MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Concord issues 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). GASB 34 requires the City to provide this overview of its financial activities for the fiscal year, which should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL 2011 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

Government-Wide

- The City's total net assets were $796 million at June 30, 2011, down $16 million from the prior year. Of this total, $716 million were governmental assets and $80 million were business-type assets.
- Government-Wide governmental revenues include program revenues of $36 million and general revenues of $70 million for a total of $106 million, up $3 million from the prior year's total.
- Total Government-Wide governmental expenses were $119 million, a decrease of $5 million from the prior year.
- Government-Wide business-type revenues were $20 million while expenses were $23 million.

Fund Level

- Governmental Fund balances increased $8 million in fiscal 2011.
- Governmental Fund revenues increased to $107 million in fiscal 2011, up $4 million from the prior year.
- Governmental Fund expenditures decreased to $107 million in fiscal 2011, down $19 million from the prior year.
- General Fund revenues of $67 million reflected an increase of $2 million in fiscal 2011.
- General Fund expenditures of $69 million reflected a decrease of $5 million when compared to the prior year.
- The net transfers in reflected in the General Fund totaled $13 million for fiscal 2011 compared with net transfers of $9 million out for fiscal 2010.
- General Fund balance of $17 million at June 30, 2011 increased $11 million from fiscal 2010.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in five parts:

1. Introductory section, which includes the Transmittal Letter and general information;
2. Management's Discussion and Analysis (this part);
3. The Basic Financial Statements, which include the Government-Wide and the Fund financial statements, along with the Notes to these financial statements;
4. Supplemental Information for Non-Major Governmental Funds and Internal Service Funds; and
5. Statistical information and other schedules.

THE BASIC FINANCIAL STATEMENTS

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

The Government-Wide Financial Statements provide a longer-term view of the City'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 City 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 City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the City's activities are grouped into Governmental Activities and Business-Type Activities, as explained below. All the amounts in the Statement of Net Assets and the Statement of Activities are separated into Governmental Activities and Business-Type Activities in order to provide a summary of these two activities of the City as a whole.

The Fund Financial Statements report the City's operations in more detail than the Government-Wide Statements and focus primarily on the short-term activities of the City's General Fund and other Major 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 City and are presented individually, while the activities of Non-Major Funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The fiduciary statements provide financial information about the activities of the Concord Retirement System Pension Trust Fund, for which the City acts solely as agent.

The Government-Wide Financial Statements

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

- **Governmental Activities** - All of the City's basic services are considered to be Governmental Activities, including General Government; Public Safety; Public Works; Planning and Economic Development; Building, Engineering and Neighborhood Services; and Community and Recreation Services. These services are supported by general City revenues such as taxes, and by specific program revenues such as developer fees.

- The City's Governmental Activities include the activities of two separate legal entities: the Redevelopment Agency of the City of Concord and the City of Concord Joint Powers Financing Authority. The City is financially accountable for these entities.

- **Business-Type Activities** - The City's two enterprise activities, the sewer and the golf course, are reported here. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use. The City's Business-Type Activities include the activities of an additional separate legal entity, the Concord Sanitary Sewer Services Inc., which is inactive as of 2002.

Government-Wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of major funds and the determination of which funds are major funds were established by GASB 34 and replace the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-Major Funds summarized and presented in a single column. Subordinate schedules present the detail of these Non-Major Funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of City's activities.

In the City's case, the Redevelopment Agency Fund and the General Reimbursable Projects Fund are the only Major Governmental Funds in addition to the General Fund.

Fund Financial Statements include Governmental, Enterprise, and Internal Service Funds as discussed below.

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 not presented in the Governmental Fund Financial Statements.

Enterprise and Internal Service Fund Financial Statements are prepared on the full accrual basis, as in the past, and include all their assets and liabilities, current and long-term.

Since the City's Internal Service Funds provide goods and services only to the City's Governmental and Business-Type Activities, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City Funds. These revenues are eliminated in the Government-Wide Financial Statements and any related profits or losses are returned to the Activities that created them, along with any residual net assets of the Internal Service Funds.

Comparisons of Budget and Actual financial information are presented only for the General Fund, as required by GASB 34.

Fiduciary Statements

The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets and the Pension Trust Fund Statement of Changes in Plan Net Assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations. The Pension Trust Fund consists of the City of Concord Retirement System, a separate legal entity.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

The analyses reflected below focus on the net assets (Table 1) and changes in net assets (Table 2) of the City as a whole. The information summarizes the Citywide Statement of Net Assets and Statements of Activities stated more fully in the Financial Section of this report.

Table 1: Primary Government Net Assets
As of June 30, 2011 and 2010 (Dollars in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Cash and Investments	$86.6	$83.2	$32.1	$32.2	$118.7	$115.4
Other Assets	57.4	55.0	3.1	2.9	60.5	57.9
Capital Assets	686.1	700.4	81.1	85.0	767.2	785.4
Total Assets	**830.1**	**838.6**	**116.3**	**120.1**	**946.4**	**958.7**
Long-Term Debt Outstanding	83.5	80.2	22.9	23.8	106.4	104.0
Other Liabilities	30.7	29.4	13.6	13.4	44.3	42.8
Total Liabilities	**114.2**	**109.6**	**36.5**	**37.2**	**150.7**	**146.8**
Net Assets:						
Invested in Capital Assets, Net of Debt	622.7	619.0	59.4	62.5	682.1	681.5
Restricted	81.6	86.5			81.6	86.5
Unrestricted	11.6	23.5	20.4	20.4	32.0	43.9
Total Net Assets	**$715.9**	**$729.0**	**$79.8**	**$82.9**	**$795.7**	**$811.9**

Table 2: Primary Government Changes in Governmental Net Assets
For the Years Ended June 30, 2011 and 2010 (Dollars in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
EXPENSES						
General Government	$11.4	$12.5			$11.4	$12.5
Public Safety	43.1	43.0			43.1	43.0
Public Works & Engineering	37.6	32.8			37.6	32.8
Community Development	15.8	20.6			15.8	20.6
Community & Recreation Services	7.2	9.8			7.2	9.8
Interest on Long-Term Debt	3.9	5.3			3.9	5.3
Sewer			$21.7	$21.3	21.7	21.3
Golf Course			1.3	1.3	1.3	1.3
Total Expenses	**119.0**	**124.0**	**23.0**	**22.6**	**142.0**	**146.6**
REVENUES						
Program Revenues:						
Charges for Services	20.8	17.1	19.5	19.7	40.3	36.8
Operating Contributions and Grants	6.1	5.5			6.1	5.5
Capital Grants	8.6	10.6	0.0	0.0	8.6	10.6
Total Program Revenues	35.5	33.2	19.5	19.7	55.0	52.9
General Revenues:						
Taxes:						
Property Taxes	27.1	27.9			27.1	27.9
Sales Taxes	24.6	23.4			24.6	23.4
Other Taxes	9.2	8.9			9.2	8.9
Motor Vehicle in Lieu	8.8	8.8			8.8	8.8
Investment Earnings	0.6	0.8	0.4	0.9	1.0	1.7
Miscellaneous Revenues and Transfers	0.1	0.1	0.0	0.1	0.1	0.2
Total General Revenues	70.4	69.9	0.4	1.0	70.8	70.9
Total Revenues	**105.9**	**103.1**	**19.9**	**20.7**	**125.8**	**123.8**
Change in Net Assets before Transfers	(13.1)	(20.9)	(3.1)	(1.9)	(16.2)	(22.8)
Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Change in Net Assets	**(13.1)**	**(20.9)**	**(3.1)**	**(1.9)**	**(16.2)**	**(22.8)**
Beginning Net Assets	**729.0**	**749.9**	**82.9**	**84.8**	**811.9**	**834.7**
Ending Net Assets	**$715.9**	**$729.0**	**$79.8**	**$82.9**	**$795.7**	**$811.9**

The analyses below focus on the net assets and changes in net assets of the City's Governmental Activities (Table 3, 4 and 5) and Business-Type Activities (Table 6 and 7) presented in the Citywide Statement of Net Assets and Statement of Activities that follow.

Governmental Activities

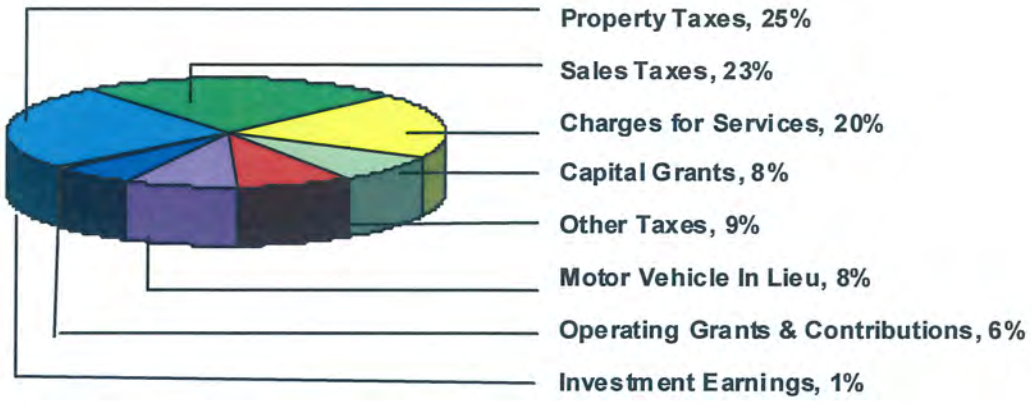
Table 3: Governmental Net Assets
As of June 30, 2011 and 2010 (Dollars in Millions)

	Governmental Activities 2011	2010
Cash and Investments	$86.6	$83.2
Other Assets	57.4	55.0
Capital Assets	686.1	700.4
Total Assets	**830.1**	**838.6**
Long-Term Debt Outstanding	83.5	80.2
Other Liabilities	30.7	29.4
Total Liabilities	**114.2**	**109.6**
Net Assets:		
Invested in Capital Assets, Net of Debt	622.7	619.0
Restricted	81.6	86.5
Unrestricted	11.6	23.5
Total Net Assets	**$715.9**	**$729.0**

The City's net assets from Governmental Activities decreased $15.4 million to $713.6 million in 2011. This decrease in the Changes in Net Assets reflected in the Statement of Activities, as shown in Table 3, is discussed below:

- Cash and investments increased $3.4 million due to an increase in cash flow from major revenue sources.
- Capital assets, net of depreciation charges, decreased $14.3 million. Improvements and additions to infrastructure and equipment were more than offset by the normal annual depreciation charges.
- Long-term debt increased $3.3 million as the city entered into a lease purchase agreement with Chevron Energy Services Company in the amount of $8,384,040 while making scheduled payments on existing debt.
- Other assets, net of other liabilities, increased $1.3 million due primarily to the timing of short term receivables and payables and an increase in the Net OPEB asset.
- Net assets invested in capital assets, net of related debt, increased $3.7 million.
- Restricted net assets decreased $4.9 million as net assets restricted for Capital Projects increased $9.7 million and net assets restricted for Community Development Projects and Debt Service decreased $14.5 million.
- Unrestricted net assets reflect the resources that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. Unrestricted net assets decreased $11.9 million.

Governmental Activities - Sources of Revenues
For the Year Ended June 30, 2011 (see Table 4)



As the Sources of Revenues Chart above shows, 25% or $27.1 million of the City's fiscal 2011 governmental activities revenue came from property taxes, and approximately 23% or $24.6 million came from sales taxes. The remaining 51% came primarily from four sources - charges for services, capital grants, motor vehicle in lieu, and other taxes.

Governmental Activities - Functional Expenses
For the Year Ended June 30, 2011 (see Table 4)

The Functional Expenses Chart above includes only current year expenses, which are discussed in detail below. Public Safety accounted for $44.5 million or 37% of expenses, while Public Works & Engineering accounted for $38.0 million or 31% of expenses, followed by Community Development which accounted for $15.9 million or 13% of expenses. The remaining 19% were spread fairly evenly among General Government; Community and Recreation Services; and interest expense.

The expenses reflected above do not include capital outlay, which is now added to the City's capital assets on the Government-Wide Financial Statements. In 2011, the City's capital assets declined a net of $14.3 million, as discussed above, due to annual depreciation, which offset the additions made. The details of the changes in capital assets are discussed on page 14.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Changes in Governmental Net Assets summarized below:

Table 4: Changes in Governmental Net Assets
For the Years Ended June 30, 2011 and 2010 (Dollars in Millions)

	Governmental Activities 2011	2010
EXPENSES		
General Government	$11.4	$12.5
Public Safety	43.1	43.0
Public Works & Engineering	37.6	32.8
Community Development	15.8	20.6
Community and Recreation Services	7.2	9.8
Interest on Long-Term Debt	3.9	5.3
Total Expenses	**119.0**	**124.0**
REVENUES		
Program Revenues:		
Charges for Services	20.8	17.1
Operating Contributions and Grants	6.1	5.5
Capital Grants	8.6	10.6
Total Program Revenues	35.5	33.2
General Revenues:		
Taxes:		
Property Taxes	27.1	27.9
Sales Taxes	24.6	23.4
Other Taxes	9.2	8.9
Motor Vehicle in Lieu	8.8	8.8
Investment Earnings	0.6	0.8
Miscellaneous Revenues	0.1	0.1
Total General Revenues	70.4	69.9
Total Revenues	**105.9**	**103.1**
Change in Net Assets before Transfers	(13.1)	(20.9)
Transfers	0.0	0.0
Change in Net Assets	**($13.1)**	**($20.9)**

The expense of Governmental Activities totaled $119.00 million in fiscal 2011, reflecting a $5.00 million decrease from the prior year. Increases in Public Works & Engineering and Public Safety were offset by decreases in Community Development, Community and Recreation Services and General Government.

Total Governmental Activities revenues increased $2.8 million in fiscal 2011. The increase in revenue reflects a $3.7 million increase in Charges for Services which offset a decrease of $2.0 million in Capital Grants and Contributions.

Governmental Activities

Table 5 presents the net expense of each of the City's programs. Net expense is defined as total program cost offset by revenues generated by those specific activities. In the City's case, the net expenses of several programs varied significantly from the total expense above. Overall, program revenues reduced program expenses by an average of 29% of total expenses. The City's program revenues include developer fees, plan check fees, building inspection fees, traffic fines, recreation fees, police fees, grants, assessment revenues and other charges for services.

Table 5: Governmental Activities
As of June 30, 2011 and 2010 (Dollars in Millions)

	Net (Expense) Revenue from Services	
	2011	2010
General Government	($10.4)	($11.6)
Public Safety	(41.3)	(40.9)
Public Works & Engineering	(20.0)	(13.1)
Community Development	(7.6)	(16.8)
Community & Recreation Services	(0.3)	(3.1)
Interest on Long-Term Debt	(3.9)	(5.3)
Total	**($83.5)**	**($90.8)**

Business-Type Activities

The net assets of Business-Type Activities decreased to $79.8 million in fiscal 2011, down $3.1 million from the prior year. Of this total, $78.5 million were reflected in the Sewer Fund and $1.4 million were reflected in the Golf Course Fund.

Table 6: Business-Type Activities Net Assets
As of June 30, 2011 and 2010 (Dollars in Millions)

	Business-Type Activities	
	2011	2010
Cash and Investments	$32.1	$32.2
Other Assets	3.1	2.9
Capital Assets	81.1	85.0
Total Assets	**116.3**	**120.1**
Long-Term Debt Outstanding	22.9	23.8
Other Liabilities	13.6	13.4
Total Liabilities	**36.5**	**37.2**
Net Assets:		
Invested in Capital Assets, Net of Debt	59.4	62.5
Unrestricted	20.4	20.4
Total Net Assets	**$79.8**	**$82.9**

Table 7: Changes in Business-Type Activities Net Assets
As of June 30, 2011 and 2010 (Dollars in Millions)

	Business-Type Activities 2011	2010
Net Revenues from Business-Type Activities:		
Sewer Fund	($3.4)	($2.9)
Golf Course Fund	(0.1)	0.0
General Revenues:		
Investment Earnings	0.4	0.9
Others	0.0	0.1
Transfers	0.0	0.0
Total	**($3.1)**	**($1.9)**

The sewer fund generated $18.2 million of revenues in fiscal 2011, reflecting a $0.2 million decrease in service fees over the prior year. Operating expenses increased by $0.4 million to $20.8 million. As a result, the Sewer fund experienced a $2.5 million operating loss for the year attributable to the City's support of capital project for treatment at the Central Contra Costa Sanitary District. The Golf Course Enterprise reflected a nominal gain in fiscal year 2011.

THE CITY'S FUND FINANCIAL STATEMENTS

Governmental Funds

At June 30, 2011, the City's governmental funds reported combined fund balances of $87.4 million, an $8.1 million increase when compared with last year's combined fund balance of $79.3 million. The Redevelopment Agency fund balance decreased $13.6 million, but was made up by an increase in the general fund of $10.9 million and the general reimbursable projects fund of 9.1.

Governmental fund revenues increased $4.2 million this year to total $106.6 million. General Fund revenues increased $1.9 million. Redevelopment Agency revenues decreased $0.7 million. General Reimbursable Project revenues increased $6.4 million. Other Governmental fund revenues decreased $3.4 million.

Governmental expenditures decreased $19.0 million this year to total $106.7 million. General Fund expenditures decreased $4.5 million. Redevelopment Agency expenditures decreased $5.1 million. General Reimbursable Project expenditures increased $4.8 million. Other Governmental fund expenditures decreased $14.2 million.

Other Financing Sources (Uses) reflect transfers among the various funds in the City. During fiscal 2011, the General Fund received transfers in of approximately $13.8 million primarily from the Redevelopment Agency to fund operating cost and debt service.

Proprietary Funds

Enterprise Fund net assets totaled $79.8 million at the end of the fiscal year, a decrease of $3.1 million. Enterprise operating revenues were $19.5 million this year, down 0.3 from last year. Enterprise Fund operating expenses were $22.0 million this year, up $0.4 million from the prior year.

ANALYSES OF MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund revenues totaled $66.7 million, reflecting an increase of $1.9 million over the prior fiscal year, due primarily to revenue from the voter-approved Measure Q sales tax. Actual revenues were $1.9 million above the budgeted amounts because of the new Measure Q sales tax.

Property taxes stayed relatively flat from prior year, with a $0.1 million decrease. Sales tax, excluding Measure Q funds, had a nominal increase of $0.1 million. The City received one quarter's worth of Measure Q sales tax for fiscal year 2011. $2.1 million was received from this new revenue sources.

General Fund expenditures decreased $4.5 million due to continuing efforts to balance expenditures with reduced revenues. Public Works expenditures decreased $1.3 million to a total of $8.5 million in fiscal 2011.

At June 30, 2011 the General Fund fund balance totaled $17.0 million, reflecting an increase of $10.9 million. The ending fund balance consisted of $2.1 million categorized as nonspendable; $11.4 million in restricted funds; $0.4 of the total fund balance was assigned; and $3.1 million was unassigned.

Redevelopment Agency

This fund accounts for all activities of the Redevelopment Agency, including property tax increment and other Redevelopment Agency revenues; the portion of property tax increment required under California law to be set aside to fund low and moderate income housing expenditures; the accumulation of funds to pay debt service on the Agency's 2004 tax allocation bonds and the refunding lease agreement; and capital projects in the Redevelopment Agency's project areas.

The fund's revenues were $16.2 million in fiscal 2011, a decrease of $0.7 million. Property tax increment revenues decreased to $16.9 million which were offset by pass-through payments totaling $1.2 million.

Fund expenditures were $15.1 million in fiscal 2011, a decrease of $5.1 million from prior year, and consisted of $8.3 million in development and $6.5 million in debt.

The Redevelopment Agency fund balance decreased $13.6 million primarily as a result of transfers to the general fund to fund operating costs and debt services.

The fund's fiscal year end fund balance of $44.4 million may be used only for redevelopment purposes. This full amount is restricted primarily for future capital projects. As such this fund balance is not available for unrestricted expenditure.

The State of California Legislature has enacted two laws, AB1X 26 and AB1X 27, which dissolve Redevelopment Agencies as of October 1, 2011, and allow entities to participate in a "Voluntary" Redevelopment Agency plan which provides a greater share of property tax increment to the State and to other agencies within each County. A lawsuit was filed with the California Supreme Court on July 18, 2011, by the California Redevelopment Association challenging the validity of these actions. The Court has issued a partial stay of ABX1 26 and a full stay of AB1X 27, with a decision expected no later than January 15, 2012. As a result, it is possible that the Redevelopment Agency or its successor will be reconfigured. This issue is more fully discussed in Note 19 below.

General Reimbursable Projects Fund

This fund tracks capital project costs that are reimbursable from grants and charges to job specific projects.

The fund's revenues were $10.5 million in fiscal 2011, an increase of $6.4 million, primarily due to an increase in capital projects activity and reimbursement from grantors.

Fund expenditures were $9.5 million in fiscal 2011, an increase of $4.8 million.

The fund balances at fiscal year end increased $9.1 million to $7.5 million.

Other Governmental Funds

These funds are not presented separately in the Basic Financial Statements, but are individually presented as Supplemental Information.

Proprietary Funds

Sewer Fund

Net assets of the Sewer Fund decreased by $3.1 million in fiscal 2011. At June 30, 2011, the Fund's Net Assets were $78.5 million, of which $57.3 million was invested in capital assets. $21.2 million of the Fund's Net Assets were unrestricted at June 30, 2011.

Golf Course Fund

Golf Course revenues decreased slightly but remained at $1.3 million in fiscal 2011 while operating expenses remained flat. Net assets stayed at $1.4 million.

CAPITAL ASSETS

GASB 34 requires the City to record all its capital assets, including infrastructure, in its financial statements. Infrastructure includes roads, bridges, signals and similar assets used by the entire population.

In accordance with GASB 34, in fiscal 2002, the City recorded the cost of all its infrastructure assets and computed the amount of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal 2011 the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 8 below:

Table 8: Capital Assets
For the Years Ended June 30, 2011 and 2010 (Dollars in Millions)

	Balance at June 30, 2011	Balance at June 30, 2010
Governmental Activities		
Land	$16.0	$16.3
Construction in Progress	4.0	3.3
Ground Improvements	15.7	14.3
Buildings and Improvements	77.3	78.0
Machinery and Equipment	10.9	8.6
Vehicles	8.1	8.2
Streets	425.0	421.7
Sidewalks	47.0	45.5
Storm Drains/Catch Basins	443.3	443.3
Street Lights	2.5	1.2
Traffic Signals	25.7	25.5
Less: Accumulated Depreciation	(389.5)	(365.5)
Governmental Activity Capital Assets, Net	**$686.0**	**$700.4**
Business-Type Activities		
Land	$0.4	$0.4
Construction in Progress	0.3	13.1
Buildings and Improvements	8.7	8.2
Machinery and Equipment	0.3	0.4
Sewer Lines	209.3	196.5
Less: Accumulated Depreciation	(137.9)	(133.6)
Business-Type Activity Capital Assets, Net	**$81.1**	**$85.0**

The principal additions to governmental capital assets in fiscal 2011 were focused on infrastructure, including streets, sidewalks and street lights. Business-Type Activities experienced an increase in sewer lines but net capital assets decreased due to increased accumulated depreciation. Further detail on capital assets, current year additions and construction in progress can be found in Note 7.

The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives may be found in Note 7.

DEBT ADMINISTRATION

The City made all scheduled repayments of existing debt. Each of the City's debt issues is discussed in detail in Note 8 to the Financial Statements. In addition, during the year ended June 30, 2011, the City entered into a lease purchase agreement with Chevron Energy Services Company in the amount of $8.4 million. At June 30, 2011, the City's debt was comprised of the following issues:

Table 9: Outstanding Debt
As of June 30, 2011 and 2010 (Dollars in Millions)

	June 30, 2011	June 30, 2010	Net Change
Governmental Activity Debt:			
Revenue Bonds:			
1993 Lease Revenue Bonds, 2.70 - 5.25%, due 8/1/19	$1.4	$1.8	($0.4)
1995 Lease Revenue Bonds, 6.33 - 8.24%, due 8/1/20	4.0	4.6	(0.6)
2001 Lease Revenue Bonds, 4.00 - 5.13%, due 3/1/23	6.5	6.9	(0.4)
Tax Allocation Bonds:			
Tax Allocation Refunding Bonds, Series 2004			
3.90 - 5.05%, due 7/1/25	57.2	60.9	(3.7)
Less deferred amount on refunding	(2.0)	(2.4)	0.4
Certificates of Participation:			
ABAG 41 - Centre Concord, 4.00 - 5.00%, due 8/1/18	0.1	0.2	(0.1)
Refunding Lease Agreement			
3.60%, due 9/2/13	4.6	5.1	(0.5)
Lease Purchase Agreement			
4.75%, due 6/30/27	8.4	0.0	8.4
Notes Payable:			
3.00%, due 9/2/13	1.3	2.4	(1.1)
Special Assessment with City Commitment:			
Assessment District #80	0.0	0.1	(0.1)
Assessment District #81	0.0	0.1	(0.1)
Capital Lease:			
Key Government Finance, 4.65%, due 10/15/11	0.2	0.5	(0.3)
Motorola Safety Radio, 3.03%, due 12/1/16	1.1	0.0	
Cisco VOIP Equipment, 3.95%, due 7/9/14	0.3	0.0	
Hubb Systems Mobile Digital Computers, 4.75%, due 7/9/14	0.3	0.0	
Color Hybrid Multi-Function Printer Equipment, 5.5%, due 11/1/18	0.1	0.0	0.1
Total Governmental Activity Debt	**$83.5**	**$80.2**	**$1.6**
Business-Type Activity Debt:			
Enterprise Long Term Debt:			
2004 Certificates of Participation, Wastewater System Improvements, 2.00 - 4.63%, due 2/1/29	$10.1	$10.5	($0.4)
2007 Certificates of Participation, Wastewater System Improvements, 3.75 - 4.50%, due 2/1/32	11.4	$11.8	($0.4)
ABAG 41 Certificates of Participation, Diablo Creek Golf Course, 4.00 - 5.00%, due 8/1/18	1.4	1.5	(0.1)
Total Business-Type Activity Debt	**$22.9**	**$23.8**	**($0.9)**

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the Finance Department, at 1950 Parkside Drive, Concord, CA 94519-2578.