

**REDEVELOPMENT AGENCY  
OF THE CITY OF CONCORD  
COMPONENT UNIT FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2003**

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**REDEVELOPMENT AGENCY  
OF THE CITY OF CONCORD  
Component Unit Financial Statements  
For the Year Ended June 30, 2003**

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**INDEPENDENT AUDITORS' REPORT**

Members of the Redevelopment Agency  
of the City of Concord  
Concord, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Concord, a component unit of the City of Concord, California as of and for the year ended June 30, 2003, which collectively comprise the Agency's basic component unit financial statements as listed in the table of contents. These component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

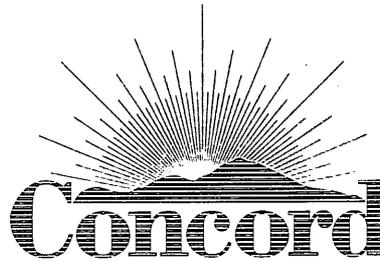
In our opinion, the basic component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Redevelopment Agency of the City of Concord, California as of June 30, 2003 and the respective changes in financial position and budgetary comparisons listed as part of the basic component unit financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Government 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.

*Maze & Associates*

October 24, 2003

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Telephone:

## REDEVELOPMENT AGENCY OF THE CITY OF CONCORD

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal 2003 is the second year the Redevelopment Agency of the City of Concord (the Agency) has issued its financial statements in the format prescribed by the provisions of Government Accounting Standards Board Statement 34 "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*" (GASB 34). This change in financial statement format was necessary because the Agency is a component unit of the City of Concord, which implemented GASB 34 in the prior year. GASB 34 requires the Agency to provide this overview of its financial activities for the fiscal year, and it should be read in conjunction with the accompanying Basic Financial statements.

#### **THE PURPOSE OF THE AGENCY**

The Agency is a component unit of the City of Concord; it is controlled by the City, which appoints the Agency's Board of Directors. City employees perform all the duties and functions required of the Agency.

The Agency's purpose under California law is to eliminate urban blight in the City of Concord; it is given certain powers under the law to assist it in that endeavor. The Agency may condemn property under certain circumstances and it may incur indebtedness to finance the redevelopment of property. The Agency may not assess or receive property taxes, but it may receive any increases in property taxes over amounts received in the year before the property in the Agency's area became subject to redevelopment (called the Base Year). This increase is called property tax increment and one-fifth of the property tax increment received must be used to increase the supply of low and moderate income housing.

Since the purpose of Redevelopment activity, in general, is to enhance the living and business conditions of a given area through no or low interest rate loans and capital improvement programs that will ultimately increase the value of the property in the Agency's area, much of the debt issued is not intended for the construction of Agency owned assets. This typical Redevelopment Agency activity creates a deficit in the Agency's Unrestricted Net Assets on the full accrual, Agency-wide Financial Statements, because the Agency has issued debt for non-capital purposes. Long term benefits are received by both the property owners and the Agency from these activities. The property owner receives benefits by utilizing the loans for property improvements or Agency improvement projects, which in turn will increase the assessed property value. The Agency receives benefits from increased property tax increment generated by the increase in assessed value.

#### **FISCAL 2003 FINANCIAL HIGHLIGHTS**

Financial highlights of the year include the following:

*Agency-wide:*

- Total Agency revenues were \$14.6 million, including \$14.5 million in general revenues and \$139 thousand in program revenues.
- Total Agency expenses were \$13.4 million.
- The Agency's net deficit was \$13.0 million at June 30, 2003, an improvement of \$1.1 million over the prior year.

*Fund Basis:*

- Total revenues at the Fund level were \$14.0 million.
- Total expenditures were \$13.2 million, including \$1.0 million in capital outlays.
- Net transfers out to the City were \$2.4 million.
- Fund balances declined \$1.7 million in fiscal 2003, to a new total of \$57.2 million.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This report is in two parts:

- 1) Management's Discussion and Analysis (this part),
- 2) The Basic Financial Statements, which include the Government-wide and the Fund financial statements, along with the Notes to these financial statements.

### The Basic Financial Statements

The Basic Financial Statements comprise the Agency-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the Agency's financial activities and financial position.

The Agency-wide Financial Statements provide a longer-term view of the Agency's activities as a whole and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the Agency as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the Agency's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the Agency's programs. The Statement of Activities explains in detail the Change in Net Assets for the year.

All of the Agency's activities are grouped into Governmental Activities.

The Fund Financial Statements report the Agency's operations in more detail than the Agency-wide statements and focus primarily on the short-term activities of the Agency's Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the Agency and are presented individually, while the activities of any Non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. The Agency reports all of its Funds as Major Funds; their purpose is explained in Note 1C to the financial statements.

#### *The Agency-wide Financial Statements*

The Statement of Net Assets and the Statement of Activities present information about the following:

- **Governmental activities**—All of the Agency's basic services are considered to be governmental activities, including general government, community development, planning and economic development, and public safety. These services are supported by general Agency revenues such as property tax increments and by program revenues and grants.

Agency-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the Agency as a whole.

### *Fund Financial Statements*

Governmental Fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the Agency-wide financial statements.

The Fund financial statements provide detailed information about each of the Agency's most significant funds, called Major Funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually.

Under GASB 34, comparisons of Budget and Actual financial information may be presented only for the General Fund and budgeted Special Revenue Funds. The Agency therefore presents a budget comparison only for the Low and Moderate Income Housing Special Revenue Fund.

### **FINANCIAL ACTIVITIES OF THE AGENCY AS A WHOLE**

This analysis focuses on the net assets and changes in net assets of the Agency's Governmental Activities in the Agency-wide Statement of Net Assets and Statement of Activities that follow.

The Agency's net deficit from governmental activities decreased to \$13.0 million in 2003 from a deficit of \$14.1 million in 2002. This decrease is the Change in Net Assets (Deficit) reflected in the Statement of Activities. The Agency's June 30, 2003 net deficit is discussed below:

- Cash and investments available for the Agency's operations were \$14.9 million, all of which was invested in accordance with applicable State statutes and City ordinances in the City of Concord cash and investment pool.
- Cash and investments held by fiscal agents were \$18.4 million. These amounts must be held separate under debt indentures that require the Agency to maintain reserves against the repayment of its bonded debt.
- Loans to qualifying individuals and groups for the purpose of assisting in eliminating blight were \$15.6 million. These loans were made under various programs and substantially all are long-term in nature.
- The Agency owns land that cost \$11.0 million, which it is being held for resale or redevelopment as discussed in Note 1F.
- Capital assets were \$31.7 million, net of depreciation. These assets include the land, construction in progress, and buildings and structures as discussed in Note 6.
- Equity in Partnership of \$801 thousand is the Agency's investment in a partnership that assisted in the construction of low-and-moderate income housing, as discussed in Note 4.
- Long-term debt totaled \$102.2 million, all of which was Tax Allocation Bonds secured by future allocations of property tax increments or ground lease revenues and leases payable, as discussed in Note 7.
- The Agency has an advance from the City of Concord in the amount of \$1.1 million that is payable out of property tax increments, as discussed in Note 5D.
- Other assets and liabilities included normal business receivables and payables.

- Net assets invested in capital assets, net of related debt, reflects the Agency investment in capital assets at June 30, 2003. The \$17 million balance relates to the net capital value less the outstanding balance of debt associated with the Police Facility and the Parking Structure.
- Restricted net assets were \$29.2 million, including \$18.2 million restricted for payment of debt service and \$11.0 million that may only be used for community development projects.
- Unrestricted net assets is the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. The Agency's unrestricted net assets totaled \$30.5 million at June 30, 2003.

### **Fiscal Year 2003 Government Activities**

The Agency's fiscal 2003 revenue came primarily from property tax increments, which was \$11.5 million after the reduction of \$403 thousand that was withheld for the Educational Revenue Augmentation Fund (ERAF). Despite Agency efforts in the community that resulted in higher assessed values in the area, property tax increment remained at approximately the same level as last year due to the ERAF withholding. Investment earnings contributed an additional \$2.2 million in fiscal 2003, a decrease of \$258 thousand from the prior year as a result of the \$2.1 million decline in cash balances in fiscal 2003 as well as the continuing low interest rates.

Agency expenses of \$13.4 million in fiscal 2003 were principally for development purposes, which totaled \$4.9 million, and interest on long term debt, which amounted to \$5.9 million. The Agency also transferred \$1.5 million to the City of Concord, which it accounts for it as an expense as explained in Note 5C.

At June 30, 2003, the Agency's governmental funds reported combined fund balances of \$57.2 million, which is a reduction of \$1.7 million compared with the prior year. This reduction represented the excess of total fund expenditures and transfers out over total fund revenues and transfers in for the year.

All the Agency's tax increments are received by the General Capital Projects Fund. Revenues are then transferred to other funds for debt service and low-and-moderate-income housing purposes. Net tax increment revenues were \$11.5 million in fiscal 2003, the same amount as the previous year after the \$403 thousand ERAF transfer. Charges for services were \$98 thousand, a reduction of \$616 thousand from the previous year. In 2002 the Agency generated the majority of its charges for services from the Legacy Park Central Luxury Apartment project for the reimbursement of relocation expenses incurred as a result of the development. The Fund's expenditures were primarily for planning and economic development, amounting to \$2.3 million in fiscal 2003. Capital outlay amounted to \$1.0 million, down \$5.6 million as the Todos Santos Parking Structure was substantially complete at June 30, 2002. Intra-fund transfers were made totaling \$11.0 million to the funds below and \$2.4 million was transferred to the City in fiscal 2003. The Fund balance decline of \$1.7 million in fiscal 2003 was an improvement from the \$7 million decrease in fiscal 2002 caused by the construction projects.

The Low and Moderate Income Housing Fund received \$2.3 million in transfers from the General Capital Projects Fund, representing the 20% set-aside for this purpose as required by California law. The Fund also earned \$181 thousand in investment income in fiscal 2003, down slightly from the prior year, and expended \$1.6 million on the development of low-and-moderate-income housing and \$4 thousand on capital outlay for the same purpose.

The General Capital Projects Fund also owed the Low and Moderate Income Housing Fund \$9.5 million in prior year low and moderate income housing set-asides, as discussed in Note 5B. No repayment is expected until 2009.

The Agency has made loans to eligible individuals and several non-profit organizations totaling \$16.5 million to assist them in constructing low and moderate income housing. Interest on these loans is at below market rates, and principal payments are generally deferred or forgiven over time if the properties are occupied by qualified individuals. These loans are accounted for in the Low and Moderate Income Housing Fund and the General Capital Projects Fund and are explained in detail in Note 3 to the financial statements. Included in the total loan amount is \$784 thousand that was loan

The Debt Service Fund received transfers of \$8.7 million from the General Capital Projects Fund. These transfers, together with \$.8 million in investment income, funded debt service expenditures totaling \$8.0 million in fiscal 2003.

The Police Facilities Lease Revenue Capital Projects Fund activity was minimal because these facilities were substantially complete in prior years, closure of the Fund awaits a few final disbursements.

The Parking Structure Lease Revenue Capital Projects Fund activity comprised capital outlays of only \$518 thousand as the Parking Structure was nearly complete at June 30, 2002.

### **CAPITAL ASSETS**

Under GASB 34, the Agency is required to record all its capital assets, including infrastructure, at their historical cost, and to depreciate these assets over their estimated useful lives. These requirements do not take effect with respect to historical infrastructure costs until four years after the Agency implements GASB 34, but the Agency's intention is to complete its research into the costs of these assets and to record them in its financial statements before the four years have passed.

Capital assets of \$31.7 million at June 30, 2003 represent land, construction in progress, and buildings and structures. The principal items under construction in fiscal 2003 were the Todos Santos Parking Center, bordered by Concord Avenue, Pacheco Street, Mt. Diablo Street and Salvio Street, on which \$10.4 million has been expended. Further detail on the Agency's capital assets may be found in Note 6 to the financial statements.

### **DEBT ADMINISTRATION**

Each of the Agency's debt issues is discussed in detail in Note 7 to the financial statements. At June 30, 2003, the Agency's debt comprised several Tax Allocation Bond issues with interest rates of from 3.5% to 8%, all secured by property tax increment revenues and Leases Payable owed to the City.

### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

These Component Unit Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Agency's finances. Questions about this Report should be directed to the Finance Department, at 1950 Parkside Drive, Concord, CA 94519-2578.

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## REDEVELOPMENT AGENCY OF THE CITY OF CONCORD

### STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities are entirely new statements required by GASB Statement 34. Their purpose is to summarize the entire Agency's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Agency's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the Agency's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between Agency funds have been eliminated.

The Statement of Net Assets reports the difference between the Agency's total assets and the Agency's total liabilities, including all the Agency's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the Agency's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of the Agency's financial position in a single column.

The Statement of Activities reports increases and decreases in the Agency's net assets. It is also prepared on the full accrual basis, which means it includes all the Agency's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets and current liabilities.

The format of the Statement of Activities differs considerably from those used in the past. It presents the Agency's expenses that are listed by program first. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each program. The Agency's general revenues are then listed in the Governmental Activities column and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

These new financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*; the term General Purpose Financial Statements is no longer used.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
STATEMENT OF NET ASSETS  
JUNE 30, 2003

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and investments (Note 2)	\$14,942,531
Cash with fiscal agents (Note 2)	18,425,960
Accounts receivable	462,889
Interest receivable	77,941
Loans and notes receivable, net of reserves (Note 3)	15,629,145
Prepaid	19,680
Land held for redevelopment (Note 1F)	10,937,953
Condemnation deposits (Note 1G)	10,023
Equity in partnership (Note 4)	801,030
Capital Assets, net of depreciation (Note 6)	<u>31,739,449</u>
Total assets	<u>93,046,601</u>
<b>LIABILITIES:</b>	
Accounts, deposits and contracts payable	256,604
Accrued liabilities	279,488
Refundable deposits	50,000
Bonds interest payable	2,172,805
Advance from the City of Concord (Note 5D)	1,060,220
Due in one year	4,255,000
Due in more than one year	<u>97,959,250</u>
Total liabilities	<u>106,033,367</u>
<b>NET ASSETS (DEFICIT) (Note 9)</b>	
Invested in capital assets, net of related debt	<u>16,780,752</u>
Restricted for:	
Debt service	18,243,892
Community development projects	<u>10,937,953</u>
Total restricted net assets	<u>29,181,845</u>
Unrestricted net assets	<u>(58,949,363)</u>
Total net assets (deficit)	<u><u>(\$12,986,766)</u></u>

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2003

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and
		Charges for Services	Capital Grants and Contributions	Changes in Net Assets
				Total
Governmental Activities:				
General Government	\$166,632			(\$166,632)
Community Development	1,588,424	\$97,664		(1,490,760)
Planning and Economic Development	3,303,975		\$41,832	(3,262,143)
Public safety	934,891			(934,891)
Interest on long term debt	5,941,321			(5,941,321)
Transfers to the City of Concord	1,480,144			(1,480,144)
Total Governmental Activities	<u>\$13,415,387</u>	<u>\$97,664</u>	<u>\$41,832</u>	<u>(13,275,891)</u>
General revenues:				
Incremental property taxes				11,545,583
Investment earnings				2,176,723
Other				291,239
Transfers from the City of Concord				<u>398,477</u>
Total general revenues and transfers				<u>14,412,022</u>
Change in Net Assets (Deficit)				1,136,131
Net Assets (Deficit)-Beginning				<u>(14,122,897)</u>
Net assets (Deficit)-Ending				<u><u>(\$12,986,766)</u></u>

See accompanying notes to financial statements

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## FUND FINANCIAL STATEMENTS

GASB 34 revises the format of the Fund Financial Statements so that only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between Fund types and the practice of combining like funds and presenting their totals in separate columns (Combined Financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Account Groups.

### **LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND**

Established to account for tax increment allocations set aside for the purpose of increasing or improving the City's supply of low or moderate income housing.

### **DEBT SERVICE FUND**

To account for the accumulation of property taxes for payment of interest and principal on the Redevelopment Agency tax allocation bonds issued in 1988 and 1993.

### **GENERAL CAPITAL PROJECTS FUND**

This is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this Fund are property taxes, unrestricted revenues from the State, and interest income. Expenditures are made for program administration, pass-through payments, and other services not required to be accounted for in another fund.

### **POLICE FACILITIES LEASE REVENUE BONDS CAPITAL PROJECTS FUND**

To account for capital projects connected with Police Facilities funded by Police Facility lease revenue bonds issued in 1993 by the City of Concord.

### **PARKING STRUCTURE LEASE REVENUE BONDS CAPITAL PROJECTS FUND**

To account for capital projects connected with the Parking Structure funded by Parking Structure lease revenue bonds issued in 2001 by the City of Concord.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2003

	Low and Moderate Income Housing	Debt Service	General Capital Projects	Police Facilities Lease Revenue Capital Projects	Parking Structure Lease Revenue Capital Projects	Total Governmental Funds
<b>ASSETS:</b>						
Cash and investments (Note 2)	\$2,352,588		\$12,523,780	\$66,163		\$14,942,531
Cash with fiscal agents (Note 2)		\$18,245,113	20		\$180,827	18,425,960
Accounts receivable	228,156	3,379	231,354			462,889
Interest receivable	7,368		70,573			77,941
Loans and notes receivable (Note 3)	12,604,114		3,862,946			16,467,060
Advance to other funds (Note 5B)	9,495,937					9,495,937
Prepaid items	1,214		18,466			19,680
Land held for redevelopment (Note 1F)			10,937,953			10,937,953
Condemnation deposits (Note 1G)			10,023			10,023
Equity in partnership (Note 4)			801,030			801,030
<b>Total Assets</b>	<b>\$24,689,377</b>	<b>\$18,248,492</b>	<b>\$28,456,145</b>	<b>\$66,163</b>	<b>\$180,827</b>	<b>\$71,641,004</b>
<b>LIABILITIES:</b>						
Accounts, deposits and contracts payable	\$81,259	\$4,600	\$169,605		\$1,140	\$256,604
Accrued liabilities	266,971		12,517			279,488
Refundable deposits			50,000			50,000
Deferred revenue	1,074,430		2,226,180			3,300,610
Advance from the City of Concord (Note 5D)			1,060,220			1,060,220
Advance from other funds (Note 5B)			9,495,937			9,495,937
<b>Total Liabilities</b>	<b>1,422,660</b>	<b>4,600</b>	<b>13,014,459</b>		<b>1,140</b>	<b>14,442,859</b>
<b>FUND BALANCES</b>						
Fund balances (Note 9)						
Reserved for:						
Encumbrances	14,890		783,465			798,355
Loans and notes	11,529,684		1,636,766			13,166,450
Advance to other funds	9,495,937					9,495,937
Prepaid items	1,214		18,466			19,680
Land held for redevelopment			10,937,953			10,937,953
Investment in partnership			801,030			801,030
Debt service		18,243,892				18,243,892
Low and moderate income housing	1,417,915					1,417,915
Unreserved:						
Designated for:						
Capital projects	807,077		1,226,610	\$66,163	179,687	2,279,537
Unrealized increase in fair value of investment			37,396			37,396
<b>TOTAL FUND BALANCES</b>	<b>23,266,717</b>	<b>18,243,892</b>	<b>15,441,686</b>	<b>66,163</b>	<b>179,687</b>	<b>57,198,145</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$24,689,377</b>	<b>\$18,248,492</b>	<b>\$28,456,145</b>	<b>\$66,163</b>	<b>\$180,827</b>	

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
 GOVERNMENTAL FUNDS  
 BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL  
 FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
 JUNE 30, 2003

Total fund balances reported on the governmental funds balance sheet	57,198,145
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Amounts reported for Governmental Activities in the Statement of  
 Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	31,739,449
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ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	3,300,610
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LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Reserve for conditional grants	(837,915)
Long-term debt	(102,214,250)
Interest payable	<u>(2,172,805)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(\$12,986,766)</u></u>
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See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2003

	Low and Moderate Income Housing	Debt Service	General Capital Projects	Police Facilities Lease Revenue Capital Projects	Parking Structure Lease Revenue Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Incremental property taxes			\$11,948,560			\$11,948,560
less educational revenue augmentation fund withholding			(402,977)			(402,977)
Charges for services	\$97,664					97,664
Investment earnings	180,758	\$755,894	1,036,249	\$2,409	\$11,393	1,986,703
Other	210,154		122,917			333,071
<b>Total Revenues</b>	<b>488,576</b>	<b>755,894</b>	<b>12,704,749</b>	<b>2,409</b>	<b>11,393</b>	<b>13,963,021</b>
<b>EXPENDITURES</b>						
General government	23,554		16,319			39,873
Community development	1,588,424					1,588,424
Planning and economic development			2,325,234			2,325,234
Public safety			202,645			202,645
Capital outlay	4,655		521,392		518,057	1,044,104
Debt service:						
Principal		3,620,000				3,620,000
Interest		4,396,812				4,396,812
<b>Total Expenditures</b>	<b>1,616,633</b>	<b>8,016,812</b>	<b>3,065,590</b>		<b>518,057</b>	<b>13,217,092</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,128,057)</b>	<b>(7,260,918)</b>	<b>9,639,159</b>	<b>2,409</b>	<b>(506,664)</b>	<b>745,929</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from the City (Note 5C)					31	31
Transfers to the City (Note 5C)	(143,771)	(691,181)	(1,596,692)			(2,431,644)
Transfers in (Note 5A)	2,328,880	8,700,259				11,029,139
Transfers (out) (Note 5A)			(11,029,139)			(11,029,139)
<b>Total Other Financing Sources (Uses)</b>	<b>2,185,109</b>	<b>8,009,078</b>	<b>(12,625,831)</b>		<b>31</b>	<b>(2,431,613)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,057,052</b>	<b>748,160</b>	<b>(2,986,672)</b>	<b>2,409</b>	<b>(506,633)</b>	<b>(1,685,684)</b>
Fund balances at beginning of period	22,209,665	17,495,732	18,428,358	63,754	686,320	58,883,829
<b>FUND BALANCES AT END OF PERIOD</b>	<b>\$23,266,717</b>	<b>\$18,243,892</b>	<b>\$15,441,686</b>	<b>\$66,163</b>	<b>\$179,687</b>	<b>\$57,198,145</b>

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
 Reconciliation of the  
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 with the  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2003

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$1,685,684)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance	563,191
Depreciation expense is deducted from fund balance	(1,669,271)
Capital assets transferred from the City of Concord	398,446
Retirements of capital assets	(126,759)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	3,620,000
Capital appreciation bonds accretion	(716,751)
Repayment of leases payable principal is added back to fund balance	586,368

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Deferred revenue	196,441
Reserve for conditional grants	(48,137)
Interest payable	18,287
	18,287

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$1,136,131

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
 LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services			\$97,664	\$97,664
Use of money and property	\$100,000	\$100,000	180,758	80,758
Other	135,217	135,217	210,154	74,937
<b>Total Revenues</b>	<u>235,217</u>	<u>235,217</u>	<u>488,576</u>	<u>253,359</u>
<b>EXPENDITURES</b>				
General Government:				
Attorney	29,981	25,326	23,554	1,772
Community Development	1,605,723	1,610,378	1,593,079	17,299
<b>Total Expenditures</b>	<u>1,635,704</u>	<u>1,635,704</u>	<u>1,616,633</u>	<u>19,071</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	(143,771)	(143,771)	(143,771)	
Transfers in	2,289,616	2,289,616	2,328,880	39,264
<b>Total Other Financing Sources (Uses)</b>	<u>2,145,845</u>	<u>2,145,845</u>	<u>2,185,109</u>	<u>39,264</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$745,358</u>	<u>\$745,358</u>	1,057,052	<u>\$311,694</u>
Fund balance at beginning of year			<u>22,209,665</u>	
Fund balance, June 30			<u>\$23,266,717</u>	

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Component Unit Financial Statements

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The Redevelopment Agency of the City of Concord was formed in March 1973 for the purpose of renovating designated areas within the City limits. The City Council sits as the Governing Board of the Agency, which is a component unit of the City and is accounted for in separate funds established by the City. The Agency adopted the Redevelopment Plan in November 1974. The Plan established the Central Concord Redevelopment Project, which includes approximately 670 acres in the City's Central Business District.

The Agency's primary source of revenue is incremental property taxes, which are computed and allocated to the Agency in the following manner:

- a. The assessed valuation of all property within each Agency project area is determined and "frozen" for allocation purposes on the date of adoption of that project area's Redevelopment Plan by a designation of a fiscal year assessment roll.
- b. Increments in property taxes resulting from any increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all property taxes on the "frozen" assessed valuation of the property are allocated to the City and other districts receiving taxes from the project area.

The Agency has no power to levy or collect taxes. Any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay principal and interest on bonds or loans from the City and any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues available for this purpose.

**B. Basis of Presentation**

The Agency's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

The accompanying financial statements are presented on the basis set forth in Government Accounting Standards Board Statements No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-exchange Revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

These Statements require that the financial statements described below be presented.

**Government-wide Statements:** The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Component Unit Financial Statements

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the Agency's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all funds to be major funds.

**C. Major Funds**

GASB Statement 34 defines major funds and requires that the Agency's major governmental type funds be identified and presented separately in the Fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The Agency considers all funds to be major funds.

The Agency reported the following major governmental funds in the accompanying financial statements:

**LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND**

Established to account for tax increment allocations set aside for the purpose of increasing or improving the City's supply of low or moderate income housing.

**DEBT SERVICE FUND**

To account for the accumulation of property taxes for payment of interest and principal on the Redevelopment Agency tax allocation bonds issued in 1988 and 1993.

**GENERAL CAPITAL PROJECTS FUND**

This is the general operating fund of the Agency. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this Fund are property taxes, unrestricted revenues from the State, and interest income. Expenditures are made for program administration, pass-through payments, and other services not required to be accounted for in another fund.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
Notes to Component Unit Financial Statements

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

**POLICE FACILITIES LEASE REVENUE BONDS CAPITAL PROJECTS FUND**

To account for capital projects connected with Police Facilities funded by Police Facility lease revenue bonds issued in 1993 by the City.

**PARKING STRUCTURE LEASE REVENUE BONDS CAPITAL PROJECTS FUND**

To account for capital projects connected with the Parking Structure funded by Parking Structure lease revenue bonds issued in 2001 by the City.

**D. Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place, on these new government-wide financial statements.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Governmental fund expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures when they are paid. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds from general long-term debt and capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On an accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**E. Property Tax Increments**

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of Contra Costa levies, bills and collects property taxes for the Agency; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1, and February 1 and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the County, which retains all penalties.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Component Unit Financial Statements

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

**F. *Land Held for Redevelopment***

At June 30, 2003 the Agency held the following properties for resale or redevelopment:

- a) A parcel of land was purchased in fiscal year 2002 which is held to be used for the Town Center Project.
- b) One property purchased in fiscal year 2001 which is held for the purpose of constructing a new hotel in downtown Concord.
- c) Two parcels consisting of land and buildings purchased for redevelopment into an auto sales center in fiscal year 1999. These parcels are located within the "Concord Auto Mall" area. The Agency expects the remaining parcels to be sold in the near future.
- d) A parcel purchased in fiscal year 1989 which is to be sold in the future for development projects.
- e) Five properties purchased between 1982-1987 which are being held for future development projects.

These parcels are accounted for the lower of cost or net realizable value.

**G. *Condemnation Deposits***

The Agency had \$10,023 on deposit with the State of California and Contra Costa County as of June 30, 2003 to provide for the purchase of property located within the City of Concord which the Agency is attempting to acquire. The funds will be released to the property owner upon completion of the condemnation process.

**NOTE 2 - CASH AND INVESTMENTS**

**A. *Credit Risk, Carrying Amount and Market Value of Investments***

The Agency's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City and Agency pool cash from all sources and all funds except Cash with Fiscal Agents so that it can be safely invested at maximum yields, while individual funds can make expenditures at any time.

All investments are carried at fair value and as a general rule investment income is allocated among funds on the basis of average daily cash and investment balances in these funds. Interest income on certain investments is allocated based on the source of the investment and legal requirements which apply.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Component Unit Financial Statements

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The Agency invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to maximize security, the Agency employs the Trust Department of a bank as the custodian of all its investments, except those associated with debt issues regardless of their form.

The Agency categorizes its individual securities instruments in ascending order to reflect the relative risk of loss of these instruments. This risk is called Credit Risk, the lower the number, the lower the risk. The three levels of risk prescribed by generally accepted accounting principles are described below:

**Category 1** - Securities instruments in this category are in the Agency's name and are in the possession of the Trust Department of the bank employed by the Agency solely for this purpose. The Agency is the registered owner of securities held in book entry form by the bank's Trust Department.

**Category 2** - Securities instruments and book entry form securities in this category are in the bank's name as the Agency's agent, but are held by its Trust Department in the Agency's name.

**Category 3** - None of the Agency's investments are in this category, which would include only Agency - owned securities instruments or book entry form securities which were not in the Agency's name or which were not held by the bank's Trust Department.

**Pooled Investments** - Pooled investments are not categorized because of their pooled, rather than individual, nature.

Investments are carried at fair value and are categorized as follows at June 30:

<b>Securities Instruments (Category 1):</b>	
U.S. Government Securities	\$1,001,875
<b>Securities Instruments (Category 2):</b>	
U.S. Treasury Notes	10,331,927
<b>Pooled Investments (Non-categorized):</b>	
Money Market and Mutual Funds (U.S. Securities)	7,913,205
Local Agency Investment Fund	<u>14,121,484</u>
Total cash and investments	<u><u>\$33,368,491</u></u>

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of debt instruments or Agency agreements.

Cash and investments available for Agency operations	\$14,942,531
Cash with fiscal agents	<u>18,425,960</u>
Total Cash and Investments	<u><u>\$33,368,491</u></u>

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
Notes to Component Unit Financial Statements

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

The Agency must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the Agency fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. All these funds have been invested as permitted under the Code.

**B. *Authorized Investments***

The investment policy of the City and Agency, and the California Government Code, allow the Agency to invest in the following types of investments:

- Securities of the U.S. Government or its agencies
- Small Business Administration Loans
- Certificates of Deposit or Time Deposits placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Corporate Notes
- State of California Local Agency Investment Fund
- Repurchase Agreements
- Passbook Savings Accounts
- Reverse Repurchase Agreements
- Shares of beneficial interest issued by diversified management companies (mutual funds)

The Agency's investments are carried at fair value, as required by generally accepted accounting principles. The Agency adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency reports its investment in LAIF at the fair value amount provided by LAIF, which at June 30, 2003 was \$40,408 more than the Agency's cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

**NOTE 3 - LOANS AND NOTES RECEIVABLE**

The Agency engages in programs designed to encourage business enterprises, construction, improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to businesses, home-owners or developers who agree to spend these funds in accordance with the Agency's terms. Although these loans and notes are expected to be repaid in full, their balance has been offset by deferred revenue or a reservation of fund balance as they are not expected to be repaid during fiscal year 2003.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Component Unit Financial Statements

**NOTE 3 - LOANS AND NOTES RECEIVABLE (Continued)**

The loan programs the Agency is involved in are described below:

**Housing Assistance**

This program provides housing assistance to Concord residents through a variety of housing programs.

**Housing Conservation**

This program involves loans made to rehabilitate housing within the City of Concord which are funded by Community Development Block Grant and Redevelopment Agency monies.

**Low and Moderate Income Housing Rehabilitation**

Low and no interest loans are made by the Redevelopment Agency to provide for the rehabilitation of housing within the City of Concord owned and/or occupied by persons of low and moderate income. Included in these loans, a loan in the amount of \$161,910 has been made to a City employee for the rehabilitation of a residential property.

**Business Enterprise**

The Redevelopment Agency has entered into various Owner Participation Agreements with real property owners within the Redevelopment Area for the purpose of making property improvements to businesses.

The principal amount of Agency advances secured by housing and developer loans and notes receivable is offset by a reserve of fund balance and deferred revenue to indicate these amounts are not currently due and collectible. Interest accrued on these receivables is not recorded as income until it is received; instead it is recorded as deferred revenue.

**Conditional Grants**

The Agency entered into an Owner Participation Agreement in fiscal 2003 with a developer to develop a high-rise office project on a property. A loan was made to the developer and this loan provides for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The Agency accounts for these loans as conditional grants in the City-wide financial statements, and provides a reserve against their eventual forgiveness. The balance of this reserve was \$837,915 at June 30, 2003.

**NOTE 4 - EQUITY IN PARTNERSHIP**

The Salvio Grant Land Partnership was formed in 1985 as an equal partnership by the Redevelopment Agency and a local non-profit corporation to lease certain land for low income/elderly housing. The Heritage Building was constructed on that land by Plaza Towers Associates, which leases the land from the Partnership under a lease which terminates in 2040.

The Partnership had no debt at December 31, 2002; the Redevelopment Agency's equity in the Partnership's assets was \$801,030 at that date and its share of the Partnership's net income for the year then ended was \$80,696. The Agency made no monetary contributions to the partnership during the year. Financial statements for the Partnership can be obtained from the Concord Redevelopment Agency, 1950 Parkside Drive, Concord, CA 94519.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
Notes to Component Unit Financial Statements

**NOTE 5 – INTERFUND TRANSACTION**

**A. *Transfers Between Funds***

With Council approval, resources may be transferred from one Agency fund to another. The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund. In the fiscal year, the General Capital Projects Fund transferred \$2,328,880 to the Low and Moderate Income Housing Special Revenue Fund for the State required set-aside increment tax revenues and also transferred \$8,700,259 to the Debt Service Fund to fund debt service payments.

**B. *Long-Term Interfund Advance***

Beginning in 1986, the General Capital Projects Fund has been required by the State to set aside 20% of property tax increments for low and moderate income housing. However, under a transition rule, the General Capital Projects Fund has been allowed to use these set-asides for current capital projects as long as it had a written plan for repaying these amounts to the Low and Moderate Income Housing Special Revenue Fund. At June 30, 2003 the amount due that Fund under the repayment plan totaled \$9,495,937. The advance does not bear interest, and payment on the advance is expected to begin in fiscal 2009.

**C. *Transfers Between the City and the Agency***

Also with Board and Council approval, transfers are made between the City and the Agency to reimburse the fund which has made an expenditure on behalf of another fund. The Low and Moderate Income Housing Special Revenue Fund transferred \$143,771 to reimburse the City's General Fund for its share of overhead costs. The General Capital Projects Fund transferred \$1,596,692 to the City for its share of overhead costs and to fund the Joint Powers Financing Authority debt service. The Debt Service Fund transferred \$691,181 to fund the Joint Powers Financing Authority debt service. Transfers at the fund level in the amounts of \$1,432,413 are reported as debt service payments at the Agency-Wide level as mentioned in Note 7C below.

The City transferred \$31 to the Parking Structure Lease Revenue Capital Projects Fund to fund administrative costs. The City also transferred \$398,446 of capital assets to the Agency.

**D. *Long-Term Interfund Advance between the City and the Agency***

As of June 30, 2003, the City advanced the Agency \$1,060,220. The advance will be repaid from future increment tax revenues and from future developer fees collected from the Metroplex development. This advance bears no interest and payment is expected to begin in fiscal year 2005.

**NOTE 6 – CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

With the implementation of GASB Statement 34, capital assets formerly included in the General Fixed Asset Group of Accounts are also now recorded in the government-wide financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Component Unit Financial Statements

**NOTE 6 – CAPITAL ASSETS (Continued)**

GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the “modified approach” may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

Depreciation of capital fixed assets in service is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Agency has assigned 25-33 years for the useful lives of buildings and structures.

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

Capital asset transactions and balances comprise the following at June 30, 2003:

	Balance at June 30, 2002	Additions	Retirement	Transfers	Balance at June 30, 2003
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land	\$6,299,951				\$6,299,951
Construction in progress	11,319,348	\$563,191	(\$74,474)	(\$11,724,088)	83,977
Total capital assets not being depreciated	17,619,299	563,191	(74,474)	(11,724,088)	6,383,928
Capital assets being depreciated:					
Buildings and structures	18,237,247	346,161		11,724,088	30,307,496
Less: depreciation	(3,282,704)	(1,669,271)			(4,951,975)
Total capital assets being depreciated	14,954,543	(1,323,110)		11,724,088	25,355,521
Governmental activity capital assets, net	\$32,573,842	(\$759,919)	(\$74,474)		\$31,739,449

Construction in progress comprised the following at June 30, 2003:

	Total Project Authorization	Expended to Date At June 30, 2003
<i>Governmental activities:</i>		
CPTED Todos Santos Parking	\$380,000	\$78,868
Electronic Imaging Program	23,000	5,109
Total	\$403,000	\$83,977

Substantially all the project authorization amounts above are represented by signed contracts and have been recorded as encumbrances.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
Notes to Component Unit Financial Statements

**NOTE 7 – LONG-TERM DEBT**

**A. The Agency's long term debt activity and balances comprise:**

	Original Principal Amount	Balance as of July 1, 2002	Additions	Retirements	Balance as of June 30, 2003	Current Portion
<i>Governmental Activity:</i>						
<i>1988 Tax Allocation Bonds:</i>						
1988-2 Capital Appreciation Bonds, 7.2-7.95%, due 07/01/05	\$7,282,663	\$10,544,014	\$610,147	\$2,950,000	\$8,204,161	\$2,950,000
1988-2 Current Interest Term Bonds, 7.875%, due 07/01/07	6,130,000	6,130,000			6,130,000	
1988-2 Current Interest Term Bonds, 8%, due 07/01/18	47,575,000	975,000			975,000	
<i>1993 Tax Allocation Bonds:</i>						
<i>1993 Senior Bonds:</i>						
Current Interest Serial Bonds, 2.6-5.25%, due 07/01/06	3,405,000	255,000		45,000	210,000	50,000
Current Interest Term Bonds: Series 1, 5.25%, due 07/01/13	19,820,000	19,820,000			19,820,000	
Series 2, 5.25%, due 07/01/19	31,555,000	31,555,000			31,555,000	
Capital Appreciation Bonds, 5.7- 5.75%, due 07/01/08	1,103,675	1,843,961	106,604		1,950,565	
<i>1993 Subordinate Bonds:</i>						
Current Interest Serial Bonds, 3.5-5.75%, due 07/01/03	1,870,000	1,280,000		625,000	655,000	655,000
Term Bonds: Series 1, 5.75% due 07/01/10	5,785,000	5,785,000			5,785,000	
Series 2, 6%, due 07/01/19	11,790,000	11,790,000			11,790,000	
<b>Total Tax Allocation Bonds</b>		<u>89,977,975</u>	<u>716,751</u>	<u>3,620,000</u>	<u>87,074,726</u>	<u>3,655,000</u>
<i>Leases payable:</i>						
Police Facilities, 2.70- 5.25%, due 08/01/19	9,700,000	7,041,984		302,919	6,739,065	300,000
Parking Garage, 4.0-5.13% due 03/01/23	9,580,000	8,683,908		283,449	8,400,459	300,000
<b>Total Leases Payable</b>		<u>15,725,892</u>		<u>586,368</u>	<u>15,139,524</u>	<u>600,000</u>
<b>Total Governmental Activity Debt</b>		<u>\$105,703,867</u>	<u>\$716,751</u>	<u>\$4,206,368</u>	<u>\$102,214,250</u>	<u>\$4,255,000</u>

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Component Unit Financial Statements

**NOTE 7 - LONG-TERM DEBT (Continued)**

**B. Tax Allocation Bonds**

Tax Allocation Bonds were issued in 1988 and 1993 by the Agency. Interest payments on the TABs are payable semiannually on January 1 and July 1. The TABs are special obligations of the Agency and are secured by the Agency's tax increment revenues.

The Series 1988 TABs, consisting of \$20,895,000 of Current Interest Serial Bonds, \$63,245,000 of Current Interest Term Bonds, and \$7,282,663 of Capital Appreciation bonds, were issued May 25, 1988 in order to fund redevelopment projects in central Concord.

The outstanding balance of the Series 1988-2 Capital Appreciation Bonds increased \$610,147 during the fiscal year ended June 30, 2003 due to the increase in the accreted value; unaccreted discount totaled \$645,839 at June 30, 2003. Annual principal and interest payments commence July 1, 1999 and continue through July 1, 2005.

The 1993 TABs, consisting of \$55,883,675 of Senior Tax Allocation Bonds and \$22,775,000 of Subordinate Tax Allocation Bonds, were issued June 29, 1993 in order to defease a portion of the 1988 TABs and to fund \$5,547,375 of capital projects.

1993 Senior Capital Appreciation Bonds outstanding balance increased \$106,604 due to the increase in accreted value; unaccreted discount totaled \$629,435 at June 30, 2003. Principal and interest payments of \$60,000 and \$2,520,000 are due on July 1, 2007 and July 1, 2008, respectively.

In 1993 and 1988 the Agency defeased certain tax allocation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly the trust account assets and the liability for the defeased bonds are not included in the Agency's component unit financial statements. The remaining outstanding principal of defeased bonds at June 30, 2003 was \$56,140,000.

**C. Leases Payable**

The Agency constructed police facilities which are leased by the City from the Redevelopment Agency, however the Redevelopment Agency has agreed to reimburse the City for these lease payments. These lease payments are recorded as long-term liabilities on the Agency-wide Statement of Net Assets. As of June 30, 2003, the Agency owed the City in the amount of \$6,739,065, which includes an adjustment factor for anticipated interest earnings by the City.

The Agency is constructing a new three-level, 432-space parking structure which is to be leased by the City from the Authority. During fiscal year 2001 the Agency received a contribution in the amount of \$8,464,000 from debt issued by the City of Concord to fund the construction. The Redevelopment Agency has agreed to reimburse the City for these lease payments. These lease payments are recorded as long-term liabilities on the Agency-wide Statement of Net Assets. As of June 30, 2003, the Agency owed the City \$8,400,459, which includes an adjustment factor for anticipation interest earnings by the City.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**  
Notes to Component Unit Financial Statements

**NOTE 7 - LONG-TERM DEBT (Continued)**

**D. Repayment Requirements**

At June 30, 2003 annual principal and interest debt service requirements for the Tax Allocation Bonds and Leases Payable were as follows:

For the Year Ending June 30	Governmental Activities		
	Principal	Interest	Appreciation
2004	\$3,717,646	\$5,158,149	\$537,354
2005	3,974,463	5,090,873	340,537
2006	4,263,818	5,019,412	126,182
2007	4,326,524	4,836,536	133,476
2008	4,632,275	4,507,819	137,725
2009-2013	27,895,000	18,659,023	0
2014-2018	36,020,000	-10,258,394	0
2019-2023	17,384,524	1,377,420	0
Total	<u>\$102,214,250</u>	<u>\$54,907,626</u>	<u>\$1,275,274</u>

Principal debt service requirements reported above do not include the fully accreted value for the Tax Allocation Bonds due in each applicable year. Appreciation represents the accretion for those same Tax Allocation Bonds for each year.

**NOTE 8 – RISK MANAGEMENT**

The City is a member of the Contra Costa County Municipal Risk Management Insurance Authority. The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement which covers the City's component units, including the Agency:

Type of Coverage (Deductible)	Coverage Limits
Liability (\$100,000)	\$10,000,000
Worker's Compensation (\$400,000)	5,000,000
All Risk Fire & Property (\$5,000)	1,000,000,000
Boiler & Machinery (\$5,000)	100,000,000
Earthquake & Flood (\$100,000; \$250,000 for flood zones A and V)	25,000,000

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Component Unit Financial Statements

**NOTE 8 – RISK MANAGEMENT (Continued)**

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. The City accounts for all risk management costs in an internal services fund and charges the Agency for its proportionate share.

Audited financial statements can be obtained from Contra Costa County Municipal Risk Management Insurance Authority, 1911 San Miguel Drive #200, Walnut Creek, CA 94596.

The City is self-insured for auto-physical damage claims.

**NOTE 9 – NET ASSETS AND FUND BALANCES**

GASB Statement 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

**A. Net Assets**

Net Assets is the excess of all the Agency's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets as determined at the Government-wide level, and are described below:

*Invested in Capital Assets, net of related debt* describes the portion of Net Assets which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, redevelopment funds restricted to low and moderate income purposes.

*Unrestricted* describes the portion of Net Assets which is not restricted as to use.

**B. Reserves**

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The Agency cannot modify or remove these restrictions or reserves. At June 30, 2003, reserves included:

*Reserved for encumbrances* represents the portion of fund balance set aside for open purchase orders.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Component Unit Financial Statements

**NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)**

*Reserved for loans and notes receivable, advances, prepaid items, investment in partnership,* are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

*Reserved for land held for redevelopment* is the carrying value of property held by the Redevelopment Agency, which is reserved since it is not an available spendable resource.

*Reserved for debt service* is the portion of fund balance legally restricted to the payment of principal and interest on long term liabilities.

*Reserved for Low and Moderate Income Housing* is legally restricted to expenditure for low and moderate income housing under the California Health and Safety Code.

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

Members of the Redevelopment Agency  
of the City of Concord  
Concord, California

We have audited the financial statements of the Redevelopment Agency of the City of Concord as of and for the year ended June 30, 2003, and have issued our report thereon dated October 24, 2003. We have conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### *Compliance*

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

### *Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving internal control over financial reporting that we have reported to management of the Agency in a separate letter dated, October 24, 2003.

This report is intended for the information of the Agency Board, management and the State Controller. However, this report is a matter of public record and its distribution is not limited.

*Maze & Associates*

October 24, 2003

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