1,299,059)	4,520,093	2,138,923
Total liabilities and fund balances	\$ 15,680,845	\$ 14,150,650	\$ 11,297,801	\$ 94,302	\$ 10,699,038	\$2,138,923

See notes to the financial statements.

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
BALANCE SHEET (Continued)
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>Debt Service</u>		<u>All Other</u>	<u>Total</u>
	<u>Airport</u>	<u>Roeding</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Revitalization</u>		<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and investments	\$ 108,951	\$ 84,976	\$ 988,747	\$ 3,983,018
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	9,601,498
Receivables:				
Loans	-	-	-	1,920,379
Notes	-	-	-	812,978
Lease interest	-	-	-	76,196
Due from other funds	-	-	2,205,000	8,653,704
Due from the City of Fresno	-	-	438,172	713,009
Net direct financing leases	-	-	-	6,080,000
Other assets	-	-	-	420,500
Property held for resale	-	-	1,598,851	27,224,974
Total assets	<u>\$ 108,951</u>	<u>\$ 84,976</u>	<u>\$ 5,230,770</u>	<u>\$ 59,486,256</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 56,134	\$ 82,284
Due to other funds	-	-	826,781	8,653,704
Due to the City of Fresno	-	-	-	-
Deferred revenue	-	-	438,172	6,594,368
Security deposits	-	-	-	22,749
Total liabilities	<u>-</u>	<u>-</u>	<u>1,321,087</u>	<u>15,353,105</u>
FUND BALANCES:				
Reserved for noncurrent receivables	-	-	-	2,733,357
Reserved for other assets	-	-	-	420,500
Reserved for property held for resale	-	-	1,598,851	27,224,974
Reserved for debt service	108,951	84,976	404,789	7,087,067
Reserved for capital projects	-	-	1,577,041	(49,394)
Reserved for encumbrances	-	-	329,002	900,621
Unreserved	-	-	-	5,816,026
Total fund balances	<u>108,951</u>	<u>84,976</u>	<u>3,909,683</u>	<u>44,133,151</u>
Total liabilities and fund balances	<u>\$ 108,951</u>	<u>\$ 84,976</u>	<u>\$ 5,230,770</u>	<u>\$ 59,486,256</u>

See notes to the financial statements.

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

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

Total fund balances - total governmental	\$ 44,133,151
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.

Depreciable	2,892,884
Accumulated depreciation on depreciable capital assets	(767,241)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Lease interest receivable due from the City of Fresno	76,196
Expenditure reimbursements due from the City of Fresno	438,172
Net direct financing leases	6,080,000
Deferred charges	280,025

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Long-term obligations	(79,884,237)
Accrued interest payable	(44,512,100)

Net assets (deficit) of governmental activities	\$ <u>(71,263,150)</u>
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See notes to the financial statements.

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Capital Projects				Debt Service	
	Merger One	Merger Two	Housing Project	Roeding	Merger One	Merger Two
REVENUES:						
Incremental property taxes	\$ -	\$ -	\$ -	\$ -	\$4,735,595	\$ 2,878,182
Use of money and property	99,133	84,676	770,216	-	536,400	185,638
Lease income	-	-	-	-	1,031,477	115,106
Intergovernmental	-	-	-	-	244,094	-
Miscellaneous	19,500	-	-	-	-	-
Total revenues	118,633	84,676	770,216	-	6,547,566	3,178,926
EXPENDITURES:						
Current:						
General government	275,798	225,029	39,714	100,708	1,317,595	623,682
Redevelopment	743,600	139,461	2,039,157	11,724,993	-	-
Debt service:						
Principal repayments	-	-	-	-	1,063,432	495,000
Interest and fiscal charges	-	-	-	-	1,175,770	394,328
Total expenditures	1,019,398	364,490	2,078,871	11,825,701	3,556,797	1,513,010
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(900,765)	(279,814)	(1,308,655)	(11,825,701)	2,990,769	1,665,916
OTHER FINANCING SOURCES (USES):						
Loss on sale of property	-	-	(2,512)	-	-	-
Loan proceeds	-	-	-	-	515,402	155,001
Transfers in	1,846,000	1,050,000	2,953,782	2,060,000	-	-
Transfers out	-	-	-	-	(2,793,119)	(1,625,636)
Total other financing sources (uses)	1,846,000	1,050,000	2,951,270	2,060,000	(2,277,717)	(1,470,635)
NET CHANGE IN FUND BALANCES	945,235	770,186	1,642,615	(9,765,701)	713,052	195,281
FUND BALANCES, BEGINNING OF YEAR	8,302,048	13,364,898	9,644,602	8,466,642	3,807,041	1,943,642
FUND BALANCES (DEFICITS), END OF YEAR	\$9,247,283	\$ 14,135,084	\$ 11,287,217	\$(1,299,059)	\$4,520,093	\$ 2,138,923

See notes to the financial statements.

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (Continued)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Debt Service</u>		<u>All Other</u>	<u>Total</u>
	<u>Airport</u>	<u>Roeding</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Revitalization</u>	<u>Project</u>	<u>Funds</u>	<u>Funds</u>
REVENUES:				
Incremental property taxes	\$ 2,055,486	\$ 515,018	\$ 4,584,630	\$ 14,768,911
Use of money and property	2,478	7,519	62,480	1,748,540
Lease income	-	-	-	1,146,583
Intergovernmental	-	1,666,398	-	1,910,492
Miscellaneous	-	-	220,000	239,500
	<u>2,057,964</u>	<u>2,188,935</u>	<u>4,867,110</u>	<u>19,814,026</u>
Total revenues				
EXPENDITURES:				
Current:				
General government	731,773	142,073	1,588,189	5,044,561
Redevelopment	-	-	2,317,663	16,964,874
Debt service:				
Principal repayments	-	43,098	-	1,601,530
Interest and fiscal charges	-	74,005	-	1,644,103
	<u>731,773</u>	<u>259,176</u>	<u>3,905,852</u>	<u>25,255,068</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,326,191</u>	<u>1,929,759</u>	<u>961,258</u>	<u>(5,441,042)</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of property	-	-	-	(2,512)
Loan proceeds	-	238,593	-	908,996
Transfers in	-	-	3,235,000	11,144,782
Transfers out	(1,311,097)	(2,163,004)	(3,251,926)	(11,144,782)
	<u>(1,311,097)</u>	<u>(1,924,411)</u>	<u>(16,926)</u>	<u>906,484</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCES (DEFICIT)	15,094	5,348	944,332	(4,534,558)
FUND BALANCES, BEGINNING OF YEAR	<u>93,857</u>	<u>79,628</u>	<u>2,965,351</u>	<u>48,667,709</u>
FUND BALANCES, END OF YEAR	<u>\$ 108,951</u>	<u>\$ 84,976</u>	<u>\$ 3,909,683</u>	<u>\$ 44,133,151</u>

See notes to the financial statements.

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

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

Net change in fund balances - total governmental	\$ (4,534,558)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

(103,857)

Governmental funds recognize revenues 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. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. However, in the statement of activities revenues are recognized when earned regardless of when received. Revenues earned but not received within 60 days of the end of the fiscal year are as follows:

Change in interest revenue due from the City of Fresno	(39,253)
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Certain lease revenue collected from the City of Fresno during the year was recognized at the inception of the lease and, therefore, is reported as revenue only in the governmental funds.

(710,000)

The impact of the net investment in direct financing lease, as a result of the advance refunding, is recorded as a special item, and represents a reduction of net assets, as the revenue was previously recognized at the inception of the lease.

157,322

Long-term debt provides current financials resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financials resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

690,972

Other expenses in the statement of activities that do not use current financial resources are not reported as expenditures in the governmental funds.

Change in accrued interest	(2,344,423)
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Change in net assets of governmental activities	\$ (6,883,797)
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See notes to the financial statements.

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A) *Reporting Entity*** – The Redevelopment Agency (Agency) of the City of Fresno was established pursuant to provisions of the Health and Safety Code of the State of California. Although a separate legal entity, the Agency is subject to the oversight responsibility of the City Council of the City of Fresno (“City”) and, accordingly, is a component unit of the City for financial reporting purposes. The Agency’s governing board is the City Council. The primary purpose of the Agency is to eliminate blighted areas within the City by encouraging development of residential, commercial, industrial, recreational, and public facilities.
- B) *Implementation of Governmental Accounting Standard Board Statement*** – Effective July 1, 2005, the Agency implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This statement improves the understandability and usefulness of the information that the Agency presents as supplementary information in the statistical section.
- C) *Government-wide and fund financial statements*** – The government-wide financial statements (i.e., the statement of net assets and statement of activities) report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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*. All of the Agency’s revenues are considered general revenues.

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

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

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures are recorded only when payment is due.

All major revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Such revenues include incremental property taxes, grants and contributions not restricted to specific programs, which are virtually unrestricted as to purpose of expenditure and revocable only for failure to meet prescribed compliance requirements, and lease income from the City of Fresno. All other revenue items, such as intergovernmental and miscellaneous are considered to be measurable and available only when cash is received by the Agency.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency reports the following major governmental funds:

Merger One Capital Projects Fund accounts for the acquisition, relocation, demolition and sale of land for the Mariposa, West Fresno I, West Fresno II, Central Business District, Convention Center, Jefferson, Chinatown, Fulton/Uptown and South Van Ness projects, financed from the proceeds of bonds sold, loans from the City, and incremental property tax revenue.

Merger Two Capital Projects Fund accounts for the acquisition, relocation, demolition and sale of capital facilities for the Southwest Fresno and Fruit/Church projects, financed from the proceeds of bonds sold, loans from the City, and incremental property tax revenue.

Housing Project Capital Projects Fund accounts for the activities of low-and- moderate-income housing. Pursuant to Health and Safety Code Section 33334.2, the Agency has designated twenty percent of its incremental tax allocation for the purpose of increasing the supply of low-and-moderate-income housing.

Roeding Capital Projects Fund accounts for the acquisition, relocation, demolition and sale of capital facilities financed from the proceeds of bonds sold, loans from the City, and incremental property tax revenue.

Merger One Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs related to the Merger One Capital Projects Fund.

Merger Two Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs related to the Merger Two Capital Projects Fund.

Airport Revitalization Debt Service Fund accounts for accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs related to the Airport Area Revitalization Capital Projects Fund.

Roeding Project Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs related to the Roeding Capital Projects Fund.

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

E) Assets, liabilities, and net assets or equity

Cash and Investments –The Agency's investments are stated at fair value.

Cash and Investments with Fiscal Agents – Cash and investments held with fiscal agents are held with trustees in accordance with applicable guidelines set out in the debt indenture agreements for the Merger One and Merger Two Debt Service Funds.

Interfund Receivables/Payables – Short-term receivables and payables between funds are reported as "due from other funds" and "due to other funds," respectively, in the governmental fund financial statements.

Capital Assets – Capital assets, which include buildings, are reported in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings of the Agency are depreciated using the straight-line method over 5-25 years related to the length of the related debt used to acquire the assets.

Property Held for Resale – Real property expected to be resold in the near future is recorded as “property held for resale” in both the statement of net assets and balance sheet. Property held for resale is reported at lower of cost or estimated realizable value at the date of a disposition and development agreement being executed.

Reserved Fund Balances – Reserves are portions of the fund balance that are not available for appropriation for expenditures under the current financial resources measurement focus or amounts that are legally segregated for specific future use. A summary of reported reserves at June 30, 2006, follows:

- **Noncurrent receivables** - The reserve for noncurrent receivables represents a segregation of a portion of the fund balance to indicate that assets equal to the amount of the reserve are related to certain long-term receivables and do not constitute “available spendable resources” since they are not a component of net current assets.
- **Other assets** – The reserve for other assets represents a segregation of a portion of fund balance to indicate that other assets does not represent expendable available financial resources.
- **Property held for resale** – The reserve for property held for resale represents a segregation of a portion of fund balance to indicate that property held for resale does not represent expendable available financial resources.
- **Debt service** - The reserve for debt service represents a segregation of a portion of fund balance for the debt service funds required to be reserved by agreement for repayment of principal and interest on long-term debt.
- **Capital projects** – The reserve for capital projects represents the remaining fund balance of the capital project funds required to be used for the project for which the fund was created.
- **Encumbrances** - The reserve for encumbrances represents purchase orders, contracts, and other commitments for the expenditure of monies in the capital projects funds.

Property Taxes – The Agency receives incremental property tax money from the County of Fresno, which is responsible for the assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property tax payments are levied in two equal installments; the first is generally due November 1, and delinquent with penalties after December 10; the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31.

Property taxes are recognized as revenue in the fiscal year during which they are levied and collected, adjusted for any amounts expected to be collected more than 60 days after the fiscal year end.

Interfund Transfers In/(Out) - During the course of normal operations, the Agency has numerous transactions between funds, which are inflows and outflows from and to other funds that are not classified as interfund services provided and used, reimbursements or loans. Such transfers include transfers to debt service funds for debt payment, and transfers to various capital projects funds for the acquisition of capital assets, and other capital outlay expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances – The Agency utilizes an encumbrance system to assist in controlling expenditures. Under this system, governmental funds are encumbered when purchase orders, contracts and other commitments are signed or approved. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. All unencumbered appropriations lapse at year-end. Encumbrances outstanding at year-end are reported as reservations of fund balance.

Use of Estimates – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A) Deficit fund equity**

The Roeding capital projects fund had a deficit fund balance of \$1,299,059 as of June 30, 2006. The Agency anticipates that this deficit will be eliminated in fiscal year 2007 through receipt of tax increment revenues, intergovernmental revenues and UGM fee refunds. Tax increment has been increasing in the project area while expenditures have been decreasing. Intergovernmental revenue consisting of loan proceeds from the City of Fresno's California Infrastructure and Economic Development Bank loan will be used to reimburse the Agency for infrastructure costs incurred by the Agency. In addition, the Agency is anticipating refunds of UGM fees paid on the project. The Airport capital projects had a deficit fund balance of \$187,304 that will be eliminated in fiscal year 2007 through receipt of tax increment revenues.

NOTE 3 – CASH AND INVESTMENTS**A. Authorized Investments**

The table below identifies the investment types that are authorized by the Agency's investment policy and California Government Code Section 53601. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the Agency's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Rating
U.S. Treasury Securities	5 years	100%	--	None
U.S. Agency Securities	5 years	100%	--	None
State and Local Agency Obligations	5 years	100%	5%	None
Bankers' Acceptances	180 days	40%	--	None
Commercial Paper	270 days	40%	5%	A
Negotiable Certificates of Deposit	5 years	30%	--	None
Repurchase Agreements	1 year	None	--	None
Reverse Repurchase Agreements	92 days	20%	--	None
Securities Lending Agreements	92 days	20%	--	None
Medium Term Notes	5 years	30%	5%	A
Money Market Mutual Funds (that invest in allowable securities)	N/A	20%	10%	AAA
Collateralized Bank Deposits	5 years	None	--	None
Mortgage Pass-Through Securities	5 years	20%	--	AA
Time Deposits	5 years	None	--	None
County Pooled Investment Funds	N/A	None	--	None
Joint Powers Authority Pool	N/A	None	--	None
Local Agency Investment Fund	N/A	None	--	None

NOTE 3 – CASH AND INVESTMENTS (Continued)**B. Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, except that the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under stated law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The Agency's investments are not subject to custodial credit risk.

C. Interest Rate and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The Agency does not have a formal policy for managing its exposure to interest rate risk.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Agency does not have a formal policy for managing its exposure to credit risk. As of June 30, 2006, the Agency's investments and credit ratings are as follows:

	Credit Rating (S & P/)	Maturity		Fair Value
		Under 30 Days	More than 5 Years	
Investment type				
Money Market Mutual Funds	AAA	\$1,013,084	\$ -	\$ 1,013,084
Guaranteed Investment Contract	Not Rated	-	1,052,823	1,052,823
Repurchase Agreement	Not Rated	-	899,228	899,228
Total Investments				<u>\$ 2,965,135</u>

D. Concentration of Credit Risk

Investments in any one issuer (other than U.S. Treasury Notes, mutual funds and external investment pools) that represent 5% or more of the total investments of the Agency is as follows:

\$1,052,823 in cash and investments with fiscal agent reported in the Merger One Debt Service Fund is held in an unrated guaranteed investment contract issued by MBIA Inc., maturing on April 1, 2013.

\$899,228 in cash and investments with fiscal agent reported in the Merger Two Debt Service Fund is invested in a repurchase agreement issued by CDC Funding Corporation, maturing on July 31, 2018.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Cash and investments are reported in the basic financial statements as follows:

Cash and investments	\$ 3,983,018
Restricted assets:	
Cash and investments with fiscal agent	<u>9,601,498</u>
Total cash and investments	<u><u>\$ 13,584,516</u></u>

Cash and investments consist of the following:

Deposits	\$ 10,619,381
Investments	<u>2,965,135</u>
Total cash and investments	<u><u>\$ 13,584,516</u></u>

The Agency maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the statement of net assets and the balance sheet as "cash and investments."

Cash and investments with fiscal agents are invested in "Permitted Investments" (as defined in the bond agreements) and are reported in the statement of net assets and balance sheet as restricted assets. Such permitted investments include: direct obligations of the U.S. Treasury, obligations of certain federal agencies not guaranteed by the U.S. Treasury, interest-bearing demand or time deposits, obligations of corporations, guaranteed investment contracts, repurchase agreements, money market funds, commercial paper, bonds or other obligations of any state or agency or local governmental unit.

NOTE 4 – LOANS AND NOTES RECEIVABLE

Loans and notes receivable comprise the following at June 30, 2006:

Debt Service Fund, Merger One:

Huntington Park Condominiums mortgage loan, interest at 8.25%, due in varying monthly installments through April 1, 2018, secured by a deed of trust on real property, proceeds pledged for repayment of mortgage revenue bonds. \$ 91,445

Capital Projects Fund, Housing Reserve:

Redevelopment loans to property owners, various rates of interest, due in varying monthly installments, both active and deferred, secured by deed of trust on real property, or unsecured. 1,828,934

Total Loans Receivable 1,920,379

Debt Service Funds:

Merger One -

West Fresno Project #1 - Note secured by deed of trust from Fresno and "E" Street Partner, interest at 3% annually due in monthly installments for years one through five, principal and interest monthly installments of \$1,036 due in years six through twenty. 79,220

Capital Projects Fund:

Housing Project -

Southwest Fresno Housing Project - Residual receipts note, interest at 3.00%, principal and interest due in annual installments of \$12,755 commencing on May 15, 2004. 233,758

Housing Project -

Southwest Fresno Housing Project - Residual receipts note, interest at 3.00%, principal and interest due in annual installments of \$31,751 commencing on May 31, 2007. 500,000

Total Notes Receivable 812,978

Total Loans and Notes Receivable \$ 2,733,357

NOTE 5 – NET DIRECT FINANCING LEASES RECEIVABLE

Net direct financing leases for debt service funds consist of one long-term direct financing lease from the City. At termination of the lease, title to all assets under the lease will be conveyed to the City. Direct financing leases receivable for debt service funds consist of the following at June 30, 2006:

<u>Merger One Debt Service Fund</u>	<u>Net Direct Financing Lease</u>
Convention and Conference Center Project: 30 year lease that expires in 2013.	\$ 6,080,000
	<u>\$ 6,080,000</u>

NOTE 5 – NET DIRECT FINANCING LEASES RECEIVABLE (Continued)

Future minimum lease payments to be received under the terms of the lease agreements subsequent to June 30, 2006 are as follows:

Year Ending June 30,	Total Receivable	Deferred Lease Revenue	Net Lease Receivable
2007	\$ 1,040,473	\$ 295,473	\$ 745,000
2008	1,042,526	257,526	785,000
2009	1,062,188	237,188	825,000
2010	1,040,438	175,438	865,000
2011	1,036,688	131,688	905,000
Thereafter	2,078,313	123,313	1,955,000
Total	<u>\$ 7,300,626</u>	<u>\$ 1,220,626</u>	<u>\$ 6,080,000</u>

The terms of the Convention Center Project lease are structured to cover the principal and interest payments on certificates of participation payable related to costs of capital improvements and conference center refinancing projects. In addition, the City is responsible for all taxes and assessments, administrative costs and insurance premiums related to the lease.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances as of June 30, 2006, is as follows:

Receivable Fund	Amount	Payable Fund	Amount
Merger One Capital Projects	\$ 3,865,000	Merger One Capital Projects	\$ 6,433,562
Merger Two Capital Projects	2,583,704	Roeding Capital Projects	1,393,361
Aggregate Remaining Funds	<u>2,205,000</u>	Aggregate Remaining Funds	<u>826,781</u>
Total	<u>\$ 8,653,704</u>		<u>\$ 8,653,704</u>

All balances reported as “due to other funds” and “due from other funds” resulted from short-term loans to cover temporary fund cash shortages as of June 30, 2006, and are expected to be repaid early in fiscal year 2006.

	Transfers In					Total
	Merger One Capital Projects	Merger Two Capital Projects	Housing Project Capital Projects	Roeding Capital Projects	Other Nonmajor	
Transfers Out:						
Merger One Debt Service	\$1,846,000	\$ -	\$ 947,119	\$ -	\$ -	\$ 2,793,119
Merger Two Debt Service	-	1,050,000	575,636	-	-	1,625,636
Airport Revitalization DS	-	-	411,097	-	900,000	1,311,097
Roeding Debt Service	-	-	103,004	2,060,000	-	2,163,004
Other Nonmajor	-	-	916,926	-	2,335,000	3,251,926
Total	<u>\$1,846,000</u>	<u>\$1,050,000</u>	<u>\$2,953,782</u>	<u>\$2,060,000</u>	<u>\$3,235,000</u>	<u>\$11,144,782</u>

Funds were transferred into the Housing Project Capital Projects Fund as the required 20% set-aside to fund the Low/Mod Income Housing Fund.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS (Continued)

Funds were transferred into the Merger One and Merger Two Capital Projects Funds from the respective Merger One and Merger Two Debt Service Funds and into the Roeding Capital Projects Fund from the Aggregate Remaining Funds in order to fund the administrative and redevelopment functions of the Agency.

NOTE 7 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Dispositions	Ending Balance
Capital assets, being depreciated:				
Buildings	\$ 2,855,000	\$ -	\$ -	\$ 2,855,000
Equipment	-	37,884	-	37,884
Total capital assets, being depreciated	2,855,000	37,884	-	2,892,884
Less accumulated depreciation	(625,500)	(141,741)	-	(767,241)
Capital assets, net	<u>\$ 2,229,500</u>	<u>\$ (103,857)</u>	<u>\$ -</u>	<u>\$ 2,125,643</u>

Depreciation expense of \$141,741 was charged to the redevelopment function on the statement of activities.

NOTE 8 – LONG-TERM DEBT

Long-term debt at June 30, 2006 consists of the following:

Bonds/certificates of participation payable	\$ 19,228,789
Loans payable	2,074,902
Capital lease obligations payable	2,480,847
Notes payable to the City of Fresno	10,168,754
Advances from the City of Fresno	45,930,944
	<u>\$ 79,884,236</u>

NOTE 8 – LONG-TERM DEBT (Continued)**Bonds and Certificates of Participation Payable**

The following is a description of the bonds and certificates of participation payable:

Merger One – Mariposa Project tax allocation refunding bonds, Series 2003, issued August 22, 2003, interest at 2% to 5.375% with varying annual principal installments ranging from \$80,000 to \$418,000 through February 1, 2023, interest due semi-annually, secured by a pledge of tax revenues. \$ 4,755,000

Conference Center Refinancing Project certificates of participation issued March 1, 1996, interest at 3.30% to 5.00% with varying annual principal installments ranging from \$495,000 to \$1,000,000 through April 1, 2013, interest due annually, secured by insurance coverage purchased through a private insurer and payable from a lease to the City of Fresno (Note 4). 6,080,000

2001 Southwest Fresno tax allocation revenue bonds, issued March 1, 2001, interest at 4.0% to 5.25% with varying annual principal installments ranging from \$115,000 to \$535,000 through August 1, 2018, interest due semi-annually secured by a pledge of tax revenues. 8,300,000

Total Bonds and Certificates of Participation Payable \$ 19,135,000

The following is a schedule of annual debt service requirements to maturity on the above as of June 30, 2006:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,440,000	\$ 918,823	\$ 2,358,823
2008	1,508,000	854,761	2,362,761
2009	1,580,000	785,991	2,365,991
2010	1,647,000	714,131	2,361,131
2011	1,720,000	638,684	2,358,684
2012-2016	6,617,000	1,988,138	8,605,138
2017-2021	3,808,000	670,538	4,478,538
2022-2025	<u>815,000</u>	<u>69,356</u>	<u>884,356</u>
	<u><u>\$ 19,135,000</u></u>	<u><u>\$ 6,640,422</u></u>	<u><u>\$ 25,775,422</u></u>

Loans Payable

The following is a summary of loans payable as of June 30, 2006:

Payable by the Agency to the California Infrastructure and Economic Development Bank (CIEDB) for funds loaned to the Agency under the Tax Allocation Loan Agreement for street and public utility improvements, principal and interest at a fixed rate of 3.53% due in semi-annual installments through 2033. \$ 2,074,902

NOTE 8 – LONG-TERM DEBT (Continued)**Loans Payable** (Continued)

The following is a schedule of annual debt service requirements to maturity on the above as of June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 44,620	\$ 72,456	\$ 117,076
2008	46,195	70,853	117,048
2009	47,825	69,194	117,019
2010	49,514	67,476	116,990
2011	51,261	65,697	116,958
2012-2016	284,762	299,530	584,292
2017-2021	338,698	244,642	583,340
2022-2026	402,851	179,356	582,207
2027-2031	479,154	101,709	580,863
2032-2033	330,022	17,743	347,765
	<u>\$ 2,074,902</u>	<u>\$ 1,188,656</u>	<u>\$ 3,263,558</u>

Capital Lease Obligations

Capital leases are used for financing purchase of buildings in the amount of \$2,855,000 reported in capital assets. The following is a summary of capital lease obligations payable as of June 30, 2006:

Payable to Nottoli C.M.C. \$2,569,500 starting January 1, 2001, principal and interest at fixed rate of 8.5% due in monthly installments of \$22,429. \$ 2,232,762

Payable to Motschiedler, Michaelides & Wishon, LLP, \$285,500 starting January 1, 2001, principal and interest at fixed rate of 8.5% due in monthly installments of \$2,492. 248,085

\$ 2,480,847

The following is a schedule of annual debt service requirements to maturity on the above as of June 30, 2006:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 52,017	\$ 208,877	\$ 260,894
2008	56,615	204,285	260,900
2009	61,619	199,274	260,893
2010	67,066	193,828	260,894
2011	72,994	187,900	260,894
2012-2016	473,938	830,530	1,304,468
2017-2021	723,846	580,622	1,304,468
2022-2025	972,752	201,269	1,174,021
	<u>\$ 2,480,847</u>	<u>\$ 2,606,585</u>	<u>\$ 5,087,432</u>

NOTE 8 – LONG-TERM DEBT (Continued)**Notes Payable to the City of Fresno**

The following is a summary of notes payable to the City as of June 30, 2006:

Payable by the Central Business District to the Parking Authority of the City of Fresno. Secured by and payable from the incremental property tax revenues of the redeveloped properties. Payments on the notes and related interest expenses are based on budgetary priority as approved by the Agency. Incremental property tax revenues will continue to be received during the period the debt remains outstanding. Because these notes do not have a set repayment schedule, they are not included in the schedule of future payments:

\$2,378,809 advance at October 30, 1969 bearing interest at 5%.	\$ 2,378,809
\$3,937,011 advance at July 15, 1968, bearing interest at 5%.	3,937,011
\$606,363 advance at December 1, 1964, bearing interest at 5%.	606,363
\$238,160 advance at November 1, 1961, bearing interest at 5%.	238,160
	7,160,343

Payable by the Redevelopment Agency Roeding Business Park Project to the City of Fresno from the incremental property taxes of the redeveloped properties. Principal and interest is due at completion of each project and therefore, is not included in the schedule of future payments:

\$944,000 advance on February 8, 2001, principal and interest at variable rate of 5.88% to 5.61%.	944,000
\$621,000 advance on February 8, 2001, principal and interest at variable rate of 5.88% to 5.61%.	621,000
\$1,414,818 advance on December 16, 2004, and a \$28,593 advance on January 10, 2006, principle and interest at variable rate base upon the City of Fresno's pooled investment rate, fixed monthly.	1,443,411
	3,008,411
Total Notes Payable to the City of Fresno	\$ 10,168,754

NOTE 8 – LONG-TERM DEBT (Continued)Advances from the City of Fresno

The following are descriptions of the advances from the City:

	Principal	Unpaid Interest Accumulated	Total
Merger One:			
Mariposa Project - \$8,603,994 interest bearing advances from June 1980 through June 1997, bearing interest ranging from 0.0% - 8.31%.	\$ 8,473,930	\$ 2,345,113	\$ 10,819,043
West Fresno I Project - advances at June 30, 1992, bearing interest at 0.0% to 9.0%	700,000	1,144,586	1,844,586
West Fresno II Project - advances from October 27, 1976 through June 30, 1996, bearing interest at 6.06%.	4,455,777	1,351,580	5,807,357
Chinatown Expanded Project - \$1,017,200 interest bearing advances from June 1979 through June 1997, bearing interest at 5.49% - 8.0%.	917,794	1,207,484	2,125,278
Convention Center Project - \$9,614,569 interest bearing advances from July 1982 through June 2005, bearing interest at 4.5% - 8.5%.	10,157,709	6,331,126	16,488,835
Jefferson Project - \$6,890,916 interest bearing advances from June 1986 through June 2005, bearing interest at 4.5% - 8.53%.	7,288,067	4,133,259	11,421,326
Fulton Project - \$2,244,800 interest bearing advances from June 1988 through April 2001, bearing interest at 6.84%.	2,092,300	739,469	2,831,769
Central Business District - \$2,023,800 interest bearing advances from June 30, 1991 through April 2001, bearing interest at 4.8% - 7.82%.	1,792,941	278,409	2,071,350
South Van Ness Project - \$10,000 advance at June 30, 1988, bearing interest of 6.84%.	10,000	11,408	21,408
Total Merger One	35,888,518	17,542,434	53,430,952 (Continued)

NOTE 8 – LONG-TERM DEBT (Continued)Advances from the City of Fresno (Continued)

	Principal	Unpaid Interest Accumulated	Total
Merger Two:			
Fruit/Church Project - \$21,000 advance at June 30, 1992, bearing interest at 6.42%.	2,196	1,692	3,888
Southwest Fresno Project - \$8,205,838 interest bearing advances from June 1978 through 1994, bearing interest at 0.0% - 6.0%.	5,084,115	9,061,839	14,145,954
Total Merger Two	5,086,311	9,063,531	14,149,842
Roeding Business Park:			
Roeding Business Park - \$1,603,100 interest bearing advances from March 1995 through May 1996, bearing interest at 5.49% - 6.0%.	1,603,100	343,518	1,946,618
Total Roeding Business Park	1,603,100	343,518	1,946,618
Other Nonmajor Funds:			
Highway City Project - \$34,100 interest bearing advances from June 1988 through June 1994, bearing interest at 4.8% - 6.84%.	34,100	22,294	56,394
Pinedale Project - \$132,000 advance at June 30, 1988, bearing interest at 6.84%.	132,000	143,328	275,328
Airport Project - \$3,620,400 interest bearing advances from June 1989 through June 1991, bearing interest at 8.31% - 8.53%.	3,086,915	3,541,700	6,628,615
Southeast Fresno Project - \$50,000 advance at June 30, 1997, bearing interest at 6.0%.	50,000	27,000	77,000
Corridor 99 - \$50,000 advance at June 30, 1997, bearing interest at 6.0%.	50,000	27,000	77,000
Total Other Nonmajor Funds	3,353,015	3,761,322	7,114,337
Total All Funds	<u>\$ 45,930,944</u>	<u>\$ 30,710,805</u>	<u>\$ 76,641,749</u>

NOTE 8 – LONG-TERM DEBT (Continued)**Advances from the City of Fresno** (Continued)

The above advances are payable on demand and secured by and payable from the incremental property tax revenues of the redeveloped properties. Payments on the advances and related interest are based on budgetary priority as approved by the Redevelopment Agency. Incremental property tax revenues will continue to be received during the period the debt remains outstanding.

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Restatement	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and Certificates of Participation	\$24,245,000	\$(3,820,000)	\$20,425,000	\$ -	\$(1,290,000)	\$19,135,000	\$1,440,000
Less deferred amounts: For issuance premiums/ (discounts)	-	108,699	108,699	-	(14,910)	93,789	-
	24,245,000	(3,711,301)	20,533,699	-	(1,304,910)	19,228,789	1,440,000
Notes Payable	31,441	-	31,441	-	(31,441)	-	-
Loans Payable	1,908,000	-	1,908,000	210,000	(43,098)	2,074,902	44,620
Capital Lease Obligations	2,562,839	-	2,562,839	-	(81,992)	2,480,847	51,995
Note Payable to the City	10,140,161	-	10,140,161	28,593	-	10,168,754	-
Advances from City	45,415,541	-	45,415,541	670,402	(154,999)	45,930,944	-
Governmental activities long-term debt	<u>\$84,302,982</u>	<u>\$(3,711,301)</u>	<u>\$80,591,681</u>	<u>\$ 908,995</u>	<u>\$(1,616,440)</u>	<u>\$79,884,236</u>	<u>\$1,536,615</u>

NOTE 9 – RISK MANAGEMENT

The Agency maintains a program of self and purchased excess insurance for health, workers' compensation and general liability through the City's self-insurance program which is accounted for in an internal service fund of the City.

The City purchases commercial insurance for claims in excess of the coverage provided by the fund and for all other risks of loss for workers' compensation and health claims in excess of \$250,000 and \$190,000, respectively. The City joined the California Joint Powers Insurance Authority (CJPIA), a public entity risk pool currently operating as a risk management and insurance program for various entities.

The City pays an annual premium to CJPIA for its general liability excess insurance coverage for claims over \$1,000,000.

NOTE 10 – PRIOR PERIOD ADJUSTMENTS

In the prior year, the Agency was responsible to pay certain bonds related to leased assets. The lease income funded the principle payments on the debt. During the fiscal year ending June 30, 2005, those bonds were refunded, however, the obligation of the Agency to repay them was removed and the responsibility remained solely with the City of Fresno. This discovery was not made by the City nor the Agency until recently, therefore, a prior period adjustment has been recorded (as noted in Note 8) to reduce the Agency debt by \$3,820,000. There was no net affect to the financials as the net direct financing leases were also reduced by the same amount.

A prior period adjustment was recorded to recognize costs of issuance and related refundings for bonds and certificates of participation for the Agency. A premium was recognized related to the 2001 Southwest Fresno Tax Allocation Revenue Bonds for \$150,605, a discount recognized related to the Mariposa Project tax allocation refunding bonds, Series 2003 for \$41,906 and a deferred charge was recognized also related to the Mariposa bonds for \$296,497. The deferred charges were amortized over the remaining life of the bond (18 years) on a straight-line basis for \$16,472 while the premium and discount were netted and amortized in the current year for \$14,910. The net affect to the government-wide statement of net assets was an increase to beginning net assets of \$187,798.

COMBINING STATEMENTS

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Capital Projects				
	Pinedale Project	Airport Project	SE Fresno	Corridor 99	Airport Revitalization
ASSETS					
Cash and investments	\$ 57,221	\$ -	\$ -	\$ 28,523	\$ 24,978
Due from other funds	-	-	-	750,000	1,225,000
Due from the City of Fresno	-	-	371,407	-	-
Property held for resale	-	-	826,696	-	-
Total assets	\$ 57,221	\$ -	\$1,198,103	\$ 778,523	\$ 1,249,978
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ 56,134	\$ -	\$ -	\$ -
Due to other funds	-	131,170	695,611	-	-
Deferred revenue	-	-	371,407	-	-
Total liabilities	-	187,304	1,067,018	-	-
FUND BALANCES:					
Reserved for property held for resale	-	-	826,696	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital projects	57,221	(187,304)	(829,427)	583,337	1,249,978
Reserve for encumbrances	-	-	133,816	195,186	-
Total fund balances	57,221	(187,304)	131,085	778,523	1,249,978
Total liabilities and fund balances	\$ 57,221	\$ -	\$1,198,103	\$ 778,523	\$ 1,249,978

(Continued)

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>Capital Projects</u>		<u>Debt Service</u>		
	<u>Central City</u>	<u>S Fresno Industrial</u>	<u>Pinedale Project</u>	<u>Highway City</u>	<u>Airport Project</u>
ASSETS					
Cash and investments	\$ 318,844	\$ 154,392	\$ 10,099	\$ 5	\$ 122,721
Due from other funds	-	230,000	-	-	-
Due from the City of Fresno	-	66,765	-	-	-
Property held for resale	-	772,155	-	-	-
Total assets	<u>\$ 318,844</u>	<u>\$1,223,312</u>	<u>\$ 10,099</u>	<u>\$ 5</u>	<u>\$ 122,721</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Deferred revenue	-	66,765	-	-	-
Total liabilities	<u>-</u>	<u>66,765</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Reserved for property held for resale	-	772,155	-	-	-
Reserved for debt service	-	-	10,099	5	122,721
Reserved for capital projects	318,844	384,392	-	-	-
Reserve for encumbrances	-	-	-	-	-
Total fund balances	<u>318,844</u>	<u>1,156,547</u>	<u>10,099</u>	<u>5</u>	<u>122,721</u>
Total liabilities and fund balances	<u>\$ 318,844</u>	<u>\$1,223,312</u>	<u>\$ 10,099</u>	<u>\$ 5</u>	<u>\$ 122,721</u>

(Continued)

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Debt Service				
	SE Fresno	Corridor 99	Central City	S Fresno Industrial	Total
ASSETS					
Cash and investments	\$ 140,645	\$ 54,545	\$ 34,548	\$ 42,226	\$ 988,747
Due from other funds	-	-	-	-	2,205,000
Due from the City of Fresno	-	-	-	-	438,172
Property held for resale	-	-	-	-	1,598,851
Total assets	<u>\$ 140,645</u>	<u>\$ 54,545</u>	<u>\$ 34,548</u>	<u>\$ 42,226</u>	<u>\$ 5,230,770</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 56,134
Due to other funds	-	-	-	-	826,781
Deferred revenue	-	-	-	-	438,172
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,321,087</u>
FUND BALANCES:					
Reserved for property held for resale	-	-	-	-	1,598,851
Reserved for debt service	140,645	54,545	34,548	42,226	404,789
Reserved for capital projects	-	-	-	-	1,577,041
Reserve for encumbrances	-	-	-	-	329,002
Total fund balances	<u>140,645</u>	<u>54,545</u>	<u>34,548</u>	<u>42,226</u>	<u>3,909,683</u>
Total liabilities and fund balances	<u>\$ 140,645</u>	<u>\$ 54,545</u>	<u>\$ 34,548</u>	<u>\$ 42,226</u>	<u>\$ 5,230,770</u>

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Capital Projects				
	Pinedale Project	Airport Project	SE Fresno	Corridor 99	Airport Revitalization
REVENUES:					
Incremental property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	1,382	214	-	10,931	29,858
Miscellaneous	-	-	-	-	-
Total revenues	<u>1,382</u>	<u>214</u>	<u>-</u>	<u>10,931</u>	<u>29,858</u>
EXPENDITURES:					
General government	-	19,182	20,906	33,628	194,210
Redevelopment	-	386,981	992,284	14,373	678,038
Total expenditures	<u>-</u>	<u>406,163</u>	<u>1,013,190</u>	<u>48,001</u>	<u>872,248</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,382</u>	<u>(405,949)</u>	<u>(1,013,190)</u>	<u>(37,070)</u>	<u>(842,390)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	70,000	850,000	700,000	900,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>70,000</u>	<u>850,000</u>	<u>700,000</u>	<u>900,000</u>
NET CHANGE IN FUND BALANCES	<u>1,382</u>	<u>(335,949)</u>	<u>(163,190)</u>	<u>662,930</u>	<u>57,610</u>
FUND BALANCES (DEFICITS), BEGINNING OF YEAR, AS RESTATED	<u>55,839</u>	<u>148,645</u>	<u>294,275</u>	<u>115,593</u>	<u>1,192,368</u>
FUND BALANCES, END OF YEAR	<u>\$ 57,221</u>	<u>\$ (187,304)</u>	<u>\$ 131,085</u>	<u>\$ 778,523</u>	<u>\$ 1,249,978</u>

(Continued)

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Capital Projects</u>		<u>Debt Service</u>		
	<u>Central City</u>	<u>S Fresno Industrial</u>	<u>Pinedale Project</u>	<u>Highway City</u>	<u>Airport Project</u>
REVENUES:					
Incremental property taxes	\$ -	\$ -	\$ -	\$ -	\$ 250,590
Use of money and property	5,780	5,415	244	-	2,917
Miscellaneous	-	220,000	-	-	-
Total revenues	<u>5,780</u>	<u>225,415</u>	<u>244</u>	<u>-</u>	<u>253,507</u>
EXPENDITURES:					
General government	27,860	32,245	-	-	126,552
Redevelopment	<u>63,014</u>	<u>182,973</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>90,874</u>	<u>215,218</u>	<u>-</u>	<u>-</u>	<u>126,552</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(85,094)</u>	<u>10,197</u>	<u>244</u>	<u>-</u>	<u>126,955</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	250,000	465,000	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(120,118)</u>
Total other financing sources (uses)	<u>250,000</u>	<u>465,000</u>	<u>-</u>	<u>-</u>	<u>(120,118)</u>
NET CHANGE IN FUND BALANCES	<u>164,906</u>	<u>475,197</u>	<u>244</u>	<u>-</u>	<u>6,837</u>
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	<u>153,938</u>	<u>681,350</u>	<u>9,855</u>	<u>5</u>	<u>115,884</u>
FUND BALANCES, END OF YEAR	<u>\$ 318,844</u>	<u>\$1,156,547</u>	<u>\$ 10,099</u>	<u>\$ 5</u>	<u>\$ 122,721</u>

(Continued)

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Debt Service				
	SE Fresno	Corridor 99	Central City	S Fresno Industrial	Total
REVENUES:					
Incremental property taxes	\$1,756,954	\$1,182,064	\$ 485,000	\$ 910,022	\$4,584,630
Use of money and property	3,316	929	650	844	62,480
Miscellaneous	-	-	-	-	220,000
Total revenues	<u>1,760,270</u>	<u>1,182,993</u>	<u>485,650</u>	<u>910,866</u>	<u>4,867,110</u>
EXPENDITURES:					
General government	548,839	213,517	122,756	248,494	1,588,189
Redevelopment	-	-	-	-	2,317,663
Total expenditures	<u>548,839</u>	<u>213,517</u>	<u>122,756</u>	<u>248,494</u>	<u>3,905,852</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,211,431</u>	<u>969,476</u>	<u>362,894</u>	<u>662,372</u>	<u>961,258</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	3,235,000
Transfers out	<u>(1,201,391)</u>	<u>(936,413)</u>	<u>(347,000)</u>	<u>(647,004)</u>	<u>(3,251,926)</u>
Total other financing sources (uses)	<u>(1,201,391)</u>	<u>(936,413)</u>	<u>(347,000)</u>	<u>(647,004)</u>	<u>(16,926)</u>
NET CHANGE IN FUND BALANCES	<u>10,040</u>	<u>33,063</u>	<u>15,894</u>	<u>15,368</u>	<u>944,332</u>
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	<u>130,605</u>	<u>21,482</u>	<u>18,654</u>	<u>26,858</u>	<u>2,965,351</u>
FUND BALANCES, END OF YEAR	<u>\$ 140,645</u>	<u>\$ 54,545</u>	<u>\$ 34,548</u>	<u>\$ 42,226</u>	<u>\$3,909,683</u>

STATISTICAL SECTION
(Unaudited)

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
NET ASSETS
LAST THREE FISCAL YEARS**

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ (273)	\$ (333)	\$ (355)
Unrestricted	<u>(63,110)</u>	<u>(64,234)</u>	<u>(70,908)</u>
Total governmental activities net assets	<u>\$ (63,383)</u>	<u>\$ (64,567)</u>	<u>\$ (71,263)</u>

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
CHANGES IN NET ASSETS
LAST THREE FISCAL YEARS**

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses			
Governmental activities:			
General government	\$ 4,737,583	\$ 4,861,856	\$ 5,152,493
Redevelopment	8,751,056	6,909,436	16,964,874
Interest and fiscal charges	4,587,815	5,006,982	3,988,526
	<u>18,076,454</u>	<u>16,778,274</u>	<u>26,105,893</u>
Total governmental activities expenses			
	<u>18,076,454</u>	<u>16,778,274</u>	<u>26,105,893</u>
Total governmental net expenses	(18,076,454)	(16,778,274)	(26,105,893)
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Incremental property taxes	11,042,505	13,055,207	14,768,911
Use of money and property	974,483	770,078	1,709,288
Lease income from the City	667,411	874,232	593,905
Intergovernmental	3,137,662	-	1,910,492
Miscellaneous	846,883	2,194,555	239,500
Special item	-	(1,590,000)	-
	<u>16,668,944</u>	<u>15,304,072</u>	<u>19,222,096</u>
Total governmental activities			
	<u>16,668,944</u>	<u>15,304,072</u>	<u>19,222,096</u>
Change in Net Assets			
Governmental activities	<u>\$ (1,407,510)</u>	<u>\$ (1,474,202)</u>	<u>\$ (6,883,797)</u>

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(In Thousands)**

<u>Fiscal Year</u>	<u>Total Expenditures</u>	<u>General Government</u>	<u>Redevelopment</u>	<u>Debt Service</u>
1997	\$ 13,410	\$ 910	\$ 6,399	\$ 6,101
1998	11,727	1,496	4,601	5,630
1999	13,189	996	6,659	5,534
2000	12,994	869	5,862	6,263
2001	24,703	1,269	13,026	10,408
2002	13,628	1,003	5,333	7,292
2003	13,501	2,194	5,811	5,496
2004	21,377	3,845	8,453	9,079
2005	17,419	4,862	6,770	5,787
2006	25,255	5,045	16,965	3,245

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
GENERAL GOVERNMENT REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(In Thousands)**

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Incremental Property taxes</u>	<u>Use of Money and Property</u>	<u>Lease Income and Miscellaneous</u>
1997	\$ 9,589	\$ 5,640	\$ 2,456	\$ 1,493
1998	8,085	5,389	1,312	1,384
1999	8,080	4,828	1,818	1,434
2000	7,579	4,994	1,539	1,046
2001	8,348	5,710	1,739	899
2002	8,361	6,311	1,243	807
2003	13,344	9,125	1,198	3,021
2004	14,756	11,043	1,281	2,432
2005	18,097	13,055	830	4,212
2006	19,814	14,769	1,749	3,296

**REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
SUMMARY OF ASSESSED VALUE, PROPERTY TAXES AND DEBT SERVICE BY PROJECT AREA
FOR THE TEN FISCAL YEARS ENDED JUNE 30, 2006**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<u>Merger Project No. 1</u>										
Central Business District										
Date Project Merged 8/6/1998										
Assessed Values	39,665,942	38,092,009	36,584,747	38,677,890	38,750,540	42,196,729	42,045,867	86,583,670	95,443,038	98,968,227
Property Taxes Received	(81)	-	7,252	5,076	-	18,499	20,670	502,621	598,489	637,875
Debt Service						18,499	20,670	102,483	175,983	175,107
Coverage						100	100	4.90	3.40	3.64
Chinatown Expanded										
Date Project Merged 8/6/1998										
Assessed Values	56,901,873	54,940,067	53,547,264	57,825,665	54,678,307	52,751,951	54,639,837	52,790,165	44,971,996	50,658,747
Property Taxes Received	325,421	305,591	287,603	335,503	299,210	275,860	269,658	245,234	157,508	220,050
Debt Service										
Coverage										
Convention Center										
Date Project Merged 8/6/1998										
Assessed Values	44,102,927	48,039,792	46,693,303	52,605,134	54,083,535	55,136,722	55,202,997	59,194,213	92,527,182	100,237,601
Property Taxes Received	244,235	287,637	269,696	333,959	347,552	377,841	362,695	425,406	772,510	856,477
Debt Service	244,255	222,596	210,048	252,293	278,042	294,693	311,600	296,041	309,064	250,000
Coverage	100	129	128	132	125	128	116	144	2.50	3.43
Fulton										
Date Project Merged 8/6/1998										
Assessed Values				63,456,898	62,175,714	68,565,263	72,278,571	72,543,269	75,342,561	79,029,671
Property Taxes Received				86,201	72,333	144,756	185,826	188,216	219,392	259,436
Debt Service						60,610	68,831	68,831	142,331	141,781
Coverage						2.39	2.70	2.73	154	183
Jefferson										
Date Project Merged 8/6/1998										
Assessed Values	152,673,807	157,374,851	59,473,311	57,492,813	57,846,307	59,134,127	57,203,867	57,935,572	74,528,636	106,335,509
Property Taxes Received	294,980	339,481	241,798	226,565	227,911	235,233	133,696	143,808	346,901	694,296
Debt Service										
Coverage										
Mariposa										
Date Project Merged 8/6/1998										
Assessed Values	79,933,610	85,297,822	79,667,709	75,953,342	77,024,972	79,490,382	81,452,983	89,023,583	89,141,221	96,316,479
Property Taxes Received	659,823	731,521	657,119	618,430	625,353	649,482	674,087	753,017	757,953	836,422
Debt Service	416,494	417,294	417,794	422,994	422,594	421,894	425,894	326,177	329,486	242,361
Coverage	158	175	157	146	148	154	158	2.31	2.30	3.45
South Van Ness Industrial										
Date Project Merged 8/6/1998										
Assessed Values				161,636,265	111,744,665	109,738,460	136,702,687	152,207,063	152,287,681	156,814,961
Property Taxes Received				216,108	122,236	37,906	-	107,850	113,424	159,664
Debt Service										
Coverage										

REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
SUMMARY OF ASSESSED VALUE, PROPERTY TAXES AND DEBT SERVICE BY PROJECT AREA (Continued)
FOR THE TEN FISCAL YEARS ENDED JUNE 30, 2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<u>Merger Project No. 1(continued)</u>										
West Fresno I										
Date Project Merged 8/6/1998										
Assessed Values	16,807,043	17,042,017	19,075,206	18,280,455	18,048,058	18,935,254	20,056,032	22,042,127	21,514,314	21,372,982
Property Taxes Received	154,057	155,343	177,351	168,748	166,234	174,765	187,970	208,392	203,754	202,326
Debt Service										
Coverage										
West Fresno II										
Date Project Merged 8/6/1998										
Assessed Values	92,457,446	93,793,897	80,552,681	79,604,738	80,151,860	77,463,432	81,825,644	68,661,937	86,623,465	81,777,878
Property Taxes Received	986,812	1,001,525	856,279	656,522	660,103	629,529	678,669	534,283	920,799	869,049
Debt Service	715,000	569,896	575,189	580,174	608,440	589,389	506,418			
Coverage	1.38	1.76	1.49	1.13	1.08	1.07	1.34			
<u>Merger Project No. 2</u>										
Fruit/Church										
Date Project Merged 11/16/1998										
Assessed Values	25,797,584	26,778,103	27,089,834	21,444,076	26,032,093	26,681,000	34,757,550	34,486,412	37,567,782	37,565,118
Property Taxes Received	257,753	267,495	270,849	208,790	259,081	263,864	349,798	347,183	381,271	374,688
Debt Service	217,428	216,990	216,190	215,028	218,503					
Coverage	1.19	1.23	1.25	0.97	1.19					
Southwest Fresno GNRA										
Date Project Merged 11/16/1998										
Assessed Values	170,863,411	179,861,942	183,291,055	180,123,852	192,456,768	203,957,108	211,411,325	217,462,771	235,002,822	262,006,135
Property Taxes Received	1,555,042	1,648,949	1,697,598	1,671,472	1,779,625	1,902,357	1,959,570	2,055,516	2,274,071	2,503,494
Debt Service	329,804	79,804	79,804	99,804	79,804	590,892	821,631	744,528	888,728	889,328
Coverage	4.72	20.66	21.27	16.75	22.30	3.22	2.38	2.76	2.56	2.82
Airport Area Revitalization										
Date Project Established 7/19/1999										
Assessed Values					186,333,026	216,763,245	255,635,771	334,959,124	311,521,455	310,640,641
Property Taxes Received					718,594	1,043,046	1,459,148	2,318,730	2,061,856	2,055,486
Debt Service										
Coverage										
Central City Commercial Revital										
Date Project Established 8/24/1999										
Assessed Values					266,319,565	288,209,667	289,287,822	310,620,688	312,534,454	329,279,194
Property Taxes Received					-	29,650	43,767	289,457	310,422	485,000
Debt Service										
Coverage										

REDEVELOPMENT AGENCY OF THE CITY OF FRESNO
SUMMARY OF ASSESSED VALUE, PROPERTY TAXES AND DEBT SERVICE BY PROJECT AREA (Continued)
FOR THE TEN FISCAL YEARS ENDED JUNE 30, 2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Freeway 99-Golden State Blvd.										
Date Project Established 7/5/2003										
Assessed Values									422,647,502	492,136,157
Property Taxes Received									430,184	1,182,064
Debt Service										
Coverage										
Fresno Air Terminal										
Date Project Established 7/18/1988										
Assessed Values	36,131,685	32,118,032	35,642,662	35,903,321	37,286,039	47,710,966	60,348,870	57,626,993	85,857,927	39,932,094
Property Taxes Received	218,670	175,115	211,851	319,186	226,261	231,830	473,028	442,581	746,057	250,590
Debt Service	31,300									
Coverage	6.99									
Roeding Business Park										
Date Project Established 7/16/1996										
Assessed Values		76,920,821	90,490,922	90,130,653	95,195,306	97,858,312	104,978,949	107,637,198	106,914,153	121,806,190
Property Taxes Received		4,871	151,140	147,242	205,473	258,889	332,580	378,702	358,369	515,018
Debt Service									65,004	117,103
Coverage									5.51	4.40
South Fresno Industrial Revitalization										
Date Project Established 7/12/1999					113,636,247	134,621,450	159,509,271	167,734,630	217,148,204	
Assessed Values					-	730	510,130	431,079	943,771	215,152,084
Property Taxes Received										910,022
Debt Service										
Coverage										
Southeast Fresno Revitalization										
Date Project Established 7/12/1999										
Assessed Values					288,125,751	300,846,252	372,512,224	418,410,329	400,432,133	428,656,662
Property Taxes Received					-	36,629	1483,978	1,670,432	1,458,475	1,756,954
Debt Service										
Coverage										

Coverage calculation is Property Taxes divided by Debt Service. Debt Service consists of debt paid from tax increment funds and does not include debt obligations paid from other sources of revenue.

Merger One West Fresno III statistics are not shown as the project area has no tax increment revenue for the past ten years due to current values less than the frozen base values.

Sources:

Assessed values are from the County of Fresno
Property Taxes and Debt Service are from Agency Annual Reports.

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
CENTRAL BUSINESS DISTRICT**

Assessee	2005-2006 Taxable Value	% of Total Value
ASP San Diego LLC	\$ 48,300,311	48.80%
Fresno Diamond Group	13,400,000	13.54%
AB Parking Facilities LLC	11,492,822	11.61%
Skywing LLC	5,710,790	5.77%
Fresno Park Tower LLC	4,449,378	4.50%
Lee Dae S & Sook K Trustees	3,047,542	3.08%
Llyods Bank California	2,241,682	2.27%
Fresno Ball Park Lofts LLC	1,683,000	1.70%
A Partners LLC	1,648,115	1.67%
Ovations Fanfare LP	1,579,800	1.60%
	93,553,440	94.53%
All Other Taxpayers	5,414,787	5.47%
Total	\$ 98,968,227	100.00%

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$98,968,227.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
CHINATOWN**

Assessee	2005-2006 Taxable Value	% of Total Value
California Dairies Inc	\$ 24,926,378	49.20%
Yorkshire Dried Fruit & Nuts Inc	1,456,214	2.87%
Smart & Final Inc	1,342,981	2.65%
G L I Realty Company	1,247,489	2.46%
Union Pacific Railroad Company	1,071,260	2.11%
Gadah Shouman	769,710	1.52%
Cherta Farms Inc	706,700	1.40%
Elpido & Virginia Fonte Trustees	680,501	1.34%
Kalashian Packing Co Inc	595,200	1.17%
DFP Properties	478,489	0.94%
California First Bank	471,204	0.93%
	33,746,126	66.61%
All Other Taxpayers	16,912,621	33.39%
Total	\$ 50,658,747	100.00%

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$50,658,747.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
CONVENTION CENTER**

Assessee	2005-2006 Taxable Value	% of Total Value
GL Bruno Associates Inc	\$ 39,270,861	39.18%
ML Street Properties	10,742,191	10.72%
Ellis Commercial Property LP	2,453,214	2.45%
Valley Lavosh Baking Company Inc	1,782,381	1.78%
Spalding G Wathen	1,782,014	1.78%
United Security Bank	1,570,922	1.57%
Cooper & Hoppe	1,161,122	1.16%
Hugh & Amy Wilson Trustees	1,114,210	1.11%
Hye Quality Bakery Inc	1,019,094	1.02%
John & Nora Monaco	1,000,000	1.00%
	61,896,009	61.75%
All Other Taxpayers	38,341,592	38.25%
Total	<u>\$ 100,237,601</u>	<u>100.00%</u>

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$100,237,601.

(3) Fewer than top ten taxpayers shown as information received from Fresno County Assessor was incomplete.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
FULTON**

Assessee	2005-2006 Taxable Value	% of Total Value
ASP San Diego LLC	\$ 5,349,369	6.77%
1665 M Street LLC	3,600,200	4.56%
John S Foggy	2,752,576	3.48%
Encino Grande LLC	2,723,520	3.45%
Ramirez Commercial Properties LLC	2,330,369	2.95%
First States Investors 5000A LLC	2,257,350	2.86%
Crocker Building Partners	2,237,700	2.83%
Fresno County Employees Credit Union	1,950,544	2.47%
Wayne Towne	1,811,997	2.29%
Wells Fargo Home	1,809,437	2.29%
	26,823,062	33.94%
All Other Taxpayers	52,206,609	66.06%
Total	\$ 79,029,671	100.00%

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$79,029,671.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
JEFFERSON**

Assessee	2005-2006 Taxable Value	% of Total Value
David & Linda Hovannisian	\$ 2,243,001	2.11%
Chin Savanapridi MD	1,562,600	1.47%
Jerry & Gail Saylor	1,193,493	1.12%
Craig Greenwood	944,508	0.89%
BNSF Railway Company	927,323	0.87%
JCH Family Limited Partnership	839,485	0.79%
Samy & Gamilah Hauter	829,506	0.78%
Donald & Meri Sorrells	576,270	0.54%
Edward & Charmay Allred	575,300	0.87%
Claude & Irene Saiz	553,082	0.52%
	10,244,568	9.97%
All Other Taxpayers	96,090,941	90.37%
Total	<u>\$ 106,335,509</u>	<u>100.33%</u>

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$106,335,509.

(3) Fewer than top ten taxpayers shown as information received from Fresno County Assessor was incomplete.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
MARIPOSA**

Assessee	2005-2006 Taxable Value	% of Total Value
Civic Center Square Inc	\$ 13,355,531	13.87%
SSBI Cilla Borgata LP	9,512,730	9.88%
Beverly Enterprises	5,734,200	5.95%
LQM Operating Partners LP	4,113,847	4.27%
Cornerstone Main Company	3,807,199	3.95%
Office Depot Inc	2,901,409	3.01%
HealthComp Inc	2,258,068	2.34%
Roger and Brenda Bowman Trustees	1,900,870	1.97%
Vahan & Anoush Chamlian	1,444,007	1.50%
Golden Bear Inc	1,428,682	1.48%
	46,456,543	48.23%
All Other Taxpayers	49,859,936	51.77%
Total	\$ 96,316,479	100.00%

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$96,316,479.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
SOUTH VAN NESS**

Assessee	2005-2006 Taxable Value	% of Total Value
Zacky Farms	\$ 30,454,982	19.42%
Foundry Park Investors LP	10,556,979	6.73%
Dermody Properties	8,836,292	5.63%
Rich-Healy Corporation	8,674,321	5.53%
Rainbo Bakeries of San Joaquin Valley Inc	5,229,364	3.33%
Jack Frost Ice Svc Inc	4,314,147	2.75%
Fresno Storage Partners LLC	3,455,826	2.20%
R M Wade & Co	3,248,316	2.07%
Dale & Carol Cross	2,564,161	1.64%
United States Cold Storage of Central Calif	2,282,339	1.46%
	79,616,727	50.77%
All Other Taxpayers	77,198,234	49.23%
Total	<u>\$ 156,814,961</u>	<u>100.00%</u>

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$156,814,961.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
WEST FRESNO ONE**

Assessee	2005-2006 Taxable Value	% of Total Value
Carl Simonian LLP	\$ 3,884,981	18.18%
Noel Montoya	3,101,706	14.51%
Multi-forms Inc	1,389,447	6.50%
Warehouse Venture I	1,315,238	6.15%
Emilio Sandoval	1,309,106	6.13%
FDIG LLC	1,110,516	5.20%
WW Grainger Inc	1,084,302	5.07%
BSK Group	1,034,500	4.84%
Lamoures Incorporated	840,822	3.93%
Jack & Beth Emerian	793,726	3.71%
	15,864,344	74.23%
All Other Taxpayers	5,508,638	25.77%
Total	\$ 21,372,982	100.00%

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$21,372,982.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
WEST FRESNO TWO**

Assessee	2005-2006 Taxable Value	% of Total Value
McClatchy Newspapers	\$ 33,196,758	40.59%
Borssa Aardex Fresno LLC	11,000,000	13.45%
DBSI State Offices LLC	9,091,600	11.12%
Echostar Satellite LLC	4,860,732	5.94%
Susan Sandelman Trustee	4,287,745	5.24%
Charlies Enterprises	3,987,855	4.88%
Sears Roebuck & Co	3,558,190	4.35%
VFS Lease Residual	1,636,200	2.00%
Mathias Matoian Trustee	1,344,293	1.64%
Donald White	826,981	1.01%
	73,790,354	90.23%
All Other Taxpayers	7,987,524	9.77%
Total	<u>\$ 81,777,878</u>	<u>100.00%</u>

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$81,777,878.

(3) Fewer than top ten taxpayers shown as information received from Fresno County Assessor was incomplete.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
FRUIT/CHURCH**

Assessee	2005-2006 Taxable Value	% of Total Value
Zorro Leasing LLC	\$ 26,778,468	71.29%
Busseto Foods Inc	6,434,051	17.13%
Darling-Delaware Company Inc	3,206,358	8.54%
Erickson William Van Trustee	816,792	2.17%
Housing Assistance Corporation	303,238	0.81%
Mercury Overseas Inc	134,000	0.36%
Patricia Jordan Weatherington	18,360	0.05%
	37,691,267	100.34%
All Other Taxpayers	126,149	0.34%
Total	<u>\$ 37,565,118</u>	<u>100.67%</u>

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$37,565,118.

(3) Fewer than top ten taxpayers shown as information received from Fresno County Assessor was incomplete.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
SOUTHWEST FRESNO**

Assessee	2005-2006 Taxable Value	% of Total Value
Foster Poultry Farms	\$ 40,754,808	15.55%
Kearney Palms LLC	6,684,436	2.55%
Angelica Healthcare Services Group Inc	6,033,210	2.30%
Bigby Associates	4,944,825	1.89%
David & Linda Hovannisian	2,628,984	1.00%
Westgate Housing Associates LP	2,530,113	0.97%
JCH Family Limited Partnership	2,283,347	0.87%
Mono Hilltop Manor Associates	2,268,000	0.87%
Rite Aid Corporation	2,069,159	0.79%
Coast to Coast Petroleum	1,825,640	0.70%
	72,022,522	27.49%
All Other Taxpayers	189,983,613	72.51%
Total	<u>\$ 262,006,135</u>	<u>100.00%</u>

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$262,006,135.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
AIRPORT AREA REVITALIZATION**

Assessee	2005-2006 Taxable Value	% of Total Value
Gap Inc	\$ 238,358,989	76.73%
Fresno Palm Lakes LTD	13,558,478	4.36%
Sunnyvale/Fresno Lake Ridge Invest LLC	7,584,403	2.44%
Fresno Supreme Inc	7,504,600	2.42%
Mercury Air Center	6,790,012	2.19%
Fresno Air LTD	5,813,378	1.87%
Winco LP	5,674,450	1.83%
Clinton Airport	4,619,773	1.49%
Glad Entertainment Inc	3,337,583	1.07%
Nantucket Park III LLC	3,313,003	1.07%
	296,554,669	95.47%
All Other Taxpayers	14,085,972	4.53%
Total	<u>\$ 310,640,641</u>	<u>100.00%</u>

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$310,640,641.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
CENTRAL CITY**

Assessee	2005-2006 Taxable Value	% of Total Value
US Mall Holdings LLC	\$ 32,393,612	9.84%
Sears Roebuck & Co	13,161,871	4.00%
Regal Cinemas Inc L/F	12,800,700	3.89%
YHB Fresno LLC	7,723,420	2.35%
Fifth Street Funding Inc	7,629,979	2.32%
Manchester Beauty	6,746,000	2.05%
Albertsons Inc	5,197,100	1.58%
NF Leasing	4,747,564	1.44%
K W P H Enterprises	3,835,132	1.16%
Midtown Plaza Shopping Center Inc	3,267,328	0.99%
	97,502,706	29.61%
All Other Taxpayers	231,776,488	70.39%
Total	\$ 329,279,194	100.00%

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$329,279,194.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
FREEWAY 99/GOLDEN STATE BOULEVARD**

Assessee	2005-2006 Taxable Value	% of Total Value
Ralph Donohue	\$ 8,556,860	1.74%
Vie-Del Company	8,211,499	1.67%
Won Shil Park	8,149,280	1.66%
Jack & Gloria Papazian	6,943,704	1.41%
WA Lakeview II LLC	6,781,800	1.38%
David & Linda Hovannisian	6,364,290	1.29%
Pinnacle CNG Company	6,051,400	1.23%
Bahman Ighani	5,652,020	1.15%
Hydro Conduit Corporation	4,950,512	1.01%
George Daoudian Trustee	4,571,310	0.93%
	66,232,675	13.46%
All Other Taxpayers	425,903,482	86.54%
Total	<u>\$ 492,136,157</u>	<u>100.00%</u>

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$492,136,157.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
FRESNO AIR TERMINAL**

Assessee	2005-2006 Taxable Value	% of Total Value
Skywest Airlines Inc	\$ 34,208,200	85.67%
Chevron Products Company	2,199,000	5.51%
Beal Properties Inc	1,592,294	3.99%
Rogers Helicopter Inc	1,495,000	3.74%
ABX Air Inc Airborne Express	307,000	0.77%
CCA Silband Golf Corp	105,000	0.26%
Arinc Inc	21,600	0.05%
Mercury Air Center	4,000	0.01%
	39,932,094	100.00%
All Other Taxpayers	-	0.00%
Total	<u>\$ 39,932,094</u>	<u>100.00%</u>

(1) Based on taxable value of the possessory interest only. The Fresno County Assessor's Office did not provide the requested detail for personal property taxpayers. Taxable value for this project area is comprised of only unsecured property as all secured property is owned by the City.

(2) Based on Project Area total 2005-2006 taxable value of \$39,932,094.

(3) Fewer than top ten taxpayers shown as information received from Fresno County Assessor was incomplete.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
ROEDING BUSINESS PARK**

Assessee	2005-2006 Taxable Value	% of Total Value
Belmont Palm Properties LTD	\$ 22,796,166	18.72%
Certified Ad	10,799,478	8.87%
Cargill Inc	7,719,915	6.34%
Chris Dillahunt	5,873,700	4.82%
Welch's Overall Cleaning Co Inc	5,379,362	4.42%
Helen Chavez Hansen Trustee	4,005,220	3.29%
Balo Packing Co Inc	3,204,152	2.63%
Frank Solomon Jr.	3,060,000	2.51%
Steven & Betty Roseth	2,966,700	2.44%
MVP Hydratech, Inc.	2,345,097	1.93%
	68,149,790	55.95%
All Other Taxpayers	53,656,400	44.05%
Total	\$ 121,806,190	100.00%

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$121,806,190.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
SOUTH FRESNO INDUSTRIAL**

Assessee	2005-2006 Taxable Value	% of Total Value
Fresno Investments LLC	\$ 17,268,394	8.03%
Glaxo Smithkline	15,748,504	7.32%
Fambro Warehouse Co	9,352,500	4.35%
Cedar Ave Recycling	8,390,690	3.90%
C&S Logistics of Fresno LLC	7,982,240	3.71%
Suburban Propane LP	6,310,911	2.93%
Sunset Waste Holdings LLC	6,175,286	2.87%
DBSI Fresno Forms LLC	5,813,678	2.70%
Wilbur-Ellis Company	5,746,255	2.67%
James & Lee Briscoe	5,622,875	2.61%
	88,411,333	41.09%
All Other Taxpayers	126,740,751	58.91%
Total	<u>\$ 215,152,084</u>	<u>100.00%</u>

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$215,152,084.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
TEN LARGEST ASSESSEES
SOUTHEAST FRESNO**

Assessee	2005-2006 Taxable Value	% of Total Value
Capri Sun Inc	\$ 67,474,224	15.74%
Hub Acquisition Trust	62,342,600	14.54%
Miller Milling Co Limited Partnership	27,676,284	6.46%
Septipak Inc	22,826,200	5.33%
Container Corporation of America	17,381,600	4.05%
JM Equipment Co Inc	11,701,600	2.73%
HD Development of Maryland Inc	10,259,500	2.39%
Cornnuts Inc	8,085,273	1.89%
Prado 2255 South Maple LLC	7,478,700	1.74%
Ralphs Grocery Company	6,912,777	1.61%
	242,138,758	56.49%
All Other Taxpayers	186,517,904	43.51%
Total	\$ 428,656,662	100.00%

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based on Project Area total 2005-2006 taxable value of \$428,656,662.

Source: Fresno County Assessor

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
PLAN TIME AND FINANCIAL
INFORMATION AND LIMITATIONS**

	Date Established	Most Recent Date			Size of Project Area (Acres)
		Plan Amended	Project Area		
			Amended	Merged	
<u>Merger Project No. 1</u>					
Central Business District	3/16/1961	8/6/1998	8/1/1963	8/6/1998	86
Chinatown Expanded (Rehab)	8/1/1965	8/6/1998		8/6/1998	
Chinatown Expanded	8/1/1965	8/6/1998	4/17/2006	8/6/1998	180
Convention Center	1/12/1982	8/6/1998	10/24/2005	8/6/1998	120
Fulton	8/6/1998	N/A	N/A	8/6/1998	280
Jefferson	12/18/1984	8/6/1998	N/A	8/6/1998	300
Mariposa	1/14/1969	8/6/1998	N/A	8/6/1998	200
South Van Ness Industrial	8/6/1998	N/A	N/A	8/6/1998	540
West Fresno I	10/1/1964	8/6/1998	N/A	8/6/1998	46
West Fresno II	12/19/1963	8/6/1998	N/A	8/6/1998	108
West Fresno III	1/14/1969	8/6/1998	N/A	8/6/1998	34
<u>Merger Project No. 2</u>					
Fruit/Church	12/9/1971	11/16/1998	N/A	11/16/1998	143
Southwest Fresno GNRA	1/14/1969	11/16/1998	11/16/1998	11/16/1998	1,757
Airport Area Revitalization	7/19/1999	N/A	N/A	N/A	1,119
Central City Commercial Revital	8/24/1999	N/A	N/A	N/A	809
Freeway 99-Golden State Blvd	7/5/2003	N/A	N/A	N/A	2,790
Fresno Air Terminal	7/18/1988	12/6/1994	N/A	N/A	102
Roeding Business Park	7/16/1996	12/18/2002	N/A	N/A	954
South Fresno Industrial Revitalization	7/12/1999	N/A	N/A	N/A	1,378
Southeast Fresno Revitalization	7/12/1999	N/A	N/A	N/A	3,088
Totals					14,034

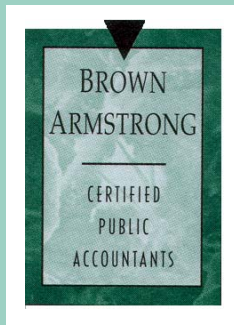
**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
PLAN TIME AND FINANCIAL
INFORMATION AND LIMITATIONS (Continued)**

	Original Plan Duration	Current Plan Duration	Debt Establish Limit	Debt Repmt Limit	Eminent Domain Limit
<u>Merger Project No. 1</u>					
Central Business District	3/16/2001	1/1/2009	1/1/2009	1/1/2019	8/6/2010
Chinatown Expanded (Rehab)	1/1/2009	1/1/2009	1/1/2009	1/1/2019	8/6/2010
Chinatown Expanded	2/28/2026	2/28/2026	2/28/2016	2/28/2036	5/18/2018
Convention Center	2/12/2012	1/12/2022	1/1/2014	1/12/2032	11/24/2017
Fulton	7/6/2028	7/6/2028	7/6/2018	7/6/2043	8/6/2010
Jefferson	1/18/2015	12/18/2024	12/18/2014	12/18/2034	1/18/2009
Mariposa	2/14/1999	1/14/2009	1/14/2009	1/14/2019	8/6/2010
South Van Ness Industrial	7/6/2028	7/6/2028	7/6/2018	7/6/2043	8/6/2010
West Fresno I	11/1/1999	1/1/2009	1/1/2009	1/1/2019	8/6/2010
West Fresno II	1/19/1999	1/1/2009	1/1/2009	1/1/2019	8/6/2010
West Fresno III	2/14/1999	1/14/2009	1/14/2009	1/14/2019	8/6/2010
<u>Merger Project No. 2</u>					
Fruit/Church	11/7/2011	10/7/2011	10/7/2011	10/7/2021	11/16/2010
Southwest Fresno GNRA	2/14/1999	1/14/2009	1/14/2009	1/14/2019	11/16/2010
Airport Area Revitalization	7/19/2029	7/19/2029	7/19/2019	7/19/2044	8/20/2011
Central City Commercial Revital	8/24/2029	8/24/2029	8/24/2019	8/24/2044	9/24/2011
Freeway 99-Golden State Blvd	7/5/2033	7/5/2033	7/5/2023	7/5/2048	8/5/2015
Fresno Air Terminal	7/18/2028	7/18/2028	8/18/2008	8/18/2028	8/18/2000
Roeding Business Park	7/16/2036	7/16/2036	7/16/2016	7/16/2041	1/18/2015
South Fresno Industrial Revitalization	7/12/2029	7/12/2029	7/12/2019	7/12/2044	8/12/2011
Southeast Fresno Revitalization	7/12/2029	7/12/2029	7/12/2019	7/12/2044	8/12/2011

**REDEVELOPMENT AGENCY
OF THE CITY OF FRESNO
PLAN TIME AND FINANCIAL
INFORMATION AND LIMITATIONS (Continued)**

	Bond Indebted Limit	Tax Increment Limit	Tax Incr Received Thru 6/06	Pre-AB1290 Pass-Thru Payments
<u>Merger Project No. 1</u>				
Central Business District		\$16m	\$ 6,851,304	8/5/1986
Chinatown Expanded (Rehab)			576,669	none
Chinatown Expanded	\$12m	\$32m	3,675,711	8/5/1986
Convention Center	\$21m	\$51m	8,415,356	
Fulton	\$32m		1,156,159	
Jefferson	\$99m	\$235m	4,469,902	8/5/1986
Mariposa		\$50m	17,644,293	8/5/1986
South Van Ness Industrial	\$111m		757,188	
West Fresno I		\$9m	3,807,445	8/5/1986
West Fresno II		\$60m	21,977,113	
West Fresno III		\$8m	(2)	
<u>Merger Project No. 2</u>				
Fruit/Church		\$21m	5,196,975	8/5/1986
Southwest Fresno GNRA		\$113m	40,896,063	8/5/1986
Airport Area Revitalization	\$33m	\$40m	9,656,854	
Central City Commercial Revital	\$38m	\$54m	1,158,296	
Freeway 99-Golden State Blvd			1,612,243	
Fresno Air Terminal	\$85.25m	\$85.25m	6,877,787	
Roeding Business Park	\$93m		2,352,281	
South Fresno Industrial Revitalization	\$32m	\$20m	2,795,729	
Southeast Fresno Revitalization	\$48m	\$52m	6,406,458	
Totals			\$146,283,824	

OTHER REPORT



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS (INCLUDING THE
PROVISIONS CONTAINED IN THE GUIDELINES FOR COMPLIANCE AUDITS OF
REDEVELOPMENT AGENCIES) BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Members of the Board
Redevelopment Agency
City of Fresno, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Fresno, California (Agency), a component unit of the City of Fresno, California, as of and for the year ended June 30, 2006, and have issued our report thereon dated November 28, 2006. Our report included an explanatory paragraph describing the implementation of a new accounting standard. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

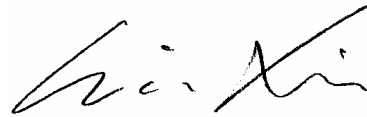
In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.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

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 include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller's Office, Division of Accounting and Reporting. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
November 28, 2006