

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

**FOR THE YEAR ENDED JUNE 30, 2005**

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**REDEVELOPMENT AGENCY  
OF THE CITY OF CONCORD  
Basic Component Unit Financial Statements  
For the Year Ended June 30, 2005**

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**ACCOUNTANCY CORPORATION**  
1931 San Miguel Drive - Suite 100  
Walnut Creek, California 94596  
(925) 930-0902 • FAX (925) 930-0135  
E-Mail: [maze@mazeassociates.com](mailto:maze@mazeassociates.com)  
Website: [www.mazeassociates.com](http://www.mazeassociates.com)

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Concord, a component unit of the City of Concord, California as of and for the year ended June 30, 2005, which collectively comprise the Agency's basic component unit financial statements as listed in the table of contents. These component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these basic component unit financial statements based on our audit.

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

In our opinion, the basic component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Redevelopment Agency of the City of Concord, California as of June 30, 2005 and the respective changes in financial position and budgetary comparisons listed as part of the basic component unit financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2005 on our consideration of the Agency's internal control structure and on its compliance with laws and regulations

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



November 2, 2005

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## REDEVELOPMENT AGENCY OF THE CITY OF CONCORD

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal 2005 is the fourth year the Redevelopment Agency of the City of Concord (the Agency) has issued its financial statements in the format prescribed by the provisions of Government Accounting Standards Board Statement 34 "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*" (GASB 34). GASB 34 requires the Agency to provide this overview of its financial activities for the fiscal year, and it should be read in conjunction with the accompanying Basic Financial statements.

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

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

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

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

#### **FISCAL 2005 FINANCIAL HIGHLIGHTS**

Financial highlights of the year include the following:

##### *Agency-wide:*

- Total Agency revenues were \$14.8 million; including \$14.3 million in general revenues and \$.5 million in program revenues, an increase of \$1.2 million from the prior year.
- Total Agency expenses were \$11.6 million, compared with \$9.7 million in 2004.
- The Agency's net deficit was \$5.8 million at June 30, 2005, an improvement of \$3.3 million over the prior year.

*Fund Basis:*

- Total revenues at the Fund level were \$14.1, compared with \$13.3 million in 2004.
- Total expenditures were \$10.8 million, including \$6 million in capital outlays, a decrease of \$4.8 million over the prior year.
- Net transfers out and other financing uses were \$1.4 million.
- Fund balances increased \$1.9 million in fiscal 2005, to a new total of \$49.2 million.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This report is in two parts:

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

### The Basic Financial Statements

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

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

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

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

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

### *The Agency-wide Financial Statements*

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

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

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

### *Fund Financial Statements*

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

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

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

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

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

The Agency's net deficit from governmental activities decreased to \$5.8 million in 2005 from a deficit of \$9.1 million in 2004. This decrease is the Change in Net Assets (Deficit) reflected in the Statement of Activities. The Agency's June 30, 2005 net deficit is discussed below:

- Cash and investments available for the Agency's operations were \$16.2 million, all of which was invested in accordance with applicable State statutes and City ordinances in the City of Concord cash and investment pool.
- Cash and investments held by fiscal agents were \$7.2 million. These amounts must be held separate under debt indentures that require the Agency to maintain reserves against the repayment of its bonded debt.
- Loans to qualifying individuals and groups for the purpose of assisting in eliminating blight were \$18.1 million, net of a reserve for conditional grants of \$.7 million. These loans were made under various programs and substantially all are long-term in nature.
- The Agency owns land that cost \$10.7 million, which it is being held for resale or redevelopment as discussed in Note 1F.
- Capital assets were \$31.1 million, net of depreciation. These assets include the land, construction in progress, and buildings and structures as discussed in Note 6.
- Equity in Partnership of \$1 million is the Agency's investment in a partnership that assisted in the construction of low-and-moderate income housing, as discussed in Note 4.
- Long-term debt totaled \$88 million, all of which was Tax Allocation Bonds secured by future allocations of property tax increments or ground lease revenues and loans payable, as discussed in Note 7.
- The Agency has an advance from the City of Concord in the amount of \$1 million that is payable out of property tax increments, as discussed in Note 5D.
- Other assets and liabilities included normal business receivables and payables.

- Net assets invested in capital assets, net of related debt, reflects the Agency investment in capital assets at June 30, 2005. The \$17 million balance relates to the net capital value less the outstanding balance of debt associated with the Police Facility and the Parking Structure.
- Restricted net assets were \$18 million, including \$7.3 million restricted for payment of debt service and \$10.7 million that may only be used for community development projects.
- Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. The Agency's unrestricted net assets (deficit) totaled \$40.8 million at June 30, 2005.

### **Fiscal Year 2005 Government Activities**

The Agency's fiscal 2005 revenue came primarily from property tax increments, which was \$11.1 million after the reduction of \$.5 million and \$1.2 million for tax increment pass through payments and amounts withheld for the Educational Revenue Augmentation Fund (ERAF), respectively. Agency efforts in the community have resulted in higher assessed values in the area, and property tax increment increased \$.4 million. Investment earnings contributed an additional \$1.5 million in fiscal 2005, an increase of \$.3 million from the prior year as a result of continuing low interest rates.

Agency expenses of \$11.6 million in fiscal 2005 were principally for development purposes, which totaled \$5.4 million, and interest on long term debt, which amounted to \$4.7 million. The Agency also transferred \$1.4 million to the City of Concord, which it accounts for it as an expense as explained in Note 5C.

At June 30, 2005, the Agency's governmental funds reported combined fund balances of \$49.2 million, which is an increase of \$1.9 million compared with the prior year. This increase represented the excess of total fund revenues and transfers in over total fund expenditures and transfer out for the year.

All the Agency's tax increments are received by the General Capital Projects Fund. Revenues are then transferred to other funds for debt service and low-and-moderate-income housing purposes. Net tax increment revenues were \$11.1 million in fiscal 2005, decrease \$.6 million from the previous year after the \$.6 million tax increment pass through payment and \$1.2 million ERAF transfer. Charges for services were \$42 thousand, an increase of \$32 thousand from the previous year. The Fund's expenditures were primarily for planning and economic development, amounting to \$3.1 million in fiscal 2005. Capital outlay amounted to \$.6 million, about the same as 2004, as further finishing touches were put on the Todos Santos Parking Structure. Intra-fund transfers were made totaling \$4.5 million to the funds and \$1.4 million was transferred to the City in fiscal 2005. The Fund balance increased \$3.3 million in fiscal 2005 to a new balance of \$15.7 million.

The Low and Moderate Income Housing Fund received \$2.6 million in transfers from the General Capital Projects Fund, representing the 20% set-aside for this purpose as required by California law. The Fund also earned \$.1 million in investment income in fiscal 2005, down from the prior year due to declining interest rates, and expended \$1.2 million on the development of low-and-moderate-income housing.

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

The Agency has made loans to eligible individuals and several non-profit organizations totaling \$18.8 million to assist them in constructing low and moderate income housing. Interest on these loans is at below market rates, and principal payments are generally deferred or forgiven over time if the properties are occupied by qualified individuals. These loans are accounted for in the Low and Moderate Income Housing Fund and the General Capital Projects Fund and are explained in detail in Note 3 to the financial statements.

The Debt Service Fund received transfers of \$1.7 million from the General Capital Projects Fund. These transfers, together with \$.2 million in investment income, funded debt service expenditures totaling \$4.7 million in fiscal 2005. The Fund accounts for the payment of interest and principal on the Agency's Tax Allocation Bonds issued in 1988, 1993 and 2004.

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

The Parking Structure Lease Revenue Capital Projects Fund activity was minimal because these facilities were substantially complete in prior years. The project was completed in fiscal 2005 and the fund was closed at June 30, 2005.

### **CAPITAL ASSETS**

Capital assets of \$31.1 million at June 30, 2005 represent land, construction in progress, and buildings and structures. The principal item under construction in fiscal 2005 was the Galindo House Facility on which \$91 thousand has been expended. Further detail on the Agency's capital assets may be found in Note 6 to the financial statements.

### **DEBT ADMINISTRATION**

Each of the Agency's debt issues is discussed in detail in Note 7 to the financial statements. At June 30, 2005, the Agency's debt comprised several Tax Allocation Bond issues with interest rates of from 3.9% to 7.95%, all secured by property tax increment revenues, and Loans Payable owed to the City. Further detail on the Agency's debt activity and balances may be found in Note 7 to the financial statements.

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

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

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STATEMENT OF NET ASSETS AND  
STATEMENT OF ACTIVITIES

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

The Statement of Net Assets reports the difference between the Agency's total assets and the Agency's total liabilities, including all the Agency's capital assets and all its long-term debt.

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

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

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

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities
<b>ASSETS:</b>	
Cash and investments (Note 2)	\$16,153,393
Cash with fiscal agents (Note 2)	7,231,969
Accounts receivable	174,043
Interest receivable	130,647
Loans and notes receivable, net of reserves (Note 3)	18,093,731
Prepaid items	11,040
Land held for redevelopment (Note 1F)	10,671,480
Condemnation deposits (Note 1G)	9,523
Equity in partnership (Note 4)	989,769
Capital Assets, net of depreciation (Note 6)	31,100,799
Total assets	84,566,394
<b>LIABILITIES:</b>	
Accounts, deposits and contracts payable	31,986
Accrued liabilities	152,412
Refundable deposits	26,057
Bonds interest payable	1,579,611
Advance from the City of Concord (Note 5D)	943,547
Long-term debt (Note 7)	
Due in one year	3,870,000
Due in more than one year	83,763,068
Total liabilities	90,366,681
<b>NET ASSETS (DEFICIT) (Note 9)</b>	
Invested in capital assets, net of related debt	17,062,002
Restricted for:	
Debt service	7,295,550
Community development projects	10,671,480
Total restricted net assets	17,967,030
Unrestricted net assets	(40,829,319)
Total net assets (deficit)	(\$5,800,287)

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Charges for Changes in Net Assets</u>
		Charges for Services	Total
<b>Governmental Activities:</b>			
General Government	\$20,268		(\$20,268)
Community Development	1,119,476	\$41,736	(1,077,740)
Planning and Economic Development	4,293,117	463,770	(3,829,347)
Interest on long term debt	4,726,701		(4,726,701)
Transfers to the City of Concord	1,401,170		(1,401,170)
<b>Total Governmental Activities</b>	<b><u>\$11,560,732</u></b>	<b><u>\$505,506</u></b>	<b><u>(11,055,226)</u></b>
<b>General revenues:</b>			
Incremental property taxes			11,058,396
Investment earnings			1,800,331
Lease			1,386,117
Other			92,667
<b>Total general revenues and transfers</b>			<b><u>14,337,511</u></b>
Change in Net Assets (Deficit)			3,282,285
Net Assets (Deficit)-Beginning			<u>(9,082,572)</u>
Net assets (Deficit)-Ending			<b><u>(\$5,800,287)</u></b>

See accompanying notes to financial statements

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## FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year. The Agency considers all of its funds to be major funds as follows:

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

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

### **DEBT SERVICE FUND**

To account for the accumulation of property taxes for payment of interest and principal on the Redevelopment Agency tax allocation bonds issued in 1988, 1993 and 2004.

### **GENERAL CAPITAL PROJECTS FUND**

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

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

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

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

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

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2005

	Low and Moderate Income Housing	Debt Service	General Capital Projects	Police Facilities Lease Revenue Capital Projects	Parking Structure Lease Revenue Capital Projects	Total Governmental Funds
<b>ASSETS:</b>						
Cash and investments (Note 2)	\$2,521,679	\$63,581	\$13,499,534	\$68,599		\$16,153,393
Cash with fiscal agents (Note 2)		7,231,969				7,231,969
Accounts receivable	7,275		166,768			174,043
Interest receivable	8,860		121,787			130,647
Loans and notes receivable (Note 3)	15,832,365		2,982,598			18,814,963
Advance to other funds (Note 5B)	9,495,937					9,495,937
Prepaid items	1,061		9,979			11,040
Land held for redevelopment (Note 1F)			10,671,480			10,671,480
Condemnation deposits (Note 1G)			9,523			9,523
Equity in partnership (Note 4)			989,769			989,769
<b>Total Assets</b>	<b>\$27,867,177</b>	<b>\$7,295,550</b>	<b>\$28,451,438</b>	<b>\$68,599</b>		<b>\$63,682,764</b>
<b>LIABILITIES:</b>						
Accounts, deposits and contracts payable	\$4,331		\$27,655			\$31,986
Accrued liabilities	124,085		28,327			152,412
Refundable deposits			26,057			26,057
Deferred revenue	1,600,418		2,268,492			3,868,910
Advance from the City of Concord (Note 5D)			943,547			943,547
Advance from other funds (Note 5B)			9,495,937			9,495,937
<b>Total Liabilities</b>	<b>1,728,834</b>		<b>12,790,015</b>			<b>14,518,849</b>
<b>FUND BALANCES</b>						
Fund balances (Note 9)						
Reserved for:						
Encumbrances	1,266		616,595			617,861
Loans and notes	14,231,947		714,106			14,946,053
Advance to other funds	9,495,937					9,495,937
Prepaid items	1,061		9,979			11,040
Land held for redevelopment			10,671,480			10,671,480
Investment in partnership			989,769			989,769
Debt service		\$7,291,586				7,291,586
Low and moderate income housing	1,458,994					1,458,994
Unreserved:						
Designated for:						
Capital projects	949,138		1,657,003			2,606,141
Unreserved, undesignated		3,964	1,002,491	\$68,599		1,075,054
<b>TOTAL FUND BALANCES</b>	<b>26,138,343</b>	<b>7,295,550</b>	<b>15,661,423</b>	<b>68,599</b>		<b>49,163,915</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$27,867,177</b>	<b>\$7,295,550</b>	<b>\$28,451,438</b>	<b>\$68,599</b>		<b>\$63,682,764</b>

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
 GOVERNMENTAL FUNDS  
 RECONCILIATION OF GOVERNMENTAL  
 FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
 JUNE 30, 2005

Total fund balances reported on the governmental funds balance sheet \$49,163,915

Amounts reported for Governmental Activities in the Statement of  
 Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources  
 and therefore are not reported in the Governmental Funds. 31,100,799

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken  
 into revenue in the Statement of Activities. 3,868,910

LONG TERM ASSETS AND LIABILITIES

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

Reserve for conditional grants	(721,232)
Bond interest payable	(1,579,611)
Long-term debt	(91,481,415)
Loss on refunding of debt issue	3,848,347
	3,848,347

NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$5,800,287)

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2005

	Low and Moderate Income Housing	Debt Service	General Capital Projects	Police Facilities Lease Revenue Capital Projects	Parking Structure Lease Revenue Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Incremental property taxes			\$12,777,047			\$12,777,047
less tax increment pass through payment			(520,871)			(520,871)
less educational revenue augmentation						
fund withholding			(1,197,780)			(1,197,780)
Charges for services	\$41,736					41,736
Investment earnings	126,205	\$170,776	1,178,395	\$1,022	\$67,646	1,544,044
Lease income (Note 7C)			1,386,117			1,386,117
Other	19,604		73,063			92,667
<b>Total Revenues</b>	<b>187,545</b>	<b>170,776</b>	<b>13,695,971</b>	<b>1,022</b>	<b>67,646</b>	<b>14,122,960</b>
<b>EXPENDITURES</b>						
General government	9,877		10,391			20,268
Community development	1,119,476					1,119,476
Planning and economic development			3,050,133			3,050,133
Capital outlay	29,275		538,250			567,525
Debt service:						
Principal		2,950,000	592,304			3,542,304
Interest and fiscal charges		1,716,712	793,813			2,510,525
<b>Total Expenditures</b>	<b>1,158,628</b>	<b>4,666,712</b>	<b>4,984,891</b>			<b>10,810,231</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(971,083)</b>	<b>(4,495,936)</b>	<b>8,711,080</b>	<b>1,022</b>	<b>67,646</b>	<b>3,312,729</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers to the City (Note 5C)			(1,401,170)			(1,401,170)
Transfers in (Note 5A)	2,555,409	1,671,468	247,333			4,474,210
Transfers (out) (Note 5A)			(4,226,877)		(247,333)	(4,474,210)
<b>Total Other Financing Sources (Uses)</b>	<b>2,555,409</b>	<b>1,671,468</b>	<b>(5,380,714)</b>		<b>(247,333)</b>	<b>(1,401,170)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,584,326</b>	<b>(2,824,468)</b>	<b>3,330,366</b>	<b>1,022</b>	<b>(179,687)</b>	<b>1,911,559</b>
Fund balances at beginning of year	24,554,017	10,120,018	12,331,057	67,577	179,687	47,252,356
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$26,138,343</b>	<b>\$7,295,550</b>	<b>\$15,661,423</b>	<b>\$68,599</b>		<b>\$49,163,915</b>

See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
 Reconciliation of the  
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 with the  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2005

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$1,911,559

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay and other capitalized expenditures are therefore added back to fund balance	1,031,295
Depreciation expense is deducted from fund balance	(928,420)
Retirements of capital assets is deducted from fund balance	(458,539)

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance	2,950,000
Capital appreciation bonds accretion is deducted from fund balance	(340,538)
Repayment of leases payable principal is added back to fund balance	592,304
Amortization of loss on refunding is deducted from fund balance	(296,027)

ACCRUAL OF NON-CURRENT ITEMS

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

Deferred revenue	400,262
Interest payable	(1,579,611)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$3,282,285</u>
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See accompanying notes to financial statements

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
 LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services			\$41,736	\$41,736
Use of money and property	\$95,422	\$95,422	126,205	30,783
Other			19,604	19,604
<b>Total Revenues</b>	<u>95,422</u>	<u>95,422</u>	<u>187,545</u>	<u>92,123</u>
<b>EXPENDITURES</b>				
General Government:				
Attorney	44,416	44,416	9,877	34,539
Community Development	1,220,742	1,094,515	1,148,751	(54,236)
<b>Total Expenditures</b>	<u>1,265,158</u>	<u>1,138,931</u>	<u>1,158,628</u>	<u>(19,697)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	2,536,206	2,536,206	2,555,409	19,203
<b>Total Other Financing Sources (Uses)</b>	<u>2,536,206</u>	<u>2,536,206</u>	<u>2,555,409</u>	<u>19,203</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				
	<u>\$1,366,470</u>	<u>\$1,492,697</u>	1,584,326	<u>\$91,629</u>
Fund balance at beginning of year			<u>24,554,017</u>	
Fund balance at end of year			<u>\$26,138,343</u>	

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

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

**A. General**

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

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

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

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

**C. Major Funds**

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total. The Agency considers all funds to be major funds and reported the following major governmental funds in the accompanying financial statements:

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

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

**DEBT SERVICE FUND**

To account for the accumulation of property taxes for payment of interest and principal on the Redevelopment Agency tax allocation bonds issued in 1988, 1993 and 2004.

**GENERAL CAPITAL PROJECTS FUND**

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

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

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

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

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

**D. Basis of Accounting**

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

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Basic Component Unit Financial Statements

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

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

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

**E. Property Tax Increments**

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

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

**F. Land Held for Redevelopment**

At June 30, 2005 the Agency held the following properties for resale or redevelopment:

- a) A parcel of land held by the Agency was classified in the current fiscal year for future redevelopment.
- b) A parcel of land was purchased in fiscal year 2002 which is held to be used for the Town Center Project.
- c) One property purchased in fiscal year 2001 which is held for the purpose of constructing a new hotel in downtown Concord.

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

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

- d) Two parcels consisting of land and buildings purchased for redevelopment into an auto sales center in fiscal year 1999. These parcels are located within the "Concord Auto Mall" area. The Agency expects the remaining parcels to be sold in the near future.
- e) A parcel purchased in fiscal year 1989 which is to be sold in the future for development projects.
- f) Five properties purchased between 1982-1987 which are being held for future development projects.

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

**G. Condemnation Deposits**

The Agency had \$9,523 on deposit with the State of California and Contra Costa County as of June 30, 2005 to provide for the purchase of property located within the City of Concord which the Agency is attempting to acquire. The funds will be released to the property owner upon completion of the condemnation process.

**NOTE 2 - CASH AND INVESTMENTS**

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

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

**A. Classification**

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

Cash and investments available for Agency operations	\$16,153,393
Cash with fiscal agents	7,231,969
Total Cash and Investments	\$23,385,362

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

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

**B. Investments Authorized by the California Government Code and the City and Agency's Investment Policy**

The Agency is authorized to invest in the following types of instruments, and the table also identifies certain provisions of the California Government Code, or the City and Agency's investment policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills, Bonds and Notes	5 years			None
Obligations issued by United States Government Agencies	5 years			None
Bankers Acceptances	180 days		30%	30%
Commercial Paper	270 days	A1/P1/F1	25% (A)	10%
Negotiable Certificates of Deposit	5 years	A	30%	None
Medium Term Corporate Notes	5 years	A	30% (A)	None
Money Market Mutual Funds		Top rating category	5%	None
California Local Agency Investment Fund				\$40 million per account
Time Certificates of Deposit	5 years		30%	10%
Derivative Securities (B)	5 years			

(A) Total combined corporate debt (Commercial Paper and Medium Term Notes) may not exceed 30% of the cost value of the portfolio.

(B) Investments in derivative securities will be made using the Prudent Investor Rule and will be limited to federal agency callable issues.

Under the Agency's Investment Policy, investments not described above are ineligible investments. In addition, the Agency may not invest any funds in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages in accordance with the California Government Code. With the exception of callable federal agency securities, any security that derives its value from another asset or index is prohibited. In addition, the Agency's may not invest any funds in any security that could result in zero interest accrual if held to maturity.

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

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

**C. Investments Authorized by Debt Agreements**

The Agency's must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the Agency fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Agency's resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
Federal Agency Securities	5 Years	AAA
State of California Local Agency Investment Fund		
Commercial Paper	270 days	A1/P1/F1
Negotiable Certificate of Deposits	180 days	
Bank Deposits		FDIC insured
US Government Treasury Obligations		
State/ Local Obligations		AAA
Federal Securities		
Corporate Notes		AAA
Money Market Mutual Funds		AAA
Repurchase Agreements		AAA
Investment Agreements		AAA

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

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

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity or earliest call date:

Investment Type	12 months or Less	13 to 24 Months	25 to 36 Months	Total
Federal Agency Securities	\$1,995,938			\$1,995,938
California Local Agency Investment Fund	11,239,580			11,239,580
City of Concord Investment Pool	2,917,875			2,917,875
Held by bond trustee:				
Money Market Mutual funds (U.S. Securities)	4,640,091			4,640,091
Federal Agency Securities		\$59,756	\$875,870	935,626
U.S. Treasury Notes	1,656,252			1,656,252
Total investments	<u>\$22,449,736</u>	<u>\$59,756</u>	<u>\$875,870</u>	<u>\$23,385,362</u>

The Agency is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2005, these investments have an average maturity of 151 days.

Money market funds are available for withdrawal on demand and at June 30, 2005, have an average maturity of 69 days.

GASB Statement 31 requires governments to present investments at fair value. The Agency adjusts the carrying value of its investment to reflect the fair value at each fiscal year-end, and it includes the effect of this adjustment in income for that fiscal year. At June 30, 2005, the cost of investments was \$59,473 less than the Agency's fair market value. The Agency's policy is to hold investments to maturity.

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

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

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Pooled investments are not rated because of their pooled, rather than individual, nature. Presented below is the actual rating as of June 30, 2005 for each investment type:

Investment Type	AAA	Total
Federal Agency Securities	\$2,931,564	\$2,931,564
Money Market Mutual Funds (U.S. Securities)	4,640,091	4,640,091
Total investments	\$7,571,655	7,571,655
Not rated:		
California Local Agency Investment Fund		11,239,580
City of Concord Investment Pool		2,917,875
Exempt from credit rate disclosure:		
U.S. Treasury Notes		1,656,252
Total Investments		\$23,385,362

**NOTE 3 - LOANS AND NOTES RECEIVABLE**

The Agency engages in programs designed to encourage business enterprises, construction, improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to businesses, home-owners or developers who agree to spend these funds in accordance with the Agency's terms. Although these loans and notes are expected to be repaid in full, their balance has been offset by deferred revenue or a reservation of fund balance as they are not expected to be repaid during fiscal year 2006.

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

**Housing Assistance**

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

**Housing Conservation**

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

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Basic Component Unit Financial Statements

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

**Downtown Revitalization and Low and Moderate Income Housing Rehabilitation**

Low and no interest loans are made by the Agency to provide businesses assistance for rehabilitating buildings in the downtown area and to business or individuals for the rehabilitation of housing within the City of Concord owned and/or occupied by persons of low and moderate income. Included in these loans, a loan in the amount of \$129,261 has been made to a City employee for the rehabilitation of a residential property.

**Lakeside Apartments**

The Agency entered into a loan agreement with Lakeside Apartments, L.P. for the acquisition and rehabilitation of Lakeside apartments. The outstanding balance of the loan bears interest at a rate of 3% per annum. The Agency expects the loan to be repaid on November 5, 2058. The repayments on the loan shall be made from residual receipts. As of June 30, 2005, the balance of the loan is \$2,413,425.

**Fry's Electronics**

The Agency entered into a \$3,900,000 loan agreement with Fry's Electronics to provide assistance in rehabilitation of the building and surrounding site improvements. The loan will be disbursed to Fry's to the extent that sales tax collections from the site exceed \$500,000 per year. The loan amount will be forgiven after ten calendar years as long as the building is operated by Fry's Electronics. At June 30, 2005, certain conditions in the loan had not been fulfilled, therefore the Agency had not expended any funds on the rehabilitation loan.

**Conditional Grants**

The Agency entered into an Owner Participation Agreement in fiscal 2003 with a developer to develop a high-rise office project on a property. A loan was made to the developer and this loan provides for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The Agency accounts for these loans as conditional grants in the Agency-wide financial statements, and provides a reserve against their eventual forgiveness. The balance of this reserve was \$721,232 at June 30, 2005.

**NOTE 4 - EQUITY IN PARTNERSHIP**

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

The Partnership had no debt at December 31, 2004; the Redevelopment Agency's equity in the Partnership's assets was \$989,769 at that date and its share of the Partnership's net income for the year then ended was \$99,247. The Agency made no monetary contributions to the partnership during the year. Financial statements for the Partnership can be obtained from the Concord Redevelopment Agency, 1950 Parkside Drive, Concord, CA 94519.

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

**NOTE 5 – INTERFUND TRANSACTION**

**A. *Transfers Between Funds***

With Council approval, resources may be transferred from one Agency fund to another. The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund. In the fiscal year, the General Capital Projects Fund transferred \$2,555,409 to the Low and Moderate Income Housing Special Revenue Fund for the State required set-aside increment tax revenues and also transferred \$ 1,671,468 to the Debt Service Fund to fund debt service payments. The Parking Structure Lease Revenue Capital Projects Fund transferred \$247,333 to the General Capital Projects Fund to fund capital projects and close the fund.

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

Beginning in 1986, the General Capital Projects Fund has been required by the State to set aside 20% of property tax increments for low and moderate income housing. However, under a transition rule, the General Capital Projects Fund has been allowed to use these set-asides for current capital projects as long as it had a written plan for repaying these amounts to the Low and Moderate Income Housing Special Revenue Fund. At June 30, 2005 the amount due that Fund under the repayment plan totaled \$9,495,937. The advance does not bear interest, and payment on the advance is expected to begin in fiscal 2009.

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

With Board and Council approval, transfers are made between the City and the Agency to reimburse the entity which has made an expenditure on behalf of another entity. In fiscal 2005, the General Capital Projects Fund transferred \$1,401,170 to the City as reimbursement for its share of overhead costs and lease payments made to the Agency.

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

As of June 30, 2005, the City has advanced the Agency \$943,547. The advance will be repaid from future increment tax revenues and from future developer fees collected from the Metroplex development. This advance bears no interest and repayment is expected to begin in fiscal year 2006.

**NOTE 6 – CAPITAL ASSETS**

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

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

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

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Basic Component Unit Financial Statements

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

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

Capital asset transactions and balances comprise the following at June 30, 2005:

	<u>Balance at June 30, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance at June 30, 2005</u>
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land	\$6,175,884				\$6,175,884
Construction in progress	384,316	\$124,779	(\$15,793)	(\$402,000)	91,302
Total capital assets not being depreciated	<u>6,560,200</u>	<u>124,779</u>	<u>(15,793)</u>	<u>(402,000)</u>	<u>6,267,186</u>
Capital assets being depreciated:					
Buildings and structures	30,081,563	463,770		402,000	30,947,333
Less: depreciation	<u>(5,185,300)</u>	<u>(928,420)</u>			<u>(6,113,720)</u>
Total capital assets being depreciated	<u>24,896,263</u>	<u>(464,650)</u>		<u>402,000</u>	<u>24,833,613</u>
Governmental activity capital assets, net	<u>\$31,456,463</u>	<u>(\$339,871)</u>	<u>(\$15,793)</u>		<u>\$31,100,799</u>

Construction in progress comprised the following at June 30, 2005:

	<u>Total Project Authorization</u>	<u>Expended to Date At June 30, 2005</u>
<b>Governmental activities:</b>		
Galindo House Facility	\$196,900	\$91,302

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

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

**NOTE 7 – LONG-TERM DEBT**

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

	Original Principal Amount	Balance as of July 1, 2004	Additions	Retirements	Balance as of June 30, 2005	Current Portion
<i>Governmental Activity:</i>						
<i>1988 Tax Allocation Bonds:</i>						
1988-2 Capital Appreciation Bonds, 7.2-7.95%, due 07/01/05	\$7,282,663	\$5,678,749	\$221,251	\$2,950,000	\$2,950,000	\$2,950,000
<i>1993 Tax Allocation Bonds:</i>						
<i>1993 Senior Bonds:</i>						
Capital Appreciation Bonds, 5.7- 5.75%, due 07/01/08	1,103,675	2,063,331	119,287		2,182,618	
<i>2004 Tax Allocation Refunding Bonds</i>						
3.9-5.05%, due 07/01/25	72,310,000	72,310,000			72,310,000	270,000
Less deferred amount on refunding		(4,144,374)		(296,027)	(3,848,347)	
<b>Total Tax Allocation Bonds</b>		<b>75,907,706</b>	<b>340,538</b>	<b>2,653,973</b>	<b>73,594,271</b>	<b>3,220,000</b>
<i>Loans payable:</i>						
Police Facilities, 2.70- 5.25%, due 08/01/19	9,700,000	6,526,793		280,626	6,246,167	325,000
Parking Garage, 4.0-5.13% due 03/01/23	9,580,000	8,104,308		311,678	7,792,630	325,000
<b>Total Leases Payable</b>		<b>14,631,101</b>		<b>592,304</b>	<b>14,038,797</b>	<b>650,000</b>
<b>Total Governmental Activity Debt</b>		<b>\$90,538,807</b>	<b>\$340,538</b>	<b>\$3,246,277</b>	<b>\$87,633,068</b>	<b>\$3,870,000</b>

**B. Tax Allocation Bonds**

Tax Allocation Bonds were issued in 1988 and 1993 by the Agency. The TABs are special obligations of the Agency and are secured by the Agency's tax increment revenues.

The outstanding balance of the Series 1988-2 Capital Appreciation Bonds increased \$221,250 due to the annual increase in accreted value at June 30, 2005. Annual principal and interest payments commenced July 1, 1999 and continue through July 1, 2005.

1993 Capital Appreciation Bonds outstanding balance increased \$119,287 due to the increase in accreted value; unaccreted discount totaled \$397,381 at June 30, 2005. Principal and interest payments of \$60,000 and \$2,520,000 are due on July 1, 2007 and July 1, 2008, respectively.

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD**

Notes to Basic Component Unit Financial Statements

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

Tax Allocation Bonds were issued in 2004 by the Redevelopment Agency to defease the 1988 Current Interest Term Bonds, 1993 Senior Current Interest Term Bonds, and the 1993 Subordinate Term Bonds. Interest payments on the 2004 TABs are payable semiannually on January 1 and July 1. The 2004 TABs are special obligations of the Agency and are secured by the Agency's tax increment revenues.

In 1993 the Agency defeased certain Tax Allocation Bonds by placing the proceeds of the 1993 TABs in an irrevocable trust to provide for all future debt service payments on the defeased Bonds. Accordingly, the trust account assets and the liability for the defeased Bonds are not included in the financial statements. At June 30, 2005 bonds outstanding in the amount of \$56,140,000 are considered defeased.

**C. Loans Payable**

The Agency constructed police facilities and a three-level, 432-space parking structure, which are leased by the City. Revenues from these leases totaled \$1,386,117 in fiscal 2005. The Concord Joint Powers Financing Authority loaned the Agency \$19,280,000 to construct these facilities. These loans are recorded as long-term liabilities on the Agency-wide Statement of Net Assets.

**D. Repayment Requirements**

At June 30, 2005 annual principal and interest debt service requirements for the Tax Allocation Bonds and Loans Payable were as follows:

For the Year Ending June 30	Governmental Activities		
	Principal	Interest	Appreciation
2006	\$3,743,818	\$4,797,431	\$126,182
2007	3,806,524	4,687,051	133,476
2008	3,962,275	4,507,621	137,725
2009	4,270,000	4,354,624	
2010	4,315,000	4,185,821	
2011-2015	24,465,000	17,296,618	
2016-2020	30,320,000	9,576,254	
2021-2025	13,533,798	2,549,316	
2026	3,065,000	77,391	
Total	91,481,415	\$52,032,127	\$397,383
Reconciliation of long-term debt:			
Less unamortized deferred amount on refunding	(3,848,347)		
Total	\$87,633,068		

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

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

**NOTE 8 – RISK MANAGEMENT**

In July 2003 the City joined the California Public Entity Insurance Authority (CPEIA), a joint powers authority. The Authority provides coverage against the following types of loss risks, including commercial insurance coverage, under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

Type of Coverage (Deductible)	Coverage Limits
General Liability (\$250,000)	\$15,000,000
Worker's Compensation (\$500,000)	100,000,000
All Risk Property Including Flood (\$10,000)	600,000,000
Earthquake & Flood (\$10,000)	60,000,000

CPEIA was established for the purpose of creating a risk management pool for all California public entities. CPEIA is governed by a Board of Directors consisting of representatives of its member public entities.

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the Authority are available from CPEIA at 3017 Gold Canal Drive, Suite 300, Rancho Cordova, CA 95670.

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

For the years ended June 30, 2005, 2004, and 2003 the amount of settlements did not exceed insurance coverage.

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

Net Assets is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

**A. Net Assets**

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

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

REDEVELOPMENT AGENCY OF THE CITY OF CONCORD

Notes to Basic Component Unit Financial Statements

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

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

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

**B. Reserves**

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The Agency cannot modify or remove these restrictions or reserves. At June 30, 2005, reserves included:

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

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

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

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

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

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**ACCOUNTANCY CORPORATION**  
1931 San Miguel Drive - Suite 100  
Walnut Creek, California 94596  
(925) 930-0902 • FAX (925) 930-0135  
E-Mail: [maze@mazeassociates.com](mailto:maze@mazeassociates.com)  
Website: [www.mazeassociates.com](http://www.mazeassociates.com)

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

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

We have audited the financial statements of the Redevelopment Agency of the City of Concord as of and for the year ended June 30, 2005, and have issued our report thereon dated November 2, 2005. We have conducted our audit in accordance with generally accepted auditing standards 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.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

***Compliance and Other Matters***

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit included tests of compliance with provisions of the *Guidelines for Compliance Audits of California Redevelopment Agencies*. 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*.

This report is intended for the information of the Agency Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the above parties.



November 2, 2005

A Professional Corporation

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