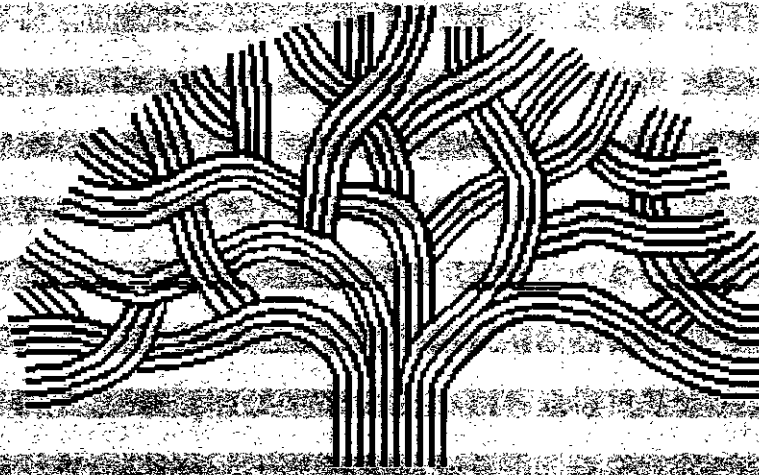


**REDEVELOPMENT AGENCY**

of the

**CITY OF OAKLAND**

**(A BLENDED COMPONENT UNIT OF THE CITY OF OAKLAND)**



**Basic Financial Statements  
and  
Supplementary Information**

**Fiscal Year Ended June 30, 2003**

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
FINANCIAL REPORT**

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*Finance and Management Agency*

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**AUDIT/FINANCIAL STATEMENT COORDINATOR**

*Ace Tago, Acting Assistant Controller*

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*Novette G. Flores, Administrative Assistant*

**SPECIAL ASSISTANCE**

Katano Kasaine

Kathleen Larson

Donna Treglown

**SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES**

City Manager's Office

City Attorney's Office

FMA-Treasury Division

Community & Economic Development Agency

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
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**June 30, 2003**

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Redevelopment Agency  
of the City of Oakland, California:

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

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2003, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

*Macias, Gini & Company LLP*  
Certified Public Accountants

Walnut Creek, California  
December 22, 2003

*Williams, Alley & Company, LLP*  
Certified Public Accountants

Oakland, California  
December 22, 2003

**Redevelopment Agency of the City of Oakland**  
**Schedule of Findings**  
**June 30, 2003**

**Finding No. 03-3: State Redevelopment Agency Compliance Requirements – Affordable Housing (Housing Assistance)**

Pursuant to Section 33413(b) of the California Health & Safety Code, the Agency is required to (within ten years) produce additional affordable housing units over the duration of the project area plan (for project areas created or expanded after 1975).

The requirement applies to all new residential construction, substantially rehabilitated multi-family units, and agency-assisted substantially rehabilitated single-family units made available within a given redevelopment project area. The requirement is 30 percent for agency-developed units (assisted with non-housing fund monies) and 15 percent for non-agency developed units. Furthermore, 50% of agency-developed units must be set-aside for very low-income households, while 40% of non-agency developed units must be set-aside for very low-income households.

We were unable to determine how many units of affordable housing the Agency was required to produce for the year ended June 30, 2003, because the Agency does not have a system to track related construction and rehabilitation.

**Recommendation**

We recommend that the Agency develop a system to track the construction and rehabilitation of all new residential construction, substantially rehabilitated multi-family units and agency assisted substantially rehabilitated single family units as defined at Section 33413(b) of the California Health & Safety Code. This may be achieved by monitoring building permits or other evidence of construction in a given project area.

**Management's Response**

The City's building permit tracking system does not accurately track the above housing reporting requirements due to technical deficiencies in the system's data gathering capabilities based on dwelling types and geographical parameters. Management agrees with the finding and plans on reviewing its current system to ascertain what modifications and resources are needed in order to meet the Oakland Redevelopment Agency's reporting requirements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Redevelopment Agency of the City of Oakland ("Agency") Annual Financial Report presents a narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with the additional information contained in the Agency's financial statements and related footnotes.

### FINANCIAL HIGHLIGHTS

- The Agency's total fund balance was \$222,915,921 at June 30, 2003, a 48% increase compared to the prior fiscal year. Fund balance consisted of Reserved for Property Held for Resale of \$71,924,690, Reserved for Approved Capital Projects/Activities of \$148,999,705, and Unreserved amount for \$1,991,526.
- For the fiscal year ended June 30, 2003, the Agency's revenues for governmental funds were \$69,518,080 compared to \$62,596,147 for the prior fiscal year, an increase of 11%. The revenues consists of the following: Tax Increment of \$48,435,895; Interest on Pooled Cash and Investments of \$3,817,452; Rents and Reimbursements of \$6,503,639, Gain from Sale of Land of \$6,867,024, and Other Income of \$3,894,070, which consists primarily of loan repayments.
- The Agency's total spending program for the fiscal year ended June 30, 2003 was \$57,518,050, of which \$43,879,024 was for redevelopment and housing projects, and \$13,639,026 was for debt service payments and costs of issuance for the Central District Subordinated Tax Allocation Bonds, Series 2003 and Coliseum Area Tax Allocation Bonds, Series 2003. Total spending represents an increase of 25% compared to the prior fiscal year.
- During the year, the Agency issued loans for \$10,446,170 for the Affordable Housing Program and \$4,765,060 for project developments. The Agency received loan repayments of \$2,307,184, offset by the increase in allowance for uncollectible accounts in small business loans for \$292,982.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to introduce the Agency's basic financial statements. The Agency's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, using the accrual basis of accounting, in a manner similar to the financial statements for a private-sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported on the accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes.

The government-wide financial statements distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Agency include general community and economic development. The Agency does not engage in any business-type activities.

The government-wide financial statements include the operations of the various redevelopment areas and low and moderate housing program.

**Fund financial statements.** The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Agency's basic operations are reported in governmental funds. However, unlike the government-wide financial statements, governmental fund financial statements follow the modified accrual basis of accounting and focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund



statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the Central District Fund, Coliseum Fund, Low and Moderate Housing Fund, and the Tax Allocation Debt Fund, all of which are considered to be major funds. Data from the remaining funds are combined in a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements immediately following the notes to the basic financial statements in this report.

**Notes to the basic financial statements.** The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-34 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, the combining statements referred to earlier in connection with other nonmajor governmental funds are presented immediately following the footnotes.

### Government-wide Financial Analysis

The Agency's financial statements are presented under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements-and Management's Discussion and Analysis (MD&A) – for State and Local Governments. All of the Agency's activities are governmental; therefore, business-type activities are not reported.

#### Net Assets Governmental Activities

	June 30	
	2003	2002
Current and other assets	\$ 221,918,932	\$ 179,035,436
Property held for resale	<u>71,924,690</u>	<u>66,774,622</u>
Total assets	<u>293,843,622</u>	<u>245,810,058</u>
Long-term liabilities	302,103,779	266,941,051
Other liabilities	<u>12,429,935</u>	<u>11,559,129</u>
Total liabilities	<u>314,533,714</u>	<u>278,500,180</u>
<b>Net assets (deficit)</b>		
Restricted for:		
Urban redevelopment and housing	238,187,429	72,611,900
Unrestricted (deficit)	<u>(258,877,521)</u>	<u>(152,523,051)</u>
Total net deficit	<u>\$ (20,690,092)</u>	<u>\$ (32,690,122)</u>

## Analysis of Net Assets

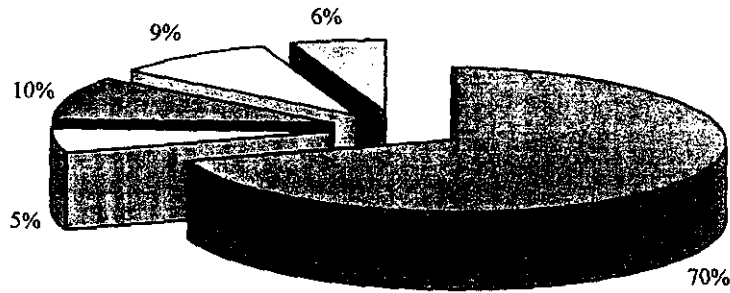
Net assets may serve over time as a useful indicator of an agency's financial position. In the case of the Agency, liabilities exceeded assets by \$(20,690,092) at the close of the most recent fiscal year.

As of the end of the fiscal year, the Agency had restricted net assets of \$238,187,429. These are comprised of an investment of \$71,924,690 in Community Development (Property held for resale). The Agency uses Property Held for Resale to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Agency's net assets represents resources that are subject to external restrictions on how they may be used; \$108,757,784 restricted for urban redevelopment projects and \$57,504,955 restricted for low and moderate housing. Also, the Agency had a deficit in unrestricted net assets of (\$258,877,521).

**Governmental activities.** Governmental activities decreased the Agency's net deficit by 37% (\$20,690,092) compared to the prior fiscal year net deficit as restated of (\$32,690,122). Key elements of this decrease are as follows:

	June 30	
	2003	2002
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 6,503,639	\$ 6,048,692
General revenues:		
Property tax increment	48,435,895	41,315,359
Investment income	3,817,452	7,448,396
Gain on sale of land	6,867,024	3,619,978
Other	<u>3,894,070</u>	<u>4,163,722</u>
Total revenues	<u>69,518,080</u>	<u>62,596,147</u>
<b>Expenses:</b>		
Urban redevelopment and housing	43,879,024	32,923,676
Interest on long-term debt	<u>13,639,026</u>	<u>12,120,642</u>
Total expenses	<u>57,518,050</u>	<u>45,044,318</u>
Increase (decrease) in net assets	12,000,030	17,551,829
Net deficit beginning of year (as restated)	<u>(32,690,122)</u>	<u>(50,241,951)</u>
Net deficit end of year	<u>\$ (20,690,092)</u>	<u>\$ (32,690,122)</u>

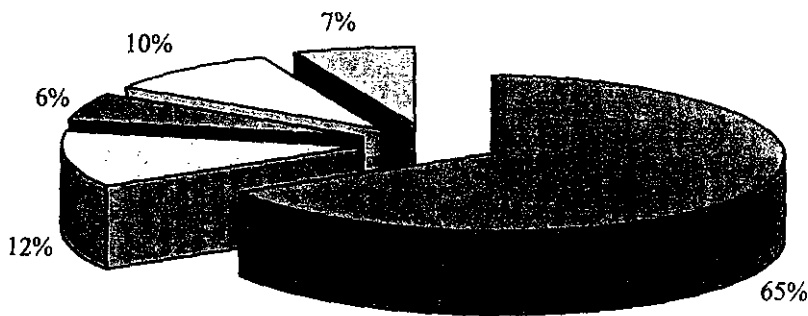
**Redevelopment Agency of Oakland  
Sources of Revenue  
For FY 2002-03**



- Property Tax Increment
- Investment income
- Proceeds from sale of land
- Charges For Services
- Loan repayment and Reimbursements

**Total Revenues \$69,518,080**

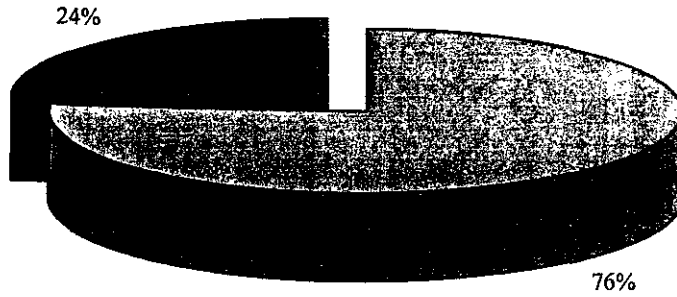
**Redevelopment Agency of Oakland  
Sources of Revenue  
For FY 2001-02**



- Property Tax Increment
- Investment income
- Proceeds from sale of land
- Charges For Services
- Loan repayment and Reimbursements

**Total Revenues \$62,596,147**

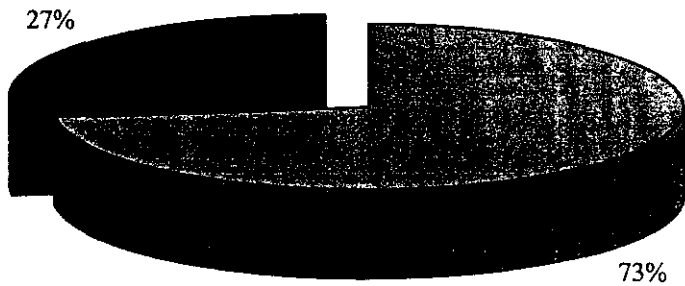
**Redevelopment Agency of Oakland  
Functional Expenses  
For FY 2002-03**



- Urban redevelopment and housing
- Interest on long term debt

**Total Expenditures \$57,518,050**

**Redevelopment Agency of Oakland  
Functional Expenses  
For FY 2001-02**



- Urban redevelopment and housing
- Interest on long term debt

**Total Expenditures \$45,044,318**

**Analysis of Changes in Net Assets.** The revenues in governmental activities for the Agency exceeded expenses by \$12,000,030 for the fiscal year ended June 30, 2003. This represents a decrease in net assets of 32% compared to the fiscal year ended June 30, 2002, as restated. See Note 11 for further details.

The charts in the preceding pages illustrate the proportional distribution of revenues by source and expenses by function compared to the previous year. Revenues totaled \$69,518,080 while expenditures totaled \$57,518,050 for the fiscal year ended June 30, 2003 compared to \$62,596,147 and \$45,044,318 respectively for the fiscal year ended June 30, 2002.

Revenues improved over the previous fiscal year by \$6.9 million or 11%. Property tax increment revenues account for the majority of the increase due to strong growth in net valuation as a result of solid improvements in redevelopment activities. Investment income and other revenues both dropped by 34% due to lower rates of return fueled by economic slowdown. Gain on the sale of land increased by 90% due to sale by the Agency of two prime properties in downtown Oakland.

Government wide expenditures increased by \$12.5 million or 28% primarily attributable to the increase in urban redevelopment and housing activities and the bond interest and issuance costs resulting from the defeasance of certain tax allocation bonds.

### **Financial Analysis of the Government's Funds**

The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus on the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Agency include Capital Projects and Debt Service.

As of June 30, 2003, the Agency's governmental funds reported combined ending fund balances of \$222,915,921, a net increase of 22% or \$39,827,185 compared to the prior year's fund balances (as restated, see Note 12 for further details). The net increase is represented by: (1) a 17% (\$7.1 million) increase in property tax increment collections attributed to improved property valuations in the redevelopment project areas; (2) a one-time increase of 90% (\$3.2 million) from a gain on the sale of Agency land; and (3) an infusion of \$25,000,000 in new capital project funds as a result of refunding certain Agency tax allocations bond issues. The combined fund balances of \$222,915,921 is distributed as follows: 61% for the Central District Project area; 14% for the Low Moderate Housing Project area; 14% for the Coliseum Project area; 11% for other Redevelopment Project areas; and .5% for Debt Service.

## Budgetary Data

Meaningful Agency budgetary data are not presented in the financial statements for capital projects and debt service funds because budgetary allocations are fiscal year specific while Agency project implementation may involve several fiscal years to complete.

## Capital Assets and Debt Administration

**Capital assets.** The Agency does not have any Capital Assets.

**Long-term debt.** At June 30, 2003, the Agency had total long-term debt outstanding of \$302,103,779, an increase of 14% over the previous fiscal year. The increase was primarily due to the refunding of the tax allocation bonds for the Central District in the principal amount of \$120,605,000 and the Coliseum project area in the amount of \$23,085,000. The refunding was to defease certain bond issues outstanding, to provide financing for the acquisition and construction of projects in these two redevelopment areas, to fund a debt service account, and to pay for bond issuance costs.

## Bond Ratings

The Agency's bond ratings at June 30, 2003 are as follows:

	<u>Insured By</u>	<u>Rating</u>	<u>Balance Outstanding</u>
Tax allocation*	FGIC/MBIA/AMBAC	AAA/Aaa/A-	\$ 206,835,000
Housing set-aside revenue bonds	MBIA	AAA/AAA/Aaa	39,395,000
General obligation bonds	Not rated by Agency		<u>430,000</u>
Total			<u>\$ 246,660,000</u>

\*Coliseum Area Redevelopment Tax Allocation Bonds Series 2003 totaling \$23,085,000 are not insured because the issue carries an A rating and insurance costs would have increased the cost of issuance significantly. All ratings were done by Fitch, Standard & Poor's and Moody's Investors Service.

Long-term liability activity for the year ended June 30, 2003, is comprised of the following:

	<u>FY 2003</u>	<u>FY 2002</u>
Tax allocation		
bonds payable	\$ 206,835,000	\$ 180,630,000
Housing Set-Aside		
Revenue Bonds	39,395,000	39,395,000
General Obligation		
Bond	<u>430,000</u>	<u>465,000</u>
SUBTOTAL	246,660,000	220,490,000
Deferred amounts, net	8,767,150	—
Advances from City		
of Oakland	<u>46,676,629</u>	<u>45,669,013</u>
TOTAL	<u>\$ 302,103,779</u>	<u>\$ 266,159,013</u>

### **Requests for Information**

This financial report is designed to provide a general overview of the Redevelopment Agency of the City of Oakland's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance and Management Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, California 94612-2093.

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Statement of Net Assets

June 30, 2003

<b>ASSETS</b>	
Cash	\$ 100
Pooled cash and investments	92,358,183
Tax increment receivable	3,209,365
Accrued interest receivable	387,600
Accounts receivable, (net of allowance for uncollectible account of \$200,000)	59,807
Due from primary government	21,711,192
Due from other government	1,122,699
Notes receivable, (net of allowance for uncollectible account of \$783,927)	42,543,389
Property held for resale	71,924,690
Restricted cash and investments with fiscal agent	55,866,372
Restricted cash in bank	1,424,036
Deferred charge - bond issuance costs	<u>3,236,189</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 293,843,622</u></b>

See accompanying notes to the basic financial statements.



# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Statement of Net Assets

June 30, 2003

### LIABILITIES

Accrued interest payable	\$ 5,414,446
Accrued liabilities	3,570,130
Due to primary government	2,594,743
Due to other government	198,271
Deposits	520,064
Other liabilities	132,281
Noncurrent liabilities (net of unamortized refunding losses and premiums):	
Due within one year	22,277,325
Due in more than one year	<u>279,826,454</u>
<b>TOTAL LIABILITIES</b>	<u><b>314,533,714</b></u>

### NET ASSETS (DEFICIT)

Restricted for:	
Urban redevelopment projects and housing	238,187,429
Unrestricted (deficit)	<u>(258,877,521)</u>
<b>TOTAL NET DEFICIT</b>	<u><b>\$ (20,690,092)</b></u>

See accompanying notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**

Statement of Activities  
For the year ended June 30, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>  <u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities:			
Urban redevelopment and housing	\$ 43,879,024	\$ 6,503,639	\$ (37,375,385)
Interest on long-term debt	<u>13,639,026</u>	<u>-</u>	<u>(13,639,026)</u>
Total governmental activities	<u>\$ 57,518,050</u>	<u>\$ 6,503,639</u>	(51,014,411)
General Revenues:			
Property tax increment			48,435,895
Investment income			3,817,452
Gain on the sale of land			6,867,024
Other			<u>3,894,070</u>
Total general revenues			<u>63,014,441</u>
Change in net assets			12,000,030
Net deficit beginning of year (as restated - see Note 11)			<u>(32,690,122)</u>
Net deficit at end of year			<u>\$ (20,690,092)</u>

See accompanying notes to the basic financial statements.

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Balance Sheet Governmental Funds June 30, 2003

	Capital Projects			Nonmajor Governmental Funds	Debt Service	Total Governmental Funds
	Central District	Coliseum	Low and Moderate Housing		Tax Allocation Debt	
<b>ASSETS</b>						
Cash	\$ -	\$ -	\$ -	\$ 100	\$ -	\$ 100
Pooled cash and investments-						
Accrued interest receivable	-	-	-	462,290	-	462,290
Investments	-	-	-	91,895,893	-	91,895,893
Less-Other funds interests	-	-	-	(92,358,183)	-	(92,358,183)
Equity in pooled cash and investments	46,745,279	18,627,565	12,886,822	12,120,350	1,978,167	92,358,183
Tax increment receivable	1,657,633	749,345	597,004	192,272	13,111	3,209,365
Accrued interest receivable	66,983	-	298,919	21,698	-	387,600
Accounts receivable, net	1,415	-	-	58,392	-	59,807
Due from primary government	19,790,076	-	1,653,602	267,514	-	21,711,192
Due from other government	-	6,173	-	1,116,526	-	1,122,699
Notes receivable, net	3,722,773	-	36,873,556	1,947,060	-	42,543,389
Property held for resale	60,847,350	1,275,000	1,047,132	8,755,208	-	71,924,690
Restricted cash and investments						
with fiscal agent	25,142,993	14,152,840	16,043,270	-	527,269	55,866,372
Restricted cash in bank	60,592	-	-	1,363,444	-	1,424,036
<b>TOTAL ASSETS</b>	<u>\$ 158,035,094</u>	<u>\$34,810,923</u>	<u>\$69,400,305</u>	<u>\$ 25,842,564</u>	<u>\$ 2,518,547</u>	<u>\$ 290,607,433</u>

See accompanying notes to the basic financial statements.

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Balance Sheet Governmental Funds June 30, 2003

	Capital Projects			Nonmajor Governmental Funds	Debt Service	Total Governmental Funds
	Central District	Coliseum	Low and Moderate Housing		Tax Allocation Debt	
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accrued interest payable	\$ -	\$ -	\$ -	\$ -	\$ 1,463,882	\$ 1,463,882
Accrued liabilities	540,509	2,501,555	17,202	510,864	-	3,570,130
Due to primary government	1,300,648	584,717	489,354	220,024	-	2,594,743
Due to other government	198,271	-	-	-	-	198,271
Deposits	503,000	-	4,284	12,780	-	520,064
Deferred revenue	20,175,462	193,313	38,527,158	303,097	13,111	59,212,141
Other liabilities	101,000	-	-	31,281	-	132,281
<b>TOTAL LIABILITIES</b>	<u>22,818,890</u>	<u>3,279,585</u>	<u>39,037,998</u>	<u>1,078,046</u>	<u>1,476,993</u>	<u>67,691,512</u>
<b>FUND BALANCES</b>						
Reserved for property held for resale	60,847,350	1,275,000	1,047,132	8,755,208	-	71,924,690
Reserved for approved capital projects/activities	74,368,854	30,256,338	29,315,175	14,017,784	1,041,554	148,999,705
Unreserved	-	-	-	1,991,526	-	1,991,526
<b>TOTAL FUND BALANCES</b>	<u>135,216,204</u>	<u>31,531,338</u>	<u>30,362,307</u>	<u>24,764,518</u>	<u>1,041,554</u>	<u>222,915,921</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 158,035,094</u>	<u>\$34,810,923</u>	<u>\$69,400,305</u>	<u>\$ 25,842,564</u>	<u>\$ 2,518,547</u>	

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

Long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,236,189
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	59,212,141
Long-term liabilities, including bonds payable and unamortized bond premiums, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(306,054,343)</u>
Net deficit of governmental activities	<u>\$ (20,690,092)</u>

See accompanying notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2003**

	Capital Projects				Debt Service	Total Governmental Funds
	Central District	Coliseum	Low Moderate Housing	Nonmajor Governmental Funds	Tax Allocation Debt	
<b>REVENUES</b>						
Tax increment	\$ 34,078,821	\$11,371,347	\$ -	\$ 2,864,474	\$ -	\$ 48,314,642
Interest on restricted cash and investments	64,519	58,494	384,504	-	281,375	788,892
Interest on pooled cash and investments	1,245,542	530,324	346,069	412,613	77,610	2,612,158
Net increase in fair value of pooled cash and investments	275,895	12,639	33,339	52,587	-	374,460
Interest on notes receivable	585,148	-	30,343	2,619	-	618,110
Rents and reimbursements	3,249,561	-	-	3,254,078	1,173,715	7,677,354
Gain from sale of land	2,478,000	-	-	4,389,024	-	6,867,024
Other	3,981,779	61,500	239,999	140,487	-	4,423,765
<b>TOTAL REVENUES</b>	<u>45,959,265</u>	<u>12,034,304</u>	<u>1,034,254</u>	<u>11,115,882</u>	<u>1,532,700</u>	<u>71,676,405</u>
<b>EXPENDITURES</b>						
Current:						
Urban redevelopment and housing	16,620,188	11,542,100	16,927,195	8,784,766	310,449	54,184,698
Debt Service:						
Payment on advances	1,137,376	6,900,000	-	-	-	8,037,376
Retirement of long-term debt	-	-	-	-	9,713,200	9,713,200
Payment to refunded bond escrow agent	-	-	-	-	6,557,617	6,557,617
Interest	-	-	-	463,570	8,832,670	9,296,240
Bond issuance costs	2,959,562	425,987	-	-	-	3,385,549
<b>TOTAL EXPENDITURES</b>	<u>20,717,126</u>	<u>18,868,087</u>	<u>16,927,195</u>	<u>9,248,336</u>	<u>25,413,936</u>	<u>91,174,680</u>
Excess (deficiency) of revenues over expenditures	25,242,139	(6,833,783)	(15,892,941)	1,867,546	(23,881,236)	(19,498,275)
<b>OTHER FINANCING SOURCES (USES)</b>						
Refunding bonds issued	120,605,000	-	-	-	-	120,605,000
Tax allocation bonds issued	-	23,085,000	-	-	-	23,085,000
Proceeds from advances	7,067,227	1,208,987	-	-	-	8,276,214
Premium on refunding bonds	11,627,992	-	-	-	-	11,627,992
Payment to refunded bond escrow agent	(104,268,746)	-	-	-	-	(104,268,746)
Transfers in	1,701,010	-	12,078,661	625,424	18,298,016	32,703,111
Transfers out	(23,328,190)	(3,468,261)	(3,458,318)	(1,097,333)	(1,351,009)	(32,703,111)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>13,404,293</u>	<u>20,825,726</u>	<u>8,620,343</u>	<u>(471,909)</u>	<u>16,947,007</u>	<u>59,325,460</u>
Change in fund balances	38,646,432	13,991,943	(7,272,598)	1,395,637	(6,934,229)	39,827,185
Fund balances at beginning of year (as restated, see Note 12)	96,569,772	17,539,395	37,634,905	23,368,881	7,975,783	183,088,736
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 135,216,204</u>	<u>\$31,531,338</u>	<u>\$ 30,362,307</u>	<u>\$ 24,764,518</u>	<u>\$ 1,041,554</u>	<u>\$222,915,921</u>

See accompanying notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**

**Governmental Funds**

**Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances**

**to the Statement of Activities**

**Year ended June 30, 2003**

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

Net change in fund balances - total governmental funds	<u>\$ 39,827,185</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	728,603
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. The governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.	(31,939,799)
Changes in accrued interest on bonds payable	(4,577,906)
Some expenditures reported in the governmental funds pertain to the establishment of deferred revenue to offset long-term pass through loans when the loan funds are disbursed, thereby reducing fund balance. In the government-wide statements, however, the issuance of long-term pass through loans does not affect the statement of activities.	<u>7,961,947</u>
Change in net assets of governmental activities	<u>\$ 12,000,030</u>

See accompanying notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2003**

	Capital Projects			Nonmajor Governmental Funds	Debt Service	Total Governmental Funds
	Central District	Coliseum	Low Moderate Housing		Tax Allocation Debt	
<b>REVENUES</b>						
Tax increment	\$ 34,078,821	\$11,371,347	\$ -	\$ 2,864,474	\$ -	\$ 48,314,642
Interest on restricted cash and investments	64,519	58,494	384,504	-	281,375	788,892
Interest on pooled cash and investments	1,245,542	530,324	346,069	412,613	77,610	2,612,158
Net increase in fair value of pooled cash and investments	275,895	12,639	33,339	52,587	-	374,460
Interest on notes receivable	585,148	-	30,343	2,619	-	618,110
Rents and reimbursements	3,249,561	-	-	3,254,078	1,173,715	7,677,354
Gain from sale of land	2,478,000	-	-	4,389,024	-	6,867,024
Other	3,981,779	61,500	239,999	140,487	-	4,423,765
<b>TOTAL REVENUES</b>	<u>45,959,265</u>	<u>12,034,304</u>	<u>1,034,254</u>	<u>11,115,882</u>	<u>1,532,700</u>	<u>71,676,405</u>
<b>EXPENDITURES</b>						
Current:						
Urban redevelopment and housing	16,620,188	11,542,100	16,927,195	8,784,766	310,449	54,184,698
Debt Service:						
Payment on advances	1,137,376	6,900,000	-	-	-	8,037,376
Retirement of long-term debt	-	-	-	-	9,713,200	9,713,200
Payment to refunded bond escrow agent	-	-	-	-	6,557,617	6,557,617
Interest	-	-	-	463,570	8,832,670	9,296,240
Bond issuance costs	2,959,562	425,987	-	-	-	3,385,549
<b>TOTAL EXPENDITURES</b>	<u>20,717,126</u>	<u>18,868,087</u>	<u>16,927,195</u>	<u>9,248,336</u>	<u>25,413,936</u>	<u>91,174,680</u>
Excess (deficiency) of revenues over expenditures	25,242,139	(6,833,783)	(15,892,941)	1,867,546	(23,881,236)	(19,498,275)
<b>OTHER FINANCING SOURCES (USES)</b>						
Refunding bonds issued	120,605,000	-	-	-	-	120,605,000
Tax allocation bonds issued	-	23,085,000	-	-	-	23,085,000
Proceeds from advances	7,067,227	1,208,987	-	-	-	8,276,214
Premium on refunding bonds	11,627,992	-	-	-	-	11,627,992
Payment to refunded bond escrow agent	(104,268,746)	-	-	-	-	(104,268,746)
Transfers in	1,701,010	-	12,078,661	625,424	18,298,016	32,703,111
Transfers out	(23,328,190)	(3,468,261)	(3,458,318)	(1,097,333)	(1,351,009)	(32,703,111)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>13,404,293</u>	<u>20,825,726</u>	<u>8,620,343</u>	<u>(471,909)</u>	<u>16,947,007</u>	<u>59,325,460</u>
Change in fund balances	38,646,432	13,991,943	(7,272,598)	1,395,637	(6,934,229)	39,827,185
Fund balances at beginning of year (as restated, see Note 12)	96,569,772	17,539,395	37,634,905	23,368,881	7,975,783	183,088,736
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 135,216,204</u>	<u>\$31,531,338</u>	<u>\$ 30,362,307</u>	<u>\$ 24,764,518</u>	<u>\$ 1,041,554</u>	<u>\$222,915,921</u>

See accompanying notes to the basic financial statements.

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Governmental Funds

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances

#### to the Statement of Activities

Year ended June 30, 2003

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

Net change in fund balances - total governmental funds	<u>\$ 39,827,185</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	728,603
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. The governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.	(31,939,799)
Changes in accrued interest on bonds payable	(4,577,906)
Some expenditures reported in the governmental funds pertain to the establishment of deferred revenue to offset long-term pass through loans when the loan funds are disbursed, thereby reducing fund balance. In the government-wide statements, however, the issuance of long-term pass through loans does not affect the statement of activities.	<u>7,961,947</u>
Change in net assets of governmental activities	<u>\$ 12,000,030</u>

See accompanying notes to the basic financial statements.



# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Notes to Basic Financial Statements

June 30, 2003

### (1) ACTIVITIES OF THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

The Redevelopment Agency (Agency), a blended component unit of the City of Oakland (City), was activated on October 11, 1956, for the purpose of redeveloping certain areas of the City designated as project areas. The Agency is included as a blended component unit in the City's basic financial statements because the Agency's governing body is the same as the City Council. Its principal activities are the acquisition of real property for the purpose of removing or preventing blight, providing for the construction of improvements thereon and the rehabilitation and restoration of existing properties.

In addition, the Agency finances numerous low and moderate-income housing projects throughout the City.

The principal sources of funding for the Agency's activities have been:

- Bond issues, notes and other financing sources;
- Advances, loans and grants-in-aid from the City;
- Property tax revenue attributable to increases in the assessed valuations in the associated project areas;
- Grants received from the U.S. Department of Housing and Urban Development under the Urban Renewal Program, Neighborhood Development Program and Community Development Block Grant Program (through the City), as well as Section 312 rehabilitation loans; and
- Grants from other agencies, including the State of California and the Metropolitan Transportation Commission.

Generally, funding from bond issues, notes, loans and City advances are eventually repayable from incremental property tax revenue. The Agency has entered into repayment agreements with the City or is obligated to do so under the terms of these other funding agreements. The amount of incremental property tax revenue received is dependent upon the local property tax assessments and rates, which are outside of the control of the Agency. Accordingly, the length of time that will be necessary to repay the City is not readily determinable.

The Agency currently has the following projects: Central District (which is segmented into several action areas including Chinatown, City Center, Uptown and City Hall Plaza); Coliseum; Acorn; Broadway/MacArthur/San Pablo; and Other Projects (Oak Center; Stanford/Adeline; Oak Knoll; and Oakland Army Base). The Oak Center and Stanford/Adeline projects are substantially

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Notes to Basic Financial Statements**  
**June 30, 2003**

complete.

The Central District Redevelopment Project, which generates the greatest tax revenue for the Agency, provides for the development and rehabilitation of commercial and residential structures for approximately 200 blocks of Oakland's downtown area. At 6,764 acres, the Coliseum Redevelopment Project is physically the largest adopted project area and provides for the development and rehabilitation of significant industrial, commercial, and residential areas in Oakland.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-wide and fund financial statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report all the activities of the Agency. The effect of interfund activity has been removed from these statements. The activities of the Agency are governmental in nature, which normally are supported by taxes and intergovernmental transfers.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include rents and charges for use of property owned by the Agency. Taxes and other items not properly included as program revenues are reported instead as general revenues.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The Agency's governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Agency considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as claims related to claims and judgments, are recorded only when the payment is due.

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Notes to Basic Financial Statements

June 30, 2003

Property taxes and interest associated with the current fiscal period, using the modified accrual basis of accounting as described above, are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. The Agency considers property tax revenues to be available for the year levied if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be measurable and available only when the Agency receives the cash.

The Agency reports the following major governmental funds:

**Central District Fund** – The Central District Fund accounts for the financial resources and the costs of acquisition, construction, improvement and management of commercial and residential facilities in the Central District Project area.

**Coliseum Fund** – The Coliseum Fund accounts for the financial resources and the costs of acquisition, construction and improvement of commercial, industrial, residential and airport related facilities in the Coliseum Project area.

**Low and Moderate Housing Fund** – The Low and Moderate Housing Fund accounts for 20% and 5% set aside from all tax increments received, as mandated by State law and the Oakland Redevelopment Agency board respectively. The fund also accounts for the proceeds from the Subordinated Housing Set Aside Revenue Bonds. These funds are used to increase, improve and preserve the supply of housing within the City of Oakland available at affordable housing cost to persons or families of low and moderate income.

**Tax Allocation Debt Service Fund** – The Tax Allocation Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term obligation principal, interest and related costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

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

### Investments

The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2003, and reflects the values as if the Agency were to liquidate the securities on that date.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Notes to Basic Financial Statements**  
**June 30, 2003**

Money market investments with maturities of one year or less have been stated at amortized cost.

In the fund statement, investment earnings are accrued as they become measurable and available.

**Pooled Cash and Investments**

Income on pooled assets is allocated to the individual fund based on the fund's average daily balance in relation to total pooled assets.

**Restricted Cash and Investments with Fiscal Agents**

Proceeds from debt and other funds, which are restricted for the payment of debt or for use in approved projects and held by fiscal agents by agreement, are classified as restricted assets.

**Restricted Cash in Bank**

Rental revenues received from the University of California Office of the President (UCOP), Ice Rink, Preservation Park facilities, Rotunda parking lot and City Center Garage West, which are restricted for the operation of each of the facilities, are classified as restricted.

**Property Held for Resale**

Property held for resale is acquired as part of the Agency's redevelopment program. These properties are both residential and commercial. Costs of developing and administering Agency projects are charged to capital outlay expenditures as incurred.

A primary function of the redevelopment process is to prepare land for specific private development.

For financial statement presentation, property held for resale is stated at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use.

Property held for resale may, during the period it is held by the Agency, generate rental or operating income. This income is recognized as it is earned in the Agency's Statement of Activities and generally is recognized in the Agency's governmental funds in the same period depending on when the income becomes available on a modified accrual basis of accounting.

The Agency does not depreciate property held for resale, as it is the intention of the Agency to only hold the property for a short period of time until it can be resold for development.

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Notes to Basic Financial Statements

June 30, 2003

### Fund Equity

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Agency in its fund financial statements has reserved fund balance as follows:

**Reserved for debt service** – To comply with debt covenants, these monies are set aside and held by a fiscal agent for future payment of debt service principal and interest.

**Reserved for property held for resale** – To account for assets acquired with certain funds granted to the Agency not available for appropriation.

**Reserved for approved capital projects/activities** – To account for assets set aside that have been committed to a specific use by contractual agreement or Agency resolution.

**Unreserved - Designated for future capital projects/activities** – To reflect those amounts specifically designated for projects/activities by official action of the Agency.

### Tax Increment Revenue

Incremental property tax revenues represent taxes collected on the redevelopment areas from the excess of taxes levied and collected over that amount which was levied and collected in the base year (the year of project inception) property tax assessment.

### Budgetary Data

The Agency operates on a project basis and each of the capital project funds is for individual redevelopment areas consisting of several individual projects. Because comparison with financial results for a specific period would not be meaningful, budgetary data are not presented in the financial statements for capital project and debt service funds. All of the Agency's budgets are approved by the Agency's governing board. Unexpended budget appropriations are carried forward to the next year.

### Deferred Revenue

Deferred revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met in fund statements. The Agency typically records deferred revenue in the governmental fund financial statements related to notes receivable arising from developers' financing arrangement and long term receivables.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Notes to Basic Financial Statements**  
**June 30, 2003**

**Long-term Obligations**

In the government-wide statement of net assets, long-term debt and other long-term obligations are reported as liabilities. Bond premium, discount and deferred refunding losses, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium, discount and deferred refunding losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt service issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**(3) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets**

The governmental funds balance sheet includes a reconciliation between fund balances – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the (\$306,054,343) difference are as follows:

Long-term debt	\$ (302,103,779)
Accrued interest payable	<u>(3,950,564)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (306,054,343)</u>

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Notes to Basic Financial Statements

June 30, 2003

### Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of the \$(31,939,799) difference are as follows:

Debt issued or incurred:	
Principal issuance	\$ (143,690,000)
Proceeds from advances	(8,276,214)
Premium on bonds issuance	(11,627,992)
Bond issuance costs	3,385,549
Payments:	
Retirement of long-term debt	9,713,200
Payment to bond escrow agent	110,826,363
Payment on advances	7,494,176
Amortization of bond issuance costs	(149,360)
Amortization of premium on bond issuance	488,516
Amortization of deferred amount on refunding	<u>(104,037)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (31,939,799)</u>

Another element of that reconciliation states that “Governmental funds report expenditures pertaining to the establishment of certain deferred credits related to long-term loans made. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding expense is not reported on the statement of activities.” The details of this \$7,961,947 difference are as follows:

Reduction in notes receivable	\$ (728,603)
Reduction in deferred credits	<u>8,690,550</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$7,961,947</u>

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Notes to Basic Financial Statements

June 30, 2003

### (4) CASH AND INVESTMENTS

The Agency maintains a common cash and investment pool for use by all funds. Each fund's portion of this pool is classified in the governmental funds balance sheet as equity in pooled assets.

Agency investments are categorized by type to give an indication of the level of custodial credit risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Agency or its agent in the Agency's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Agency's name. Category 3 includes uninsured and unregistered investments with the securities held by the counterparty or its trust department or agent but not in the Agency's name. All other investments not evidenced by securities that exist in physical or book form are shown as non-categorized. The Agency had no Category 2 or 3 investments as of June 30, 2003.

At June 30, 2003, cash and investments were categorized as follows:

	Amortized Cost	Fair Value	Risk Category
Cash	\$ <u>100</u>	\$ —	
Restricted cash in bank	\$ <u>1,424,036</u>	\$ —	
Restricted cash and investments with fiscal agents:			
Commercial paper	\$ 7,969,350	\$ —	1
U.S. treasury	—	3,000,000	1
Local Agency Investment Funds	—	16,356,943	—
Government money market mutual funds	<u>28,540,079</u>	<u>—</u>	—
TOTAL	<u>\$ 36,509,429</u>	<u>\$ 19,356,943</u>	
Pooled cash and investments:			
Cash	\$ 1,426,292	\$ —	—
Commercial paper	11,980,901	—	1
U.S. federal agency	—	44,927,059	1
Money market mutual funds	11,585,278	—	—
Local Agency Investment Fund	<u>—</u>	<u>22,438,653</u>	—
TOTAL	<u>\$ 24,992,471</u>	<u>\$ 67,365,712</u>	



# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Notes to Basic Financial Statements

June 30, 2003

Total agency cash and investments as of June 30, 2003, are as follows:

	Equity in Pooled Cash and Investments	Restricted Cash and Investments With Fiscal Agent	Restricted Cash in Bank	Total Governmental Funds
Central District	\$ 46,745,279	\$ 25,142,993	\$ 60,592	\$ 71,948,864
Coliseum	18,627,565	14,152,840	—	32,780,405
Low and moderate housing	12,886,822	16,043,270	—	28,930,092
Tax allocation debt	1,978,167	527,269	—	2,505,436
Nonmajor governmental fund	<u>12,120,350</u>	<u>—</u>	<u>1,363,444</u>	<u>13,483,794</u>
<b>TOTAL</b>	<b><u>\$ 92,358,183</u></b>	<b><u>\$ 55,866,372</u></b>	<b><u>\$ 1,424,036</u></b>	<b><u>\$ 149,648,591</u></b>

Money market and commercial paper investments with maturities of one year or less have been stated at amortized cost. The amortized cost of these investments approximates fair value as of June 30, 2003.

The fair value of investments is based on quotes obtained as of June 30, 2003. The current year increase of \$57,966 resulting from current year changes in fair values in pooled investment is reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds and government-wide Statement of Activities.

California Government Code requires collateral for demand deposits and certificates of deposit at 110% of all deposits not covered by federal deposit insurance. Since the Agency uses only authorized public depositories, all funds deposited with financial institutions are fully insured or collateralized by securities held by the Agency or its agent in the Agency's name.

California statutes authorize Agency officials to invest funds in United States bonds and obligations, guaranteed United States agency issues, bank certificates of deposit, bankers' acceptances, repurchase agreements and prime commercial paper issues.

The Local Agency Investment Fund (LAIF), a voluntary program created by statute, began in 1977 as an investment alternative for California's local governments and special districts. This program offers participating agencies the opportunity to participate in a major portfolio which daily invests hundreds of millions of dollars, using the investment expertise of the Treasurer's Office investment staff at no additional cost to the taxpayer. All securities are purchased under the authority of the Government Code Section 16430 and 16480.4.

As of June 30, 2003, the Agency's investment in LAIF is \$38,795,596. The total amount invested by all public agencies in LAIF on that date is \$55,587,336,494. Of that amount, 97.7% is invested in non-derivative financial products and 2.3% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Notes to Basic Financial Statements

June 30, 2003

consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the Agency's position in the pool.

### (5) NOTES RECEIVABLE

Notes receivable consisted of advances to developers of various Agency housing and redevelopment projects. These advances are evidenced by promissory notes. A summary of notes receivable at June 30, 2003, follows:

	Central District	Low and Moderate Housing	Nonmajor Governmental Funds	Total Governmental Funds
Housing development projects	\$ —	\$ 37,068,935	\$ —	\$37,068,935
Development loans	2,818,000	—	1,947,060	4,765,060
Small business loans	<u>1,493,321</u>	<u>—</u>	<u>—</u>	<u>1,493,321</u>
Gross notes receivables	4,311,321	37,068,935	1,947,060	43,327,316
Less: Allowance for uncollectible accounts	<u>(588,548)</u>	<u>(195,379)</u>	<u>—</u>	<u>(783,927)</u>
Net notes receivable	<u>\$ 3,722,773</u>	<u>\$ 36,873,556</u>	<u>\$ 1,947,060</u>	<u>\$42,543,389</u>

### (6) PROPERTY HELD FOR RESALE

A summary of changes in property held for resale follows:

	July 1, 2002	Purchases	Sales	June 30, 2003
Property held for resale	<u>\$66,774,622</u>	<u>\$7,853,690</u>	<u>\$2,703,622</u>	<u>\$71,924,690</u>

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**

**Notes to Basic Financial Statements**

**June 30, 2003**

**(7) INTERFUND TRANSFERS**

	Transfers In				Total Governmental Funds
	Central District	Low and Moderate Housing	Tax Allocation Debt	Nonmajor Governmental Funds	
Transfers out:					
Central District	\$	\$ 8,519,705	\$ 14,808,485	\$ —	\$ 23,328,190
Coliseum	—	2,842,837	—	625,424	3,468,261
Low and Moderate Housing	350,001	—	3,108,317	—	3,458,318
Tax Allocation Debt	1,351,009	—	—	—	1,351,009
Nonmajor Governmental Funds	—	716,119	381,214	—	1,097,333
<b>TOTAL</b>	<b>\$ 1,701,010</b>	<b>\$ 12,078,661</b>	<b>\$ 18,298,016</b>	<b>\$ 625,424</b>	<b>\$ 32,703,111</b>

The Central District, Low & Moderate Housing, and Nonmajor Governmental funds transferred funds to the Tax Allocation Debt Service fund for payment of principal and interest on the tax allocation debt. The transfer to the Central District funds of \$1,351,009 from Tax Allocation Debt Service fund represents excess cash as a result of the defeasance of four subordinated tax allocations bonds. The transfers to Low and Moderate Housing funds, as reflected above, represent the 20% tax increment allocation in accordance with sections 33334.2 and 33334.3 of the California Community Redevelopment Law plus an additional 5% as mandated by City Council Resolution. The transfer of \$625,424 to non-major governmental funds from Coliseum represents the 10% school set aside based from tax increments received in the Coliseum project area, net of the housing set aside and the AB1290 mandatory pass through. The transfer from Low and Moderate Housing Fund to Central District Fund is for repayment of Henry Robinson Multi Service Center as provided in the adopted budget for fiscal year 2003.

**(8) LONG-TERM DEBT**

**General Long-Term Obligations**

On January 1, 2003, the Agency issued \$120,605,000 in Central District Subordinated Tax Allocation Bonds, Series 2003 (Series 2003 Bonds). The net proceeds, which included a premium of \$11,627,992, were used for the following purposes: (1) \$104,268,746 (after payment of \$2,970,211 for the underwriter's discount and costs of issuance) were used to advance refund the Agency's Central District Redevelopment Project Area Tax Allocation Bonds, Series 1989A, the Subordinated Tax Allocation Refunding Bonds, Series 1992A, the Subordinated Tax Allocation Bonds, Series 1993A, and the Subordinated Tax Allocation Bonds, Series 1995A; and (2) \$24,994,034 were deposited to the project fund for certain capital projects. Proceeds in the amount of \$104,268,746 and residual cash balances of \$6,557,617 related to the old debt were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old debt. As a result, the debt listed above is considered defeased and the liabilities have been removed from the financial statements. Cumulatively, the defeased bonds had an outstanding balance of

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Notes to Basic Financial Statements**  
**June 30, 2003**

\$90,968,436 at June 30, 2003.

Although the refunding resulted in the recognition of a deferred accounting loss of \$2,476,363 for the fiscal year ended June 30, 2003, the Agency in effect reduced its aggregate debt service payments by approximately \$12,719,958 over the next 19 years and obtained a net economic gain (difference between the present values of the old and new debt service payments) of \$6,795,060.

On January 9, 2003, the Agency issued \$23,085,000 in Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2003, (Coliseum Series 2003 Bonds) to finance the acquisition and construction of certain redevelopment projects. The total Project Area currently includes 8,156 parcels of commercial, industrial, airport, recreational, institutional, low and medium-high density residential, and vacant land uses in an area totaling approximately 6,764 acres. The Agency currently plans to use the Series 2003 Bond proceeds for improvements to various transportation and infrastructure projects, as well as the construction of a mixed-use development project and the repayment of certain obligations to the City.

Long-term liability activity for the year ended June 30, 2003, was as follows:

	<b>Restated Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
Tax Allocation Bonds	\$ 180,630,000	\$ 143,690,000	\$(117,485,000)	\$ 206,835,000	\$ 9,740,000
Housing Set-Aside Revenue Bonds	39,395,000	—	—	39,395,000	1,325,000
General Obligation Bond	<u>465,000</u>	<u>—</u>	<u>(35,000)</u>	<u>430,000</u>	<u>40,000</u>
Total Bonds Payable	220,490,000	143,690,000	(117,520,000)	246,660,000	11,105,000
Less deferred amounts:					
Issuance premiums	—	11,627,992	(488,516)	11,139,476	—
Refunding loss	<u>—</u>	<u>(2,476,363)</u>	<u>104,037</u>	<u>(2,372,326)</u>	<u>—</u>
Subtotal	220,490,000	152,841,629	(117,904,479)	255,427,150	11,105,000
Advances from City of Oakland	<u>45,669,013</u>	<u>9,044,992</u>	<u>(8,037,376)</u>	<u>46,676,629</u>	<u>11,172,325</u>
<b>TOTAL</b>	<b><u>\$ 266,159,013</u></b>	<b><u>\$ 161,886,621</u></b>	<b><u>\$(125,941,855)</u></b>	<b><u>\$ 302,103,779</u></b>	<b><u>\$ 22,277,325</u></b>

The restated beginning balance for Tax Allocation Bonds above includes \$6,194,559 of accreted interest related to the Central District Refunding Bonds, Series 1989A. See Note 11 for further details.

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Notes to Basic Financial Statements

June 30, 2003

The restricted beginning balance for advances above includes \$32,746,236 which was previously recorded as due to primary government.

	Maturity	Interest Rates	Balance at June 30, 2003
<b>TAX ALLOCATION BONDS</b>			
Acorn Refunding Series 1988:			
Term bonds	2003-2007	7.40%	\$ <u>1,325,000</u>
Central District Senior Tax Allocation Refunding Series 1992:			
Serial bonds	2004-2008	5.65%-6.00%	25,910,000
Term bonds	2009-2014	5.50%	<u>35,910,000</u>
			<u>61,820,000</u>
Central District Subordinated Tax Allocation Bonds Series 2003:			
Serial bonds	2003-2005	3.00%	10,525,000
Term bonds	2006-2008	4.00%	9,245,000
Term bonds	2009-2011	5.00%	12,970,000
Term bonds	2012-2019	5.50%	<u>87,865,000</u>
			<u>120,605,000</u>
Coliseum Area Tax Allocation Bonds Series 2003:			
Term bonds	2004-2008	2.50%-4.00%	2,045,000
Term bonds	2009-2013	3.40%-4.30%	2,440,000
Term bonds	2014-2018	4.50%-4.90%	3,035,000
Term bonds	2019-2022	5.00%-5.125%	3,045,000
Term bonds	2023-2033	5.25%	<u>12,520,000</u>
			<u>23,085,000</u>
<b>TOTAL TAX ALLOCATION BONDS</b>			<b>206,835,000</b>
GENERAL OBLIGATION BOND-Tribune Tower			430,000
<b>SUBORDINATED HOUSING SET-ASIDE REVENUE BONDS</b>			
Series 2000T:			
Serial bonds	2004-2005	7.39%	2,750,000
Term bonds	2006-2011	7.82%	11,160,000
Term bonds	2012-2016	7.93%	14,065,000
Term bonds	2017-2019	8.03%	<u>11,420,000</u>
<b>TOTAL SUBORDINATED HOUSING SET-ASIDE REVENUE BONDS</b>			<b><u>39,395,000</u></b>
<b>TOTAL BONDS PAYABLE</b>			<b><u>\$246,660,000</u></b>

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Notes to Basic Financial Statements

June 30, 2003

### Advances from City to the Redevelopment Agency

The City has made various advances to the Agency for redevelopment projects. The advances are payable principally from future tax increment revenues. \$13,148,355 of the advances bear interest at 6% per annum and is a long-term obligation to the City. There is no set repayment schedule for this debt. Payments to the City are contingent upon the availability of funds from the Oak Center project.

### Bond Indentures

There are a number of limitations and restrictions contained in the various bond indentures. The Agency believes it is in compliance with all significant limitations and restrictions.

### Annual Future Payments

The following table presents the Agency's aggregate annual amount of principal and interest payments required to amortize the outstanding debt service payments as of June 30, 2003.

Year ending June 30,	Governmental Activities	
	Principal	Interest
2004	\$ 11,105,000	\$ 14,066,523
2005	9,830,000	13,396,271
2006	10,325,000	12,876,173
2007	10,920,000	12,300,855
2008	11,165,000	11,674,298
2009-2013	64,290,000	48,195,737
2014-2018	77,700,000	27,127,233
2019-2023	38,805,000	5,670,161
2024-2028	4,810,000	2,681,438
2029-2034	<u>7,710,000</u>	<u>1,276,538</u>
TOTAL	<u>\$246,660,000</u>	<u>\$ 149,265,227</u>

The Agency issued Certificates of Participation to fund the acquisition of the Oakland Museum. The debt is secured by the Museum's building and the annual lease payments made by the City of Oakland to fund the debt service. As of June 30, 2003, there were two series of certificates outstanding with an aggregate principal amount payable of \$25,830,536. The Agency is not obligated to make the debt payments. The Agency has, therefore, not recorded either the Museum as an asset or the related debt. The City has recorded both the Museum and the debt on its government-wide statement of net assets.

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Notes to Basic Financial Statements

June 30, 2003

### (9) TRANSACTIONS WITH THE CITY OF OAKLAND

The Agency and the City are closely related but are separate legal entities. The City Council members serve as the governing board for the Agency. The Agency does not have employees nor does it have administrative facilities separate from the City. A substantial portion of the Agency's expenditures represents reimbursement to the City for both the services of employees and the use of City facilities. For the fiscal year ended June 30, 2003, the Agency reimbursed the City \$10,805,883 for these expenditures.

In addition, the City provides advances and loans for the Agency debt service payments and other redevelopment projects. The Agency has entered into repayment agreements to reimburse the City for all amounts advanced and, loaned to the Agency. In accordance with these agreements, the Agency reimbursed the City \$11,553,178 for the fiscal year ended June 30, 2003.

### (10) COMMITMENTS AND CONTINGENCIES

As of June 30, 2003, the Agency has entered into contractual commitments of approximately \$5,473,307 for materials and services relating to various projects. These commitments and future costs will be funded by currently available funds, tax increment revenue and other sources.

At June 30, 2003, the Agency was committed to fund \$4,350,185 in loans and had issued \$1,648,600 in letters of credit in connection with several low and moderate income housing projects. These commitments were made to facilitate the construction of low and moderate income housing within the City of Oakland.

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities of the Agency are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The Agency initiated a lawsuit in eminent domain to acquire certain real property located at 2150 Franklin Street on June 28, 1998. The initial verdict resulted in the Agency having to pay \$3.5 million to the owners of the property. The Agency appealed the \$3.5 million judgement to the California Superior Court, but on March 10, 2003, the appeals court issued its decision sustaining the trial court judgment. During fiscal year 2002, the Agency entered into a land lease with a developer who paid \$3.6 million for the property. The Agency deposited \$3.5 million of these funds with the State of California's Office of the Treasurer's State Condemnation Fund. The Agency increased its deposit with the State Condemnation Fund by another \$995,000 to cover accrued interest on the initial judgment amount. The Agency still owes approximately \$395,000 in pre-appeal litigation expenses and costs, which it intends to deposit with the condemnation fund in July of 2003. Lastly, the Agency is responsible for approximately \$124,000 in appeal litigation fees

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**

**Notes to Basic Financial Statements**

**June 30, 2003**

to the opposing party, which will be directly remitted to the defendants.

The State of California adopted legislation mandating that local government shifts a portion of their property tax revenue share to the Educational Revenue Augmentation Fund (ERAF) to support public schools. For fiscal year 2003-04, the Agency included in its Adopted Budget an ERAF shift of \$2,870.864.

**(11) RESTATEMENT OF NET ASSETS**

The Agency's net deficit at the beginning of the year ended June 30, 2003, has been adjusted to correct an error in recording accreted interest.

Total net deficit at June 30, 2002, as previously reported	\$ (26,495,563)
Adjustment to accreted interest related to Central District Refunding Bonds, Series 1989A	<u>(6,194,559)</u>
Total net deficit at July 1, 2002, as restated	<u>\$ (32,690,122)</u>

**(12) RESTATEMENT OF FUND BALANCE**

The Agency's fund balance at the beginning of the year end June 30, 2003, has been adjusted to correct an error in recording long-term amounts due to the primary government.

Total fund balance at June 30, 2002, as previously reported	\$ 150,342,500
Adjustment to amounts due to the primary government	<u>32,746,236</u>
Total fund balance at July 1, 2002, as restated	<u>\$ 183,088,736</u>



**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2003**

	<u>Acorn</u>	<u>Broadway/ MacArthur</u>	<u>Other Projects</u>	<u>Redevelopment Planning Fund/ West Oakland</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ 100	\$ 100
Pooled cash and investments-					
Accrued interest receivable	-	-	-	462,290	462,290
Investments	-	-	-	91,895,893	91,895,893
Less-Other funds interests	-	-	-	(92,358,183)	(92,358,183)
Equity in pooled cash and investments	731,363	791,414	8,599,282	1,998,291	12,120,350
Tax increment receivable	25,006	91,722	75,544	-	192,272
Accrued interest receivable	-	-	-	21,698	21,698
Accounts receivable, net	30,000	-	28,392	-	58,392
Due from primary government	-	-	-	267,514	267,514
Due from other government	1,102,020	-	14,506	-	1,116,526
Notes receivable, net	-	-	1,947,060	-	1,947,060
Property held for resale	2,970,000	-	5,785,208	-	8,755,208
Restricted cash in bank	-	-	1,363,444	-	1,363,444
<b>TOTAL ASSETS</b>	<u>\$ 4,858,389</u>	<u>\$ 883,136</u>	<u>\$ 17,813,436</u>	<u>\$ 2,287,603</u>	<u>\$ 25,842,564</u>

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2003**

	<u>Acorn</u>	<u>Broadway/ MacArthur</u>	<u>Other Projects</u>	<u>Redevelopment Planning Fund/ West Oakland</u>	<u>Total Nonmajor Governmental Funds</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accrued liabilities	\$ 173,056	\$ 212,181	\$ 116,751	\$ 8,876	\$ 510,864
Due to primary government	2,997,931	48,619	130,066	13,408	3,190,024
Deposits	12,250	-	530	-	12,780
Deferred revenue	16,423	18,036	1,126	267,512	303,097
Other liabilities	-	-	25,000	6,281	31,281
<b>TOTAL LIABILITIES</b>	<u>3,199,660</u>	<u>278,836</u>	<u>273,473</u>	<u>296,077</u>	<u>4,048,046</u>
<b>FUND BALANCES</b>					
Reserved for property held for resale	2,970,000	-	5,785,208	-	8,755,208
Reserved for approved capital projects/activities	-	604,300	11,754,755	-	12,359,055
Unreserved	(1,311,271)	-	-	1,991,526	680,255
<b>TOTAL FUND BALANCES</b>	<u>1,658,729</u>	<u>604,300</u>	<u>17,539,963</u>	<u>1,991,526</u>	<u>21,794,518</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,858,389</u>	<u>\$ 883,136</u>	<u>\$ 17,813,436</u>	<u>\$ 2,287,603</u>	<u>\$ 25,842,564</u>

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2003**

	<u>Acorn</u>	<u>Broadway/ MacArthur</u>	<u>Other Projects</u>	<u>Redevelopment Planning Fund/ West Oakland</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>					
Tax increment	\$ 966,080	\$ 1,060,904	\$ 837,490	\$ -	\$ 2,864,474
Interest on pooled cash and investments	37,984	10,818	282,600	81,211	412,613
Net increase in fair value of pooled cash and investments	9,566	4,123	38,898	-	52,587
Interest on notes receivable	-	-	-	2,619	2,619
Rents and reimbursements	1,102,020	-	2,152,058	-	3,254,078
Proceeds from sale of land	-	-	4,389,024	-	4,389,024
Other	-	7,455	38,109	94,923	140,487
<b>TOTAL REVENUES</b>	<u>2,115,650</u>	<u>1,083,300</u>	<u>7,738,179</u>	<u>178,753</u>	<u>11,115,882</u>
<b>EXPENDITURES</b>					
Urban redevelopment and housing	575,178	418,697	7,043,053	747,838	8,784,766
Debt Service:					
Interest	<u>463,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>463,570</u>
<b>TOTAL EXPENDITURES</b>	<u>1,038,748</u>	<u>418,697</u>	<u>7,043,053</u>	<u>747,838</u>	<u>9,248,336</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,076,902	664,603	695,126	(569,085)	1,867,546
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	625,424	-	625,424
Transfers out	<u>(622,734)</u>	<u>(265,226)</u>	<u>(209,373)</u>	<u>-</u>	<u>(1,097,333)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(622,734)</u>	<u>(265,226)</u>	<u>416,051</u>	<u>-</u>	<u>(471,909)</u>
<b>CHANGE IN FUND BALANCES</b>	454,168	399,377	1,111,177	(569,085)	1,395,637
<b>FUND BALANCES AT BEGINNING OF YEAR (as restated)</b>	<u>1,204,561</u>	<u>204,923</u>	<u>16,428,786</u>	<u>2,560,611</u>	<u>20,398,881</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 1,658,729</u>	<u>\$ 604,300</u>	<u>\$ 17,539,963</u>	<u>\$ 1,991,526</u>	<u>\$ 21,794,518</u>

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

To the Members of the Redevelopment Agency  
of the City of Oakland, California:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (Agency) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 22, 2003, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 22, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***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. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller's Office and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, the results of our tests did disclose instances of noncompliance that are required to be reported under the *Guidelines for Compliance Audits of California Redevelopment Agencies*, which are described in the accompanying schedule of findings as finding nos. 03-1 through 03-3.

***Internal Control Over Financial Reporting***

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

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

*Macias, Gini & Company LLP*  
Certified Public Accountants

Walnut Creek, California  
December 22, 2003

*Williams, Alley & Company, LLP*  
Certified Public Accountants

Oakland, California  
December 22, 2003

**Redevelopment Agency of the City of Oakland**  
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**June 30, 2003**

**Finding No. 03-1: State Redevelopment Agency Compliance Requirements - Financial Disclosure and Reporting (Submission of Reports to State Controller)**

Pursuant to California Health & Safety Code, Section 33080.1, the Agency is required to submit the following reports to its legislative body and the State Controller no later than six months following the end of its previous fiscal year:

- Independent Auditor's Report on Financial Statements
- Independent Auditor's Report on Legal Compliance
- Annual Report of Financial Transactions of Community Redevelopment Agencies
- Housing Activities Report
- Blight Progress Report
- Property Report
- Loan Report

The Blight Progress Report was not submitted. The other six reports were not filed in a timely manner.

**Recommendation**

We recommend that the Agency establish policies and procedures to ensure that all required reports are prepared and submitted in a timely manner.

**Management's Response**

The delay in filing the Agency's annual reports to the State Controller for fiscal year 2001-02 was due primarily to the implementation for the first time of GASB 34's massive conversion requirements. Management plans to comply with reporting requirements for fiscal year 2002-03 and future years.

**Redevelopment Agency of the City of Oakland**  
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**Finding No. 03-2: State Redevelopment Agency Compliance Requirements - Financial Disclosure and Reporting (Submission of Reports to State Controller)**

Pursuant to California Code of Regulations, Title 2, Sections 18700–18753 and Government Code Section 87207, the Agency is required to file public disclosure statements for certain positions designated in its conflict of interest code.

During our testing, we noted that 1 of 30 employees tested did not file the required statement, and 1 of 30 statements was not filed in a timely manner.

**Recommendation**

We recommend that the City adhere to established policies and procedures to ensure that public disclosure notices are properly filed in a timely manner.

**Management's Response**

Management agrees with the finding and will communicate it to the appropriate agencies for compliance.