



## 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 2014 FINANCIAL HIGHLIGHTS

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Financial highlights of the year include the following:

#### Government-Wide

- The City's total net position was \$789 million at June 30, 2014 compared to \$800 million at June 30, 2013, down \$11 million from the prior year. Of this total, \$722 million was governmental activities net position and \$67 million was business-type activities net position.
- Government-wide governmental revenues include program revenues of \$30 million and general revenues of \$77 million for a total of \$107 million, an increase of \$10 million from the prior year's total.
- Total government-wide governmental activities expenses were \$114 million, an increase of \$1 million from the prior year.
- Government-wide business-type activities revenues were \$24 million while expenses were \$28 million.

#### Fund Level

- Governmental Fund balances increased \$10 million in fiscal 2014 to \$77 million.
- Governmental Fund revenues increased \$8 million in fiscal 2014 to \$106 million.
- Governmental Fund expenditures increased to \$95 million in fiscal 2014, up \$2 million from the prior year.
- General Fund revenues of \$85 million in fiscal 2014 reflected an increase of \$4 million from the prior year.
- General Fund expenditures of \$78 million reflected an increase of \$6 million when compared to the prior year.
- The net transfers out reflected in the General Fund remained flat at \$2 million out for fiscal 2014.
- General Fund balance of \$25 million at June 30, 2014 increased \$5 million from fiscal 2013.

### OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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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

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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 position and the Statement of Activities. The Statement of Net position 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 position 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 position 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 and the Redevelopment Successor Agency (RSA), for which the City acts solely as agent.

### The Government-Wide Financial Statements

The Statement of Net position 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; Community and Economic Development; and Parks 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 Concord Pleasant Hill Health Care District 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

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, Concord Housing Fund and the General Projects Fund are the only Major Governmental Funds in addition to the General Fund.

Fund Financial Statements include Governmental, Proprietary and Agency 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.

Proprietary 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 position 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 Fund Statements

The City's fiduciary fund activities are reported in the separate Statement of Fiduciary Net position and Statement of Changes in Net position. Fiduciary funds include the Pension Trust Fund and the Successor Agency Private Purpose Trust Fund (SAPPTF). These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

## FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

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

**Table 1: Citywide Net Position  
As of June 30, 2014 and 2013 (Dollars in Millions)**

|                                  | Governmental Activities |                | Business-Type Activities |               | Total          |                |
|----------------------------------|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
|                                  | 2014                    | 2013           | 2014                     | 2013          | 2014           | 2013           |
| Cash and Investments             | \$82.1                  | \$68.4         | \$24.6                   | \$28.0        | \$106.7        | \$96.4         |
| Other Assets                     | 55.8                    | 61.1           | 2.9                      | 2.9           | 58.7           | 64.0           |
| Capital Assets                   | 638.2                   | 657.6          | 77.4                     | 77.3          | 715.6          | 734.9          |
| <b>Total Assets</b>              | <b>776.1</b>            | <b>787.1</b>   | <b>104.9</b>             | <b>108.2</b>  | <b>881.0</b>   | <b>895.3</b>   |
| Long-Term Debt Outstanding       | 21.2                    | 24.3           | 20.6                     | 21.6          | 41.8           | 45.9           |
| Other Liabilities                | 32.8                    | 33.4           | 17.4                     | 15.5          | 50.2           | 48.9           |
| <b>Total Liabilities</b>         | <b>54.0</b>             | <b>57.7</b>    | <b>38.0</b>              | <b>37.1</b>   | <b>92.0</b>    | <b>94.8</b>    |
| Net Position:                    |                         |                |                          |               |                |                |
| Net Investment in Capital Assets | 618.4                   | 635.0          | 56.3                     | 54.9          | 674.7          | 689.9          |
| Restricted                       | 46.7                    | 63.1           |                          |               | 46.7           | 63.1           |
| Unrestricted                     | 57.0                    | 31.3           | 10.6                     | 16.2          | 67.6           | 47.5           |
| <b>Total Net Position</b>        | <b>\$722.1</b>          | <b>\$729.4</b> | <b>\$66.9</b>            | <b>\$71.1</b> | <b>\$789.0</b> | <b>\$800.5</b> |

**Table 2: Citywide Changes in Net Position  
For the Years Ended June 30, 2014 and 2013 (Dollars in Millions)**

|                                    | Governmental Activities |                | Business-Type Activities |               | Total          |                |
|------------------------------------|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
|                                    | 2014                    | 2013           | 2014                     | 2013          | 2014           | 2013           |
| <b>EXPENSES</b>                    |                         |                |                          |               |                |                |
| General Government                 | \$17.7                  | \$17.2         |                          |               | \$17.7         | \$17.2         |
| Public Safety                      | 43.1                    | 46.4           |                          |               | 43.1           | 46.4           |
| Public Works                       | 37.0                    | 33.6           |                          |               | 37.0           | 33.6           |
| Community and Economic Development | 8.6                     | 8.7            |                          |               | 8.6            | 8.7            |
| Parks and Recreation Services      | 5.8                     | 6.0            |                          |               | 5.8            | 6.0            |
| Interest on Long-Term Debt         | 1.4                     | 1.3            |                          |               | 1.4            | 1.3            |
| Sewer                              |                         |                | \$26.8                   | \$24.9        | 26.8           | 24.9           |
| Golf Course                        |                         |                | 1.3                      | 1.3           | 1.3            | 1.3            |
| <b>Total Expenses</b>              | <b>113.6</b>            | <b>113.2</b>   | <b>28.1</b>              | <b>26.2</b>   | <b>141.7</b>   | <b>139.4</b>   |
| <b>REVENUES</b>                    |                         |                |                          |               |                |                |
| Program Revenues:                  |                         |                |                          |               |                |                |
| Charges for Services               | 13.6                    | 14.2           | 23.5                     | 20.8          | 37.1           | 35.0           |
| Operating Contributions and Grants | 7.8                     | 8.3            |                          |               | 7.8            | 8.3            |
| Capital Grants                     | 8.2                     | 4.0            | 0.1                      | 0.0           | 8.3            | 4.0            |
| Total Program Revenues             | 29.6                    | 26.5           | 23.6                     | 20.8          | 53.2           | 47.3           |
| General Revenues:                  |                         |                |                          |               |                |                |
| Taxes:                             |                         |                |                          |               |                |                |
| Property Taxes                     | 15.7                    | 15.0           |                          |               | 15.7           | 15.0           |
| Sales Taxes                        | 40.1                    | 36.4           |                          |               | 40.1           | 36.4           |
| Other Taxes                        | 11.5                    | 10.5           |                          |               | 11.5           | 10.5           |
| Motor Vehicle in Lieu              | 8.1                     | 7.7            |                          |               | 8.1            | 7.7            |
| Investment Earnings                | 1.3                     | 0.1            | 0.2                      | 0.1           | 1.5            | 0.2            |
| Misc. Revenues and Transfers       |                         | 0.4            | 0.1                      | 0.0           | 0.1            | 0.4            |
| Total General Revenues             | 76.7                    | 70.1           | 0.3                      | 0.1           | 77.0           | 70.2           |
| <b>Total Revenues</b>              | <b>106.3</b>            | <b>96.6</b>    | <b>23.9</b>              | <b>20.9</b>   | <b>130.2</b>   | <b>117.5</b>   |
| <b>Change in Net Position</b>      | <b>(7.3)</b>            | <b>(16.6)</b>  | <b>(4.2)</b>             | <b>(5.3)</b>  | <b>(11.5)</b>  | <b>(21.9)</b>  |
| <b>Beginning Net Position</b>      | <b>729.4</b>            | <b>746.0</b>   | <b>71.1</b>              | <b>76.4</b>   | <b>800.5</b>   | <b>822.4</b>   |
| <b>Ending Net Position</b>         | <b>\$722.1</b>          | <b>\$729.4</b> | <b>\$66.9</b>            | <b>\$71.1</b> | <b>\$789.0</b> | <b>\$800.5</b> |

The analyses below focus on the net position and changes in net position 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 position and Statement of Activities that follow.

### Governmental Activities

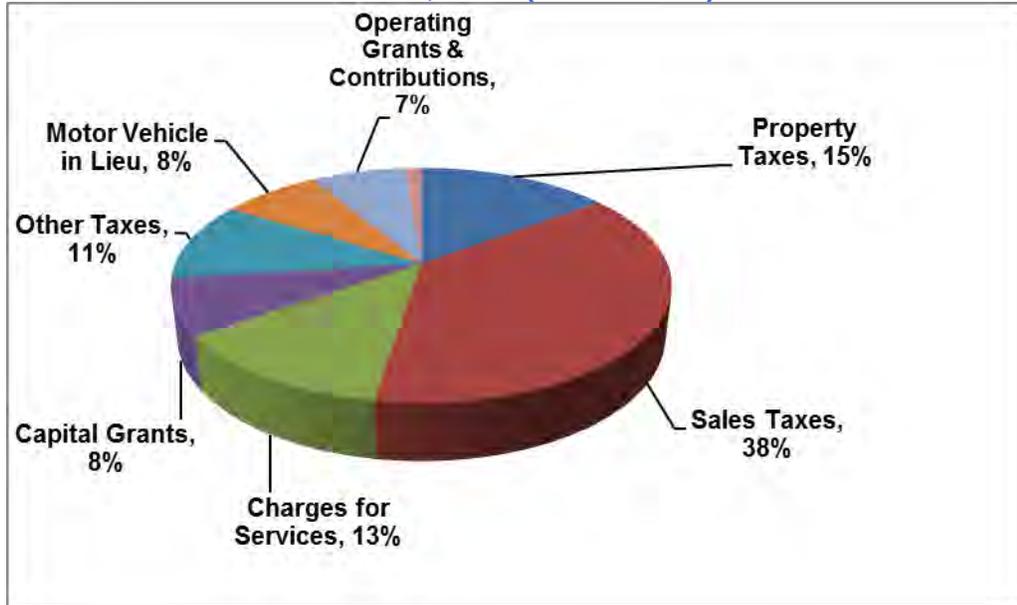
**Table 3: Governmental Net Position  
As of June 30, 2014 and 2013 (Dollars in Millions)**

|                                  | Governmental<br>Activities |                |
|----------------------------------|----------------------------|----------------|
|                                  | 2014                       | 2013           |
| Cash and Investments             | \$82.1                     | \$68.4         |
| Other Assets                     | 55.8                       | 61.1           |
| Capital Assets, net              | 638.2                      | 657.6          |
| <b>Total Assets</b>              | <b>776.1</b>               | <b>787.1</b>   |
| Long-Term Debt Outstanding       | 21.2                       | 24.3           |
| Other Liabilities                | 32.8                       | 33.4           |
| <b>Total Liabilities</b>         | <b>54.0</b>                | <b>57.7</b>    |
| Net Position:                    |                            |                |
| Net investment in Capital Assets | 618.4                      | 635.0          |
| Restricted                       | 46.7                       | 63.1           |
| Unrestricted                     | 57.0                       | 31.3           |
| <b>Total Net Position</b>        | <b>\$722.1</b>             | <b>\$729.4</b> |

The City's net position from Governmental Activities decreased \$7.3 million, or -1%, to \$722.1 million in 2014. The Governmental Net position decreased primarily from the depreciation of capital assets, especially infrastructure.

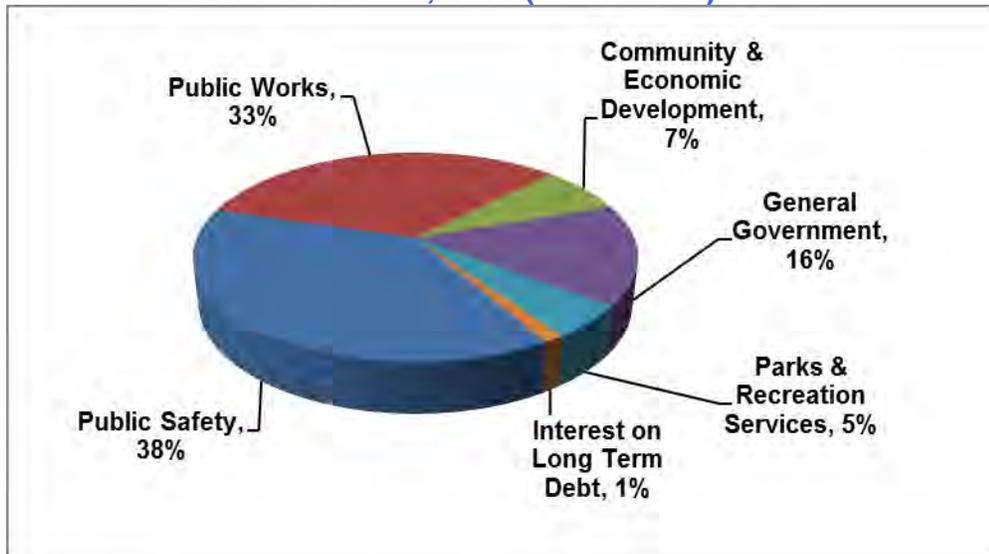
- Cash and investments increased \$13.7 million, or 20%, to \$82.1 million due to an increase in cash flow from major revenue sources.
- Capital assets, net of depreciation, decreased \$19.4 million. This decrease is primarily due to depreciation. For more information see Note 6.
- Long-term debt decreased \$3.1 million. This decrease is primarily due to the scheduled pay down of outstanding debt. See Note 7 for more information on long-term debt.
- Net investment in capital assets decreased \$16.6 million.
- Restricted net position decreased \$16.4 million primarily due to decrease in restrictions for capital projects and community development projects.
- Unrestricted net position reflects the resources that can be used to finance day-to-day operations. Unrestricted net position increased \$25.7 million from the prior fiscal year to \$57.0 million at June 30, 2014.

**Governmental Activities - Sources of Revenues  
For the Year Ended June 30, 2014 (see Table 4)**



As the Sources of Revenues Chart above shows, 15%, or \$15.7 million, of the City’s fiscal 2014 governmental activities revenue came from property taxes, 38%, or \$40.1 million came from sales taxes, and 13%, or \$13.6 million, came from charges for service. The remaining 34% came primarily from three sources – capital grants, motor vehicle in lieu, and other taxes.

**Governmental Activities - Functional Expenses  
For the Year Ended June 30, 2014 (see Table 4)**



The Functional Expenses Chart above includes only current year expenses, which are discussed in detail below. Public Safety accounted for \$43.1 million or 38% of expenses, while Public Works accounted for \$37.0 million or 33% of expenses, followed by General Government which accounted for \$17.7 million or 16% of expenses. The remaining 13% was spread among Community and Economic Development; Parks and Recreation Services; and interest expense.

The expenses reflected above do not include capital outlay, which is added to the City's capital assets on the Government-Wide Financial Statements. In 2014, the City's capital assets declined a net of \$19.4 million, as discussed above. The details of the changes in capital assets are discussed in Note 6.

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

**Table 4: Changes in Governmental Net Position  
For the Years Ended June 30, 2014 and 2013 (Dollars in Millions)**

|                                    | Governmental<br>Activities |                 |
|------------------------------------|----------------------------|-----------------|
|                                    | 2014                       | 2013            |
| <b>EXPENSES</b>                    |                            |                 |
| General Government                 | \$17.7                     | \$17.2          |
| Public Safety                      | 43.1                       | 46.4            |
| Public Works                       | 37.0                       | 33.6            |
| Community & Economic Development   | 8.6                        | 8.7             |
| Parks & Recreation Services        | 5.8                        | 6.0             |
| Interest on Long-Term Debt         | 1.4                        | 1.3             |
| <b>Total Expenses</b>              | <b>113.6</b>               | <b>113.2</b>    |
| <b>REVENUES</b>                    |                            |                 |
| Program Revenues:                  |                            |                 |
| Charges for Services               | 13.6                       | 14.2            |
| Operating Contributions and Grants | 7.8                        | 8.3             |
| Capital Grants                     | 8.2                        | 4.0             |
| Total Program Revenues             | 29.6                       | 26.5            |
| General Revenues:                  |                            |                 |
| Taxes:                             |                            |                 |
| Property Taxes                     | 15.7                       | 15.0            |
| Sales Taxes                        | 40.1                       | 36.4            |
| Other Taxes                        | 11.5                       | 10.5            |
| Motor Vehicle in Lieu              | 8.1                        | 7.7             |
| Investment Earnings                | 1.3                        | 0.1             |
| Miscellaneous Revenues             | 0.0                        | 0.4             |
| Total General Revenues             | 76.7                       | 70.1            |
| <b>Total Revenues</b>              | <b>106.3</b>               | <b>96.6</b>     |
| <b>Change in Net Position</b>      | <b>(\$7.3)</b>             | <b>(\$16.6)</b> |

Total governmental expenses were \$113.6 million in fiscal 2014, reflecting a \$0.4 million increase from the prior year. Decreases in Public Safety (\$3.3 million), Park & Recreation Services (\$0.2 million) and Community & Economic Development (\$0.1 million) were offset by increases in Public Works (\$3.4 million) and General Government (\$0.5 million).

Total governmental revenues increased \$9.7 million to \$106.3 million in fiscal 2014. The increase is primarily the result of a \$3.7 million increase in sales tax revenue, a \$4.2 million increase in capital grants, and a \$1.2 million increase in investment earnings.

## 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. The City's program revenues include charges for services such as developer fees, plan check fees, building inspection fees, recreation fees, police fees, traffic fines and operating or capital grants.

**Table 5: Governmental Activities Net Program Expense  
As of June 30, 2014 and 2013 (Dollars in Millions)**

|                                  | Net (Expense) Revenue<br>from Services |                 |
|----------------------------------|--|-----------------|
|                                  | 2014                                   | 2013            |
| General Government               | (\$10.0)                               | (\$15.7)        |
| Public Safety                    | (40.7)                                 | (44.3)          |
| Public Works                     | (28.2)                                 | (19.7)          |
| Community & Economic Development | (2.8)                                  | (3.9)           |
| Parks & Recreation Services      | (1.0)                                  | (1.8)           |
| Interest on Long-Term Debt       | (1.3)                                  | (1.3)           |
| <b>Total</b>                     | <b>(\$84.0)</b>                        | <b>(\$86.7)</b> |

## Business-Type Activities

The net position of Business-Type Activities decreased to \$66.9 million in fiscal 2014, down \$4.2 million from \$71.1 million in the prior year. Business-Type activities include the Sewer Fund and the Golf Course Fund with net position of \$65.1 million and \$1.8 million, respectively.

**Table 6: Business-Type Activities Net Position  
As of June 30, 2014 and 2013 (Dollars in Millions)**

|                                  | Business-Type<br>Activities |               |
|----------------------------------|-----------------------------|---------------|
|                                  | 2014                        | 2013          |
| Cash and Investments             | \$24.6                      | \$28.0        |
| Other Assets                     | 2.9                         | 2.9           |
| Capital Assets                   | 77.4                        | 77.3          |
| <b>Total Assets</b>              | <b>104.9</b>                | <b>108.2</b>  |
| Long-Term Debt Outstanding       | 20.6                        | 21.6          |
| Other Liabilities                | 17.4                        | 15.5          |
| <b>Total Liabilities</b>         | <b>38.0</b>                 | <b>37.1</b>   |
| Net Position:                    |                             |               |
| Net investment in Capital Assets | 56.3                        | 54.9          |
| Unrestricted                     | 10.6                        | 16.2          |
| <b>Total Net Position</b>        | <b>\$66.9</b>               | <b>\$71.1</b> |

**Table 7: Changes in Business-Type Activities Net Position  
As of June 30, 2014 and 2013 (Dollars in Millions)**

|   | Business-Type Activities |                |
|---|--------------------------|----------------|
|   | 2014                     | 2013           |
| Net Revenues from Business-Type Activities: |                          |                |
| Sewer Fund                                  | (\$4.6)                  | (\$5.5)        |
| Golf Course Fund                            | 0.1                      | 0.1            |
| General Revenues:                           |                          |                |
| Investment Earnings                         | 0.2                      | 0.1            |
| Other                                       | 0.1                      | 0.0            |
| <b>Total</b>                                | <b>(\$4.2)</b>           | <b>(\$5.3)</b> |

The Sewer Fund generated service fee revenues of \$22.1 in fiscal 2014, reflecting a \$2.7 million increase over the prior year. Operating expenses increased by \$1.9 million, or 7%, to \$26.8 million. As a result, the Sewer Fund experienced a \$4.6 million operating loss for the year attributable to the City's support of capital projects for sewage treatment at the Central Contra Costa Sanitary District. The Golf Course Fund realized a nominal gain in fiscal year 2014.

## THE CITY'S FUND FINANCIAL STATEMENTS

### Governmental Funds

At June 30, 2014, the City's governmental funds reported combined fund balances of \$77.4 million, a \$10.7 million increase when compared with last year's combined fund balance of \$66.7 million. General fund balance increased \$5.0 million and General Projects fund balance decreased by \$0.2 million. The Concord Housing fund balance increased \$2.0 million, and Other Governmental fund balance increased \$3.8 million.

Governmental fund revenues increased \$7.7 million this year to \$105.7 million from \$98.0 million in the prior year. General Fund revenues increased \$4.3 million, or 5%. General Project revenues decreased \$1.7 million. Other Governmental fund revenues increased \$3.0 million.

Governmental expenditures increased \$2.2 million this year to \$95.5 million from \$93.3 million in the prior year. General Fund expenditures increased \$6.5 million to \$78.1 million. General Project expenditures decreased \$2.3 million. Other Governmental fund expenditures decreased \$1.8 million. Other Financing Sources (Uses) are primarily comprised of transfers among the various funds in the City. During fiscal 2014, the General Fund received transfers in of approximately \$0.5 million to reimburse operating costs and transferred out \$2.1 million to fund capital projects and debt service.

### Proprietary Funds

Enterprise fund net position decreased to \$66.9 million in fiscal 2014, down \$4.2 million from \$71.1 million in the prior year. Enterprise operating revenues were \$23.5 million this year, up \$2.7 million from last year. Enterprise Fund operating expenses were \$27.3 million in fiscal 2014, up \$2.4 million from \$24.9 million in the prior year.

Internal service fund net position increased to \$47.1 million in fiscal 2014, up \$8.1 million from \$39.0 million in the prior year. This increase is primarily due to a \$4.0 million increase in net capital assets and a \$3.8 million decrease in claims payable and lease payable.

## ANALYSES OF MAJOR GOVERNMENTAL FUNDS

### General Fund

General Fund revenues totaled \$84.8 million, reflecting an increase of \$4.3 million, or 5%, over the prior fiscal year, due primarily to a \$1.8 million increase in Sales Taxes and a \$1.1 million increase in In Lieu Sales Tax and Other Taxes, respectively. General Fund operating expenditures increased \$6.5 million primarily due to an increase in General Government expenditures of \$3.6 million and an increase in Public Safety expenditures of \$1.7 million.

**Table 8: Changes in General Fund  
As of June 30, 2014 and 2013 (Dollars in Millions)**

|  | General Fund<br>Revenues and Expenditures |               |
|--|---|---------------|
|  | 2014                                      | 2013          |
| <b>REVENUES</b>  |   |               |
| Taxes:   |   |               |
| Property Taxes   | \$11.9                                    | \$11.2        |
| In Lieu Property Taxes - VLF                             | 8.1                                       | 7.7           |
| Sales Taxes  | 21.5                                      | 19.7          |
| Measure Q Sales Taxes                                    | 11.4                                      | 10.6          |
| In Lieu Sales Taxes                                      | 7.2                                       | 6.1           |
| Other Taxes  | 11.6                                      | 10.5          |
| Licenses and Permits                                     | 1.6                                       | 1.5           |
| Intergovernmental  | 0.7                                       | 0.7           |
| Charges for Services                                     | 5.6                                       | 5.3           |
| Investment Earnings                                      | 0.6                                       | 1.1           |
| Miscellaneous Revenues                                   | 4.6                                       | 6.1           |
| <b>Total Revenues</b>                                    | <b>84.8</b>                               | <b>80.5</b>   |
| <b>EXPENDITURES</b>                                      |   |               |
| General Government                                       | \$18.6                                    | \$15.0        |
| Public Safety  | 43.7                                      | 42.0          |
| Public Works   | 6.1                                       | 5.6           |
| Community and Economic Development                       | 5.2                                       | 5.1           |
| Parks and Recreation Services                            | 4.3                                       | 3.8           |
| Interest on Long-Term Debt                               | 0.2                                       | 0.1           |
| <b>Total Expenditures</b>                                | <b>78.1</b>                               | <b>71.6</b>   |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>6.7</b>                                | <b>8.9</b>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |   |               |
| Transfers In   | 0.5                                       | 0.5           |
| Transfers Out  | (2.1)                                     | (2.4)         |
| <b>Total Other Financing Sources (Uses)</b>              | <b>(1.6)</b>                              | <b>(1.9)</b>  |
| <b>Net Change in Fund Balance</b>                        | <b>5.1</b>                                | <b>7.0</b>    |
| <b>Fund Balance at Beginning of Year</b>                 | <b>19.6</b>                               | <b>12.6</b>   |
| <b>Ending Fund Balance</b>                               | <b>\$24.7</b>                             | <b>\$19.6</b> |

At June 30, 2014, the General Fund balance totaled \$24.7 million compared to \$19.6 million in the prior year. The increase of \$5.1 million in fund balance was primarily due to an increase in revenue of \$4.3 million. Fiscal year 2014 had transfers out of \$2.1 million. This year's ending fund balance consisted of \$3.2 million categorized as nonspendable; \$0.8 was assigned; and \$20.7 million was unassigned. Refer to Note 8 for more information.

### **Concord Housing Fund**

The Concord Housing Fund tracks accounts for the activities related to the assets assumed by the City of Concord as the Housing Successor to the housing activities of the former Redevelopment Agency. The Total Fund Balance as of June 30, 2014 was \$30.9 million, an increase of \$2.1 million over last year's fund balance of \$28.8 million. Total revenues were \$2.2 million and total expenditures were \$0.2 million in fiscal 2014.

### **General Projects Fund**

This fund tracks capital project costs that are reimbursable from grants. The fund's revenues were \$4.7 million in fiscal 2014, an increase of \$1.6 million compared to \$6.3 million in fiscal 2013. Fund expenditures were \$5.0 million in fiscal 2014 compared to \$7.3 million in fiscal 2013.

The fund had a deficit balance at year end of \$0.5 million compared to a deficit of \$0.4 million in fiscal 2013 primarily due to the decrease in grant reimbursements.

### **Other Governmental Funds**

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

## **ANALYSES OF MAJOR PROPRIETARY FUND**

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### **Sewer Fund**

Net position of the Sewer Fund at fiscal year-end was \$65.1 million, a decrease of \$4.4 million compared to \$69.5 million at June 30, 2013. Net investment in capital assets was \$54.8 million and unrestricted net position was \$10.3 million at June 30, 2014.

## **CAPITAL ASSETS**

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GASB 34 requires the City to record all its capital assets, including infrastructure, in its financial statements. Infrastructure includes roads, bridges, signals, storm drains and other similar assets.

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 2014, the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 9 below:

**Table 9: Capital Assets  
For the Years Ended June 30, 2014 and 2013 (Dollars in Millions)**

|   | Balance at<br>June 30, 2014 | Balance at<br>June 30, 2013 |
|---|-----------------------------|-----------------------------|
| <b>Governmental Activities</b>                      |                             |                             |
| Land  | \$15.1                      | \$15.1                      |
| Construction in Progress                            | 2.4                         | 12.0                        |
| Ground Improvements                                 | 21.0                        | 17.0                        |
| Buildings and Improvements                          | 80.0                        | 75.1                        |
| Machinery and Equipment                             | 14.2                        | 12.3                        |
| Vehicles  | 9.3                         | 8.6                         |
| Streets   | 430.2                       | 429.7                       |
| Sidewalks   | 50.4                        | 48.9                        |
| Storm Drains/Catch Basins                           | 443.3                       | 443.3                       |
| Street Lights                                       | 5.8                         | 5.8                         |
| Traffic Signals                                     | 27.3                        | 26.4                        |
| Less: Accumulated Depreciation                      | (460.9)                     | (436.5)                     |
| <b>Governmental Activities Capital Assets, Net</b>  | <b>\$638.1</b>              | <b>\$657.7</b>              |
| <b>Business-Type Activities</b>                     |                             |                             |
| Land  | \$0.4                       | \$0.4                       |
| Construction in Progress                            | 0.2                         | 5.1                         |
| Buildings and Improvements                          | 8.7                         | 8.7                         |
| Machinery and Equipment                             | 0.2                         | 0.2                         |
| Sewer Lines   | 219.1                       | 209.5                       |
| Less: Accumulated Depreciation                      | (151.2)                     | (146.7)                     |
| <b>Business-Type Activities Capital Assets, Net</b> | <b>\$77.4</b>               | <b>\$77.2</b>               |

The principal additions to governmental capital assets in fiscal 2014 were buildings and improvements. Business-Type Activities experienced an increase of \$9.6 million in sewer lines, while net capital assets increased \$0.2 million due to the offsetting accumulated depreciation. 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. Further detail on capital assets, current year additions, construction in progress and depreciation can be found in Note 6.

## DEBT ADMINISTRATION

The City made all scheduled debt service payments. Each of the City's debt issues is discussed in detail in Note 7 to the Financial Statements. In addition, during the year ended June 30, 2014, the City entered into a lease purchase agreement with Key Government Finance in the amount of \$0.4 million. At June 30, 2014, the City's debt was comprised of the following issues:

**Table 10: Outstanding Debt  
As of June 30, 2014 and 2013 (Dollars in Millions)**

|  | June 30, 2014 | June 30, 2013 |
|--|---------------|---------------|
| <b>Governmental Activities Debt:</b>   |               |               |
| <b>Revenue Bonds:</b>  |               |               |
| 1995 Lease Revenue Bonds, 6.33 - 8.24%, due 8/1/20   | 2.4           | 2.9           |
| Police Facility Revenue Bonds, 2.70 - 5.25%, due 8/1/13                                      | 0.0           | 0.5           |
| Parking Garage Revenue Bonds, 4.0 - 5.13%, due 3/1/23  | 5.2           | 5.7           |
| <b>Refunding Lease Agreement</b>   |               |               |
| 3.3%, due 9/1/19   | 3.5           | 3.8           |
| <b>Lease Purchase Agreement</b>  |               |               |
| 4.75%, due 6/30/27   | 7.7           | 8.0           |
| <b>Notes Payable:</b>  |               |               |
| CHFA, 3.00%, due 03/01/14  | 0.4           | 1.4           |
| <b>Capital Lease:</b>  |               |               |
| Cisco VOIP Equipment, 3.95%, due 7/9/14  | 0.1           | 0.2           |
| Motorola Safety Radio, 3.03%, due 12/1/16  | 0.6           | 0.7           |
| NetApp Capital Solutions Software, 3.44%, due 04/01/15                                       | 0.2           | 0.3           |
| Color Hybrid Multi-Function Printers, 5.5%, due 11/1/16                                      | 0.1           | 0.1           |
| Motorola Safety Radio, 3.55%, due 8/1/18   | 0.2           | 0.3           |
| Key Government Finance, 4.59%, due 02/25/17  | 0.0           | 0.1           |
| US Bank 000 4.76%, due 10/15/17  | 0.2           | 0.2           |
| US Bank 001 4.76%, due 11/1/18   | 0.1           | 0.1           |
| Key Government Finance, 3.46%, due 12/12/18  | 0.4           | 0.0           |
| <b>Total Governmental Activities Debt</b>  | <b>\$21.1</b> | <b>\$24.3</b> |
| <b>Business-Type Activities Debt:</b>  |               |               |
| <b>Enterprise Long Term Debt:</b>  |               |               |
| 2012 - Wastewater Revenue Refunding Bonds, 1.50-4.00%, due 02/01/29                          | \$9.3         | \$9.8         |
| 2007 Certificates of Participation, Wastewater System Improvements, 3.75 - 4.50%, due 2/1/32 | 10.3          | 10.7          |
| ABAG 41 Certificates of Participation, Diablo Creek Golf Course, 4.00 - 5.00%, due 8/1/18    | 1.0           | 1.2           |
| <b>Total Business-Type Activities Debt</b>   | <b>\$20.6</b> | <b>\$21.7</b> |

Both Total Governmental Activities Debt and Business-Type Activities Debt decreased slightly over prior year because of the scheduled pay down of outstanding debt.

## **ECONOMIC OUTLOOK AND MAJOR INITIATIVES**

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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**

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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.