

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

FOR THE YEAR ENDED JUNE 30, 2002

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**REDEVELOPMENT AGENCY
OF THE CITY OF CONCORD
Component Unit Financial Statements
For the Year Ended June 30, 2002**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying component unit financial statements of the Redevelopment Agency of the City of Concord, a component unit of the City of Concord, as of and for the year ended June 30, 2002, 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 component unit financial statements referred to above present fairly in all material respects the financial position of the Redevelopment Agency of the City of Concord as of June 30, 2002 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

The component unit financial statements referred to above follow the requirements of 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*, as discussed in Note 1 to the Component Unit Financial Statements.

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

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic statements of the Redevelopment Agency of the City of Concord. Such information has been subjected to the auditing procedures applied in our audit of the government-wide and fund financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 8, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal 2002 is the first 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 this 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 Agency was affected by the weakness in the economy in Northern California in 2002, but not seriously, as revenues grew in total for the year. While expenses grew more rapidly, they did not exceed revenues in fiscal 2002. The Agency's financial highlights are presented below:

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 only to the extent the City may condemn property as prescribed by the law, and it may incur indebtedness to finance 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). The increases are called Property Tax Increments. One-fifth of the property tax increments received must be used to increase the supply of low and moderate income housing.

FISCAL 2002 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

Agency-wide:

- Total Agency revenues were \$15.1 million, including \$14.1 million in general revenues and \$1.0 million in program revenues.
- Total Agency expenses were \$14.6 million.
- The Agency's net deficit was \$14.1 million at June 30, 2002, an improvement of \$501 thousand over the prior year.

Fund Basis:

- Total revenues at the Fund level were \$14.7 million.
- Total expenditures were \$20.0 million, including \$6.7 million in capital outlays.
- Net transfers out to the City were \$1.9 million.
- Fund balances declined \$7.2 million in fiscal 2002, to a new total of \$58.9 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 \$14.1 million in 2002 from a deficit of \$14.6 million in 2001. This decrease is the Change in Net Assets (Deficit) reflected in the Statement of Activities. The Agency's June 30, 2002 net deficit is explained below:

- Cash and investments available for the Agency's operations were \$17.9 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 \$18.2 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 \$15.0 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 holding for resale or redevelopment as discussed in Note 1F.
- Capital assets were \$32.6 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 \$.7 million 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 \$105.7 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 \$1.0 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 only the investment in capital assets recorded in the financial statements at June 30, 2002. This amount is a deficit of \$72.4 million because much of the Agency's debt was issued to finance infrastructure expenditures that have not yet been recoded as capital assets, as discussed below.
- Restricted net assets were \$28.5 million, including \$17.5 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 \$29.9 million at June 30, 2002.

Fiscal Year 2002 Government Activities

The Agency's fiscal 2002 revenue came primarily from property tax increments, which amounted to \$11.5 million, an increase of \$854 thousand over the prior year. This increase stemmed from an increase in the selling prices of properties in the Agency's project area, which resulted in higher assessed values. Investment earnings contributed an additional \$2.4 million in fiscal 2002, a decrease of \$1.0 million from the prior year. This decrease resulted from the \$9.4 million decline in cash balances in fiscal 2002.

Agency expenses of \$14.6 million in fiscal 2002 were principally for development purposes, which totaled \$6.5 million, and interest on long term debt, which amounted to \$6.2 million. The Agency also transferred \$1.9 million to the City of Concord, which it accounts for as an expense.

At June 30, 2002, the Agency's governmental funds reported combined fund balances of \$58.9 million, which is a reduction of \$7.2 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, which also produces the majority of its charges for services. Revenues are then transferred to other funds for debt service and low-and-moderate-income housing purposes. Tax increment revenues were \$11.5 million in fiscal 2002, an \$854 thousand, or 8% increase over the prior year. Charges for services were \$.7 million; almost all of these revenues were new in fiscal 2002, and were earned from the Legacy Partners for the reimbursement of relocation expenses for the development. The Fund's expenditures were primarily for planning and economic development, amounting to \$3.6 million in fiscal 2002, while capital outlay amounted to \$.6 million. The fund transferred \$10.2 million to the funds below and \$1.8 million to the City in fiscal 2002. Fund balance declined \$2.6 million in fiscal 2002. In fiscal 2001, the City of Concord contributed \$8.5 million to the Fund for the construction of the parking structure as discussed in Note 7C; there was no similar contribution in fiscal 2002.

The Low and Moderate Income Housing Fund received \$2.2 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 \$.2 million in investment income in fiscal 2002, up slightly from the prior year, and expended \$1.4 million on the development of low-and-moderate-income housing and \$.4 million 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 \$15.8 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.

The Debt Service Fund received transfers of \$7.9 million from the General Capital Projects Fund. These transfers, together with \$.4 million in investment income, funded debt service expenditures totaling \$8.0 million in fiscal 2002.

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

The Parking Structure Lease Revenue Capital Projects Fund activity comprised capital outlays of \$5.6 million, or all but \$.7 million of the Fund's remaining balance. The Parking Structure was nearly completed 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 \$32.6 million at June 30, 2002 represent land, construction in progress, and buildings and structures. The principal items under construction in fiscal 2002 were the Todos Santos Parking Center, bordered by Concord Avenue, Pacheco Street, Mt. Diablo Street and Salvio Street, on which \$9.9 million had been expended, and the Police Facility Radio Equipment System, on which \$1.3 million had been expended at June 30, 2002. 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, 2002, 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.

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, 2002

	Governmental Activities
ASSETS:	
Cash and investments (Note 2)	\$17,856,012
Cash with fiscal agents (Note 2)	18,186,919
Accounts receivable	276,873
Interest receivable	161,998
Loans and notes receivable, net of reserves (Note 3)	14,969,785
Prepaid	25,881
Deferred receivables	174,177
Land held for redevelopment (Note 1F)	10,968,630
Condemnation deposits (Note 1G)	10,023
Equity in partnership (Note 4)	720,334
Capital Assets, net of depreciation (Note 6)	32,573,842
	Total assets
	95,924,474
LIABILITIES:	
Accounts, deposits and contracts payable	243,544
Accrued liabilities	894,702
Accrued payroll	14,753
Refundable deposits	35,458
Bonds interest payable	2,191,092
Advance from the City of Concord (Note 5D)	963,955
Long-term debt (Note 7)	
Due in one year	4,195,000
Due in more than one year	101,508,867
	Total liabilities
	110,047,371
NET ASSETS (DEFICIT) (Note 9)	
Invested in capital assets, net of related debt	(72,443,705)
Restricted for:	
Debt service	17,495,732
Community development projects	10,968,630
	Total restricted net assets
	28,464,362
Unrestricted net assets	29,856,446
	Total net assets (deficit)
	(\$14,122,897)

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Assets
					Total
Governmental Activities:					
General Government	\$38,157				(\$38,157)
Community Development	1,438,615	\$16,640	\$311,421		(1,110,554)
Planning and Economic Development	4,822,750			\$697,472	(4,125,278)
Public safety	183,976				(183,976)
Interest on long term debt	6,213,422				(6,213,422)
Transfers to the City of Concord	1,888,002				(1,888,002)
Total Governmental Activities	<u>\$14,584,922</u>	<u>\$16,640</u>	<u>\$311,421</u>	<u>\$697,472</u>	<u>(13,559,389)</u>
General revenues:					
Incremental property taxes					11,458,517
Investment earnings					2,434,786
Other					119,899
Transfers from the City of Concord					47,120
Total general revenues and transfers					<u>14,060,322</u>
Change in Net Assets (Deficit)					500,933
Net Assets (Deficit)-Beginning					<u>(14,623,830)</u>
Net assets (Deficit)-Ending					<u><u>(\$14,122,897)</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, 2002

	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
ASSETS:						
Cash and investments (Note 2)	\$2,337,488		\$15,454,770	\$63,754		\$17,856,012
Cash with fiscal agents (Note 2)		\$17,500,599			\$686,320	18,186,919
Accounts receivable	1,703		275,170			276,873
Interest receivable	10,183		151,815			161,998
Deferred receivables			174,177			174,177
Loans and notes receivable (Note 3)	12,219,290		3,540,273			15,759,563
Advance to other funds (Note 5B)	9,495,937					9,495,937
Prepaid items	1,311		24,570			25,881
Land held for redevelopment (Note 1F)			10,968,630			10,968,630
Condemnation deposits (Note 1G)			10,023			10,023
Equity in partnership (Note 4)			720,334			720,334
Total Assets	\$24,065,912	\$17,500,599	\$31,319,762	\$63,754	\$686,320	\$73,636,347
LIABILITIES:						
Accounts, deposits and contracts payable	\$74,833	\$4,867	\$163,844			\$243,544
Accrued liabilities	894,702					894,702
Accrued payroll	2,302		12,451			14,753
Refundable deposits			35,458			35,458
Deferred revenue	884,410		2,219,759			3,104,169
Advance from the City of Concord (Note 5D)			963,955			963,955
Advance from other funds (Note 5B)			9,495,937			9,495,937
Total Liabilities	1,856,247	4,867	12,891,404			14,752,518
FUND BALANCES						
Fund balances (Note 9)						
Reserved for:						
Encumbrances	56,265		324,421	\$6,746		387,432
Loans and notes	11,334,880		1,320,514			12,655,394
Advance to other funds	9,495,937					9,495,937
Prepaid items	1,311		24,570			25,881
Land held for redevelopment			10,968,630			10,968,630
Investment in partnership			720,334			720,334
Debt service		17,495,732				17,495,732
Low and moderate income housing	1,321,272					1,321,272
Unreserved:						
Designated for:						
Capital projects			4,802,543	57,008	\$686,320	5,545,871
Community development						
Unrealized increase in fair value of investments			267,346			267,346
TOTAL FUND BALANCES	22,209,665	17,495,732	18,428,358	63,754	686,320	58,883,829
Total Liabilities and Fund Balances	\$24,065,912	\$17,500,599	\$31,319,762	\$63,754	\$686,320	

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.		32,573,842
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.		3,104,169
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		(789,778)
Long-term debt		(105,703,867)
Interest payable		(2,191,092)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		(\$14,122,897)

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, 2002

	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
REVENUES						
Incremental property taxes			\$11,458,517			\$11,458,517
Charges for services	\$16,640		697,472			714,112
Investment earnings	211,617	\$434,413	1,640,560	\$3,078	\$145,118	2,434,786
Other	46,943		72,956			119,899
Total Revenues	275,200	434,413	13,869,505	3,078	145,118	14,727,314
EXPENDITURES						
General Government	28,496		9,661			38,157
Community Development	1,438,615					1,438,615
Planning and Economic Development			3,606,617			3,606,617
Public safety			183,976			183,976
Capital Outlay	432,578		633,447	7,451	5,618,783	6,692,259
Debt service:						
Principal		3,580,000				3,580,000
Interest		4,421,029				4,421,029
Total Expenditures	1,899,689	8,001,029	4,433,701	7,451	5,618,783	19,960,653
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,624,489)	(7,566,616)	9,435,804	(4,373)	(5,473,665)	(5,233,339)
OTHER FINANCING SOURCES (USES)						
Transfers from the City (Note 5C)					47,120	47,120
Transfers to the City (Note 5C)	(138,241)		(1,847,740)			(1,985,981)
Transfers in (Note 5A)	2,230,871	7,925,789				10,156,660
Transfers (out) (Note 5A)			(10,156,660)			(10,156,660)
Total Other Financing Sources (Uses)	2,092,630	7,925,789	(12,004,400)		47,120	(1,938,861)
NET CHANGE IN FUND BALANCES	468,141	359,173	(2,568,596)	(4,373)	(5,426,545)	(7,172,200)
Fund balances at beginning of period, as restated (Note 9C)	21,741,524	17,136,559	20,996,954	68,127	6,112,865	66,056,029
FUND BALANCES AT END OF PERIOD	\$22,209,665	\$17,495,732	\$18,428,358	\$63,754	\$686,320	\$58,883,829

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, 2002

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 (\$7,172,200)

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	5,715,059
Depreciation expense is deducted from the fund balance	(547,117)
Retirements of capital assets	(897,051)

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	3,580,000
Capital appreciation bonds accretion	(880,227)
Repayment of leases payable principal is added back to fund balance	304,910
Accrued interest on leases payable	(158,713)

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	1,329,234
Reserve for conditional grants	(789,778)
Interest payable	16,816

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$500,933
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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, 2002

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services			\$16,640	\$16,640
Use of money and property	\$200,000	\$200,000	211,617	11,617
Other			46,943	46,943
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>275,200</u>	<u>75,200</u>
EXPENDITURES				
General Government:				
Attorney	22,604	22,604	28,496	(5,892)
Community Development	1,310,462	1,448,703	1,438,615	10,088
Capital Outlay	432,578	432,578	432,578	
Total Expenditures	<u>1,765,644</u>	<u>1,903,885</u>	<u>1,899,689</u>	<u>4,196</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)		(138,241)	(138,241)	
Transfers in	2,080,047	2,080,047	2,230,871	150,824
Total Other Financing Sources (Uses)	<u>2,080,047</u>	<u>1,941,806</u>	<u>2,092,630</u>	<u>150,824</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	<u>\$514,403</u>	<u>\$237,921</u>	468,141	<u>\$230,220</u>
Fund balance at beginning of year			<u>21,741,524</u>	
Fund balance, June 30			<u>\$22,209,665</u>	

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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, 2002 the Agency held the following properties for resale or redevelopment:

- a) A parcel of land was purchased in current fiscal year 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. 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 1999 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, 2002 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:

Securities Instruments (Category 1):	
U.S. Government Securities	\$3,050,938
Corporate Notes	3,078,280
Securities Instruments (Category 2):	
U.S. Treasury Notes	10,241,016
Pooled Investments (Non-categorized):	
Mutual Funds (U.S. Securities)	7,259,629
Local Agency Investment Fund	<u>12,413,068</u>
Total cash and investments	<u><u>\$36,042,931</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 City debt instruments or Agency agreements.

Cash and investments available for Agency operations	\$17,856,012
Cash with fiscal agents	<u>18,186,919</u>
Total Cash and Investments	<u><u>\$36,042,931</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, 2002 was \$32,056 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.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD

Notes to Component Unit Financial Statements

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 2002. These receivables bear interest at rates from zero to eight and one half percent and are due as follows:

<u>Year ending June 30</u>	<u>Notes and Loans</u>
2003	\$2,541,861
2004	135,839
2005	742,312
2006	-0-
2007	315,700
2008-2030	<u>12,023,851</u>
Total - Governmental Funds	<u>15,759,563</u>
Less Reserve for Conditional Grants	<u>789,778</u>
Total - Agency-Wide	<u><u>\$14,969,785</u></u>

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 \$177,515 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.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD

Notes to Component Unit Financial Statements

NOTE 3 - LOANS AND NOTES RECEIVABLE (Continued)

Conditional Grants

The Agency entered into an Owner Participation Agreement in fiscal 2002 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.

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, 2001; the Redevelopment Agency's equity in the Partnership's assets was \$720,334 at that date and its share of the Partnership's net income for the year then ended was \$72,765. 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.

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 \$2,230,871 to the Low and Moderate Income Housing Special Revenue Fund for the State required set-aside increment tax revenues and also transferred \$7,925,789 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, 2002 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.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD

Notes to Component Unit Financial Statements

NOTE 5 – INTERFUND TRANSACTION (Continued)

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 \$138,241 to reimburse the City's General Fund for its share of overhead costs. The General Capital Projects Fund transferred \$1,847,740 to the City for its share of overhead costs and to fund the Joint Powers Financing Authority debt service. Transfers at the fund level in the amounts of \$1,075,179 are reported as debt service payments at the Agency-Wide level as mentioned in Note 7C below. Capital outlay of \$977,200 at the fund level are reported as transfers to the City to fund the City's capital projects on the Statement of Activities.

The City transferred \$47,120 to the Parking Structure Lease Revenue Capital Projects Fund to fund capital projects.

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

As of June 30, 2002, the City advanced the Agency \$963,955. The advance will be repaid from future increment tax revenues and from future developer fees collected from Metroplex the development. This advance bears no interest.

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.

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.

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD

Notes to Component Unit Financial Statements

NOTE 6 – CAPITAL ASSETS (Continued)

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, 2002:

	Balance at June 30, 2001 (as restated)	Additions	Retirement	Balance at June 30, 2002
Governmental activities				
Capital assets not being depreciated:				
Land	\$6,299,951			\$6,299,951
Construction in progress	6,501,340	\$5,715,059	(\$897,051)	11,319,348
Total capital assets not being depreciated	<u>12,801,291</u>	<u>5,715,059</u>	<u>(897,051)</u>	<u>17,619,299</u>
Capital assets being depreciated:				
Buildings and structures	18,237,247			18,237,247
Less: depreciation	(2,735,587)	(547,117)		(3,282,704)
Total capital assets being depreciated	<u>15,501,660</u>	<u>(547,117)</u>		<u>14,954,543</u>
Governmental activity capital assets, net	<u>\$28,302,951</u>	<u>\$5,167,942</u>	<u>(\$897,051)</u>	<u>\$32,573,842</u>

Construction in progress comprised the following at June 30, 2002:

	Total Project Authorization	Expended to Date At June 30, 2002
Governmental activities:		
Concord Avenue Parking Structure	\$10,270,600	\$9,851,296
Police Facility Radio Equipment System	1,343,146	1,341,293
Library Expansion	279,258	126,759
Total	<u>\$11,893,004</u>	<u>\$11,319,348</u>

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, 2001 (as restated)	Additions	Retirements	Balance as of June 30, 2002	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	\$12,714,565	\$779,449	\$2,950,000	\$10,544,014	\$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	295,000		40,000	255,000	45,000
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	1,743,183	100,778		1,843,961	
<i>1993 Subordinate Bonds:</i>						
Current Interest Serial Bonds, 3.5-5.75%, due 07/01/03	1,870,000	1,870,000		590,000	1,280,000	625,000
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	
Total Tax Allocation Bonds		<u>92,677,748</u>	<u>880,227</u>	<u>3,580,000</u>	<u>89,977,975</u>	<u>3,620,000</u>
<i>Leases payable:</i>						
Police Facilities, 2.70- 5.25%, due 08/01/19	9,700,000	7,346,894		304,910	7,041,984	285,000
Parking Garage, 4.0-5.13% due 03/01/23	9,580,000	8,525,195	158,713		8,683,908	290,000
Total Leases Payable		<u>15,872,089</u>	<u>158,713</u>	<u>304,910</u>	<u>15,725,892</u>	<u>575,000</u>
Total Governmental Activity Debt		<u><u>\$108,549,837</u></u>	<u><u>\$1,038,940</u></u>	<u><u>\$3,884,910</u></u>	<u><u>\$105,703,867</u></u>	<u><u>\$4,195,000</u></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 \$779,449 during the fiscal year ended June 30, 2002 due to the increase in the accreted value; unaccreted discount totaled \$1,255,986 at June 30, 2002. 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 \$100,778 due to the increase in accreted value; unaccreted discount totaled \$736,039 at June 30, 2002. 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, 2002 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, 2002, the Agency owed the City in the amount of \$7,041,984, 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, 2002, the Agency owed the City \$8,683,908, 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, 2002 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
2003	\$4,195,000	\$5,221,158	\$716,751
2004	4,255,000	5,158,149	537,354
2005	4,315,000	5,090,873	340,537
2006	4,390,000	5,019,412	126,182
2007	4,460,000	4,836,536	133,476
2008-2012	26,515,000	20,028,719	137,725
2013-2017	34,190,000	12,136,336	
2018-2022	24,670,892	2,601,469	
2023	705,000	36,132	
Total	\$107,695,892	\$60,128,784	\$1,992,025

Principal debt service requirements reported above 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)	\$15,000,000
Worker's Compensation (\$350,000)	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, 2002, 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.

C. Restatement

During fiscal year 2002 the Agency implemented GASB 34 and reviewed its capital assets and long-term debt related to its transactions with the City for the Police Facilities and Parking Garage projects. As a result of the review, capital assets and long term liabilities have been restated in the amounts of \$28,302,951 and \$15,872,089, respectively, to reflect the Agency's ownership of these projects.

As of July 1, 2001 the Agency removed an advance of \$9,495,937 recorded in the General Long-Term Obligations Account Group and recorded it in the General Capital Projects Fund. The effect of this change was to eliminate liabilities of \$9,495,937 in the General Long-Term Obligations Account Group, and record the liability and a reduction of fund balances of \$9,495,937 in the General Capital Projects Fund.

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**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, 2002, and have issued our report thereon dated November 8, 2002. 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 November 8, 2002.

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

November 8, 2002

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